

**DÖKTAŞ DÖKÜMCÜLÜK  
TİCARET VE SANAYİ A.Ş.**

**Consolidated Financial Statements  
As at and For the Year  
Ended 31 December 2019  
With Independent Auditors' Report Thereon**

*(Convenience Translation of Financial Statements  
and Notes to the Financial Statements  
Originally Issued in Turkish)*

25 Feb 2020

*This report includes 6 pages of Independent  
Auditors' Report and 71 pages of financial  
statements and notes to the financial statements.*

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**DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

		<b>Audited</b>	<b>Audited</b>
		<b>31 December</b>	<b>31 December</b>
	<i>Notes</i>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
		<b>474.460.109</b>	<b>363.638.379</b>
Cash and Cash Equivalents	4	54.702.442	27.741.417
Trade Receivables	6	199.986.036	154.001.711
- Trade receivables from third parties		199.986.036	154.001.711
Other Receivables	7	1.247.220	1.335.268
- Other receivables from third parties		1.247.220	1.335.268
Inventories	9	209.198.873	166.184.515
Prepaid Expenses	10	2.502.860	6.629.639
Other Current Assets	17	6.822.678	7.745.829
<b>Non-Current Assets</b>			
		<b>959.784.524</b>	<b>996.097.924</b>
Trade Receivables	6	6.634.339	161.720.823
- Trade receivables from third parties		6.634.339	161.720.823
Other Receivables	7	15.676.236	14.585.849
- Financial receivables from third parties		15.676.236	14.585.849
Equity-Accounted Investees	11	5.418.816	8.190.316
Property, Plant and Equipment	12	875.587.789	777.288.682
Intangible Assets		29.338.363	11.842.633
- Goodwill	14	7.540.809	6.834.872
- Other intangible assets	13	21.797.554	5.007.761
Prepaid Expenses	10	7.904.843	13.140.604
Other Non-Current Assets	17	19.224.138	9.329.017
<b>TOTAL ASSETS</b>		<b>1.434.244.633</b>	<b>1.359.736.303</b>

The accompanying notes form an integral part of these consolidated financial statements.

**DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

		Audited	Audited
	Notes	31 December 2019	31 December 2018
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>438.084.465</b>	<b>671.802.117</b>
Short-Term Borrowings	5	221.555.628	211.809.821
Short-Term Portion of Long-Term Borrowings	5	63.122.527	323.526.057
Trade Payables	6	104.531.151	94.266.310
- Trade payables to related parties	28	11.099.452	7.058.487
- Trade payables to third parties		93.431.699	87.207.823
Other Payables	7	5.813.136	9.440.939
- Other payables to third parties		5.813.136	9.440.939
Payables Related to Employee Benefits	8	15.942.705	14.769.890
Short-term Provisions	15	14.287.617	14.637.449
- Short-term provisions for employee benefits		3.639.188	3.023.822
- Other short-term provisions		11.263.795	10.998.261
Other Current Liabilities	17	12.831.701	3.351.651
<b>Non-Current Liabilities</b>		<b>911.078.098</b>	<b>559.050.603</b>
Long-Term Borrowings	5	820.525.144	479.994.480
Other Payables	7	--	485.573
- Other payables to third parties		--	485.573
Long-Term Provisions		58.663.719	51.350.736
- Long-term provisions for employee benefits	16	58.663.719	51.350.736
Deferred Tax Liabilities	26	31.889.235	27.219.814
<b>TOTAL LIABILITIES</b>		<b>1.349.162.563</b>	<b>1.230.852.720</b>
<b>EQUITY</b>		<b>85.082.070</b>	<b>128.883.583</b>
Paid-in Capital	18	66.844.800	66.844.800
Capital Advance	18	47.135.250	--
Inflation Adjustment Differences on Paid-in Capital	18	45.195.347	45.195.347
Share Premium	18	161.041	161.041
Other Comprehensive Income/Expense Items That will not be Reclassified to Profit or Loss		6.668.975	(2.672.758)
- Gain on revaluation and re-measurement		46.325.911	48.661.515
- Remeasurements of defined benefit liability		(39.656.936)	(51.334.273)
Other Comprehensive Income/Expense Items That are or may be Reclassified Subsequently to Profit or Loss		200.728.360	200.474.272
- Foreign currency translation differences		200.728.360	200.474.272
Restricted Reserves	18	16.035.194	16.035.194
Other Equity Interests	18	(625.278.409)	(424.245.815)
Prior Years' Profits	18	229.427.106	125.860.629
Net Profit/(Loss) for the Year		98.164.406	101.230.873
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1.434.244.633</b>	<b>1.359.736.303</b>

The accompanying notes form an integral part of these consolidated financial statements.

**DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

( Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited 1 January-31 December 2019	Audited 1 January-31 December 2018
<b>PROFIT OR LOSS:</b>			
Revenue	19	1.156.973.953	1.179.872.081
Cost of Sales (-)	19	(905.551.440)	(931.795.423)
<b>GROSS PROFIT</b>		<b>251.422.513</b>	<b>248.076.658</b>
Marketing Expenses (-)	20	(49.280.148)	(40.788.733)
General Administrative Expenses (-)	20	(59.464.017)	(63.045.160)
Research and Development Expenses (-)		(1.963.713)	(655.322)
Other Operating Income	22	45.657.347	60.676.701
Other Operating Expenses (-)	22	(9.937.184)	(7.646.599)
<b>OPERATING PROFIT</b>		<b>176.434.798</b>	<b>196.617.545</b>
Income from Investing Activities	23	13.515	5.545.400
Share of Profit of Equity-Accounted Investees	11	683.019	820.385
<b>OPERATING PROFIT BEFORE FINANCE COSTS</b>		<b>177.131.332</b>	<b>202.983.330</b>
Finance Income	24	15.949.766	18.029.957
Finance Expenses (-)	25	(91.509.312)	(111.125.698)
<b>OPERATING PROFIT/(LOSS) BEFORE TAX</b>		<b>101.571.786</b>	<b>109.887.589</b>
<b>Income Tax Expense</b>		<b>(3.407.380)</b>	<b>(8.656.716)</b>
- Current Tax Expense	26	--	--
- Deferred Tax Income	26	(3.407.380)	(8.656.716)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>98.164.406</b>	<b>101.230.873</b>
Ordinary and Diluted Earnings/(Loss) per Share (Nominal value of 1 Kuruş)	27	14.6854	15,1442
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Profit or Loss not to be Reclassified</b>		<b>11.677.337</b>	<b>(41.192.031)</b>
- Revaluation of property, plant and equipment	12	--	(13.390.792)
- Remeasurements of defined benefit liability	16	14.596.671	(35.377.375)
- Tax – Related to other comprehensive income not attributable to profit or losses	26	(2.919.334)	7.576.137
<b>Profit or Loss to be Reclassified</b>		<b>254.088</b>	<b>28.070.824</b>
- Foreign operations-foreign currency translation differences		254.088	28.070.824
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>11.931.425</b>	<b>(13.121.207)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>110.095.831</b>	<b>88.109.666</b>

The accompanying notes form an integral part of these consolidated financial statements.

**DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts are Express in Turkish Lira (“TL”) unless otherwise stated.)

					Other Comprehensive Income/Expense Items That will not to be Reclassified to Profit or Loss	Other Comprehensive Income/Expense Items That are or may be Reclassified Subsequently to Profit or Loss						
	Notes	Paid-in Capital	Inflation adjustment differences on paid-in capital	Share Premium	Gain on revaluation and re- measurement	Remeasurements of defined benefit liability	Foreign Currency Translation Differences	Restricted Reserves	Other Equity Interests	Prior years’ profits	Net profit/(loss) for the year	Total equity
<b>Balances at 1 January 2018</b>		66.844.800	--	45.195.347	161.041	63.668.601	(23.032.373)	172.403.448	16.035.194	(424.245.815)	62.481.740	68.127.774
Correction to IFRS 9		--	--	--	--	--	--	--	--	--	(6.865.840)	--
<b>Adjusted balances as of 1 January 2018</b>		66.844.800	--	45.195.347	161.041	63.668.601	(23.032.373)	172.403.448	16.035.194	(424.245.815)	55.615.900	68.127.774
Transfers		--	--	--	--	--	--	--	--	--	68.127.774	(68.127.774)
Total comprehensive income		--	--	--	--	(12.890.131)	(28.301.900)	28.070.824	--	--	--	101.230.873
Depreciation transfer		--	--	--	--	(2.116.955)	--	--	--	--	2.116.955	--
<b>Balances at 31 December 2018</b>	18	66.844.800	--	45.195.347	161.041	48.661.515	(51.334.273)	200.474.272	16.035.194	(424.245.815)	125.860.629	101.230.873
<b>Balances at 1 January 2019</b>		66.844.800	--	45.195.347	161.041	48.661.515	(51.334.273)	200.474.272	16.035.194	(424.245.815)	125.860.629	101.230.873
Correction to IFRS 9		--	--	--	--	--	--	--	--	--	101.230.873	(101.230.873)
<b>Adjusted balances as of 1 January 2019</b>		--	47.135.250	--	--	--	--	--	--	--	--	--
Transfers		--	--	--	--	--	11.677.337	254.088	--	--	--	98.164.406
Total comprehensive income		--	--	--	--	--	--	--	--	(201.032.594)	--	--
Depreciation transfer		--	--	--	--	(2.335.604)	--	--	--	--	2.335.604	--
<b>Balances at 31 December 2019</b>	18	66.844.800	47.135.250	45.195.347	161.041	46.325.911	(39.656.936)	200.728.360	16.035.194	(625.278.409)	229.427.106	98.164.406

The accompanying notes form an integral part of these consolidated financial statements.

**DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

		Audited	Audited
	Notes	31 December 2019	31 December 2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>71.682.046</b>	<b>58.841.779</b>
Net profit/(loss)		<b>98.164.406</b>	<b>101.230.873</b>
<b>Adjustments to reconcile net profit to cash provided by operating activities:</b>		<b>189.642.701</b>	<b>181.976.091</b>
Depreciation and amortisation expenses	12,13	43.874.132	42.340.085
(Reversal of)/Provision for impairment		2.244.144	7.470.689
<i>(Reversal of)/Provision for diminution in value of inventories</i>	9	2.244.144	(1.111.611)
<i>Provision for impairment on trade receivables</i>	22	--	8.582.300
Adjustments related to provisions		6.782.498	(2.328.115)
<i>Provision for employee termination benefits</i>	15,16	8.000.306	7.621.654
<i>Provision of litigation</i>	15	(370.277)	(738.337)
<i>Other provisions (cancellations)</i>	15	(847.531)	(9.211.432)
Adjustments related to interest (income)/expense		70.602.352	64.863.699
<i>Interest income</i>	24	(267.825)	(154.058)
<i>Interest expense</i>	25	70.870.177	65.017.757
Unrealized foreign currency translation differences		(34.735.677)	(33.892.071)
Share of profit of equity-accounted investees	11	(683.019)	(820.385)
Tax income	26	3.407.380	8.656.716
Gain on sale of property, plant, and equipment		(13.515)	(5.545.400)
<i>Gain on sale of property, plant, and equipment</i>	23	(13.515)	(5.545.400)
<b>Cash flows from operating activities before changes in operating assets and liabilities:</b>		<b>189.642.701</b>	<b>181.976.091</b>
Increase in trade receivables		(92.852.915)	(83.703.275)
<i>(Increase)/decrease in trade receivables from third parties</i>		(92.852.915)	(83.703.275)
Increase in other receivables from operating activities		(1.002.339)	(3.896.245)
<i>(Increase)/decrease in other receivables from third party operations</i>		(1.002.339)	(3.896.245)
Increase in inventories		(45.258.502)	(43.921.949)
(Increase)/decrease in prepaid expenses		9.362.540	(7.728.231)
Increase in trade payables		10.264.841	(7.051.495)
<i>Increase in trade payables to related parties</i>		4.040.965	6.820.158
<i>Increase in trade payables to third parties</i>		6.223.876	(13.871.653)
Increase in other payables from operating activities		(4.113.376)	3.301.565
<i>Increase in other payables from operating activities with third parties</i>		(4.113.376)	3.301.565
(Increase)/decrease on working capital		12.490.484	32.896.560
<i>Increase in other assets from operations</i>		(8.971.970)	2.653.545
<i>Decrease in other liabilities from operations</i>		21.462.454	30.243.015
(Increase)/decrease in payables related to employee benefits		1.172.815	(305.301)
<b>Cash from operating activities</b>		<b>79.706.249</b>	<b>71.567.720</b>
Payments of employee termination benefits	16	(8.946.684)	(16.947.635)
Other cash inflows	6	922.480	4.221.694
<b>Net cash from operating activities</b>		<b>71.682.046</b>	<b>58.841.779</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		69.734	15.032.299
Acquisition of property, plant and equipment and intangible assets		(73.612.320)	(32.582.953)
<i>Acquisition of property, plant and equipment</i>	12	(56.961.926)	(28.823.241)
<i>Acquisition of intangible assets</i>	13	(16.650.394)	(3.759.712)
Dividend received	11	--	(155.585)
Interest received		267.825	154.058
<b>Net cash used in investing activities</b>		<b>(73.274.761)</b>	<b>(17.552.181)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		137.277.516	206.302.875
<i>Proceeds from bank loans</i>		137.277.516	206.302.875
Repayment of borrowings		(156.184.058)	(237.560.957)
<i>Repayment of bank loans</i>		(155.613.035)	(236.322.313)
<i>Repayment factoring payables</i>		--	(42.425)
<i>Other financial borrowing payments</i>		(571.023)	(1.196.219)
<i>Proceeds from capital advance</i>		47.135.250	--
<b>Net cash provided from financing activities</b>		<b>28.228.708</b>	<b>(31.258.082)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN EXCHANGE (A+B+C)</b>		<b>26.635.993</b>	<b>10.031.516</b>
<b>D. FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>			
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	<b>27.741.417</b>	<b>17.464.098</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>26.961.025</b>	<b>10.277.319</b>
<b>NET CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D +E)</b>	4	<b>54.702.442</b>	<b>27.741.417</b>

The accompanying notes form an integral part of these consolidated financial statements.

## DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

#### 1. ORGANIZATION AND NATURE OF OPERATIONS

Döktaş Dökümcülük Ticaret ve Sanayi A.Ş. (the "Company") was established in 1973 in Orhangazi, Bursa and operated as a subsidiary of Koç Holding A.Ş. until 12 December 2006. On 12 December 2006, Koç Holding transferred its shares to Componenta Oyj located in Finland. Since then the Company is a subsidiary of Componenta Oyj.

On 1 September 2016, Componenta Oyj, declared publicly on Helsinki Stock Exchange that Componenta Oyj and its subsidiaries in Finland and Sweden filed for restructuring. It was also decided for Componenta Oyj's Dutch subsidiary Componenta B.V. file for bankruptcy. The restructuring process of the parent company and the group companies has been continuing as at the reporting date.

The official file for restructuring of Componenta Oyj has given Turkish banks the right to vote at the Company's general meetings and to initiate the sale process of shares according to the Share Pledge Agreement signed on 16 June 2016 with the Turkish Banks and the share pledge process that started on 19 August 2016 for the Central Registry Agency. As at the reporting date, Componenta Oyj has lost its power to control the Company's operations, even though it remains the legal owner of the Company shares.

The nominal value of TL 62.543.859 corresponding to 93.57% of the Group's capital was transferred to Döktaş Metal Sanayi ve Ticaret A.Ş. by Componenta Oyj upon approval of the transfer of the pledged shares by the Lenders on 23 September 2017. The transfer transaction was registered on 12 October 2017 and published in Trade Registry Gazette No. 9432. The power to control the operations of the Group has been transferred to Döktaş Metal Sanayi ve Ticaret A.Ş. with the transfer transaction.

The name of the Company, which is Componenta Dökümcülük Ticaret ve Sanayi Anonim Şirketi, has been changed to. On April 19, 2018.

Founded for special purpose Döktaş Metal decided to sell 93.57% of its shares to Çelik Holding A.Ş. on 11 May 2018 and at the same date a share purchase agreement was signed between the parties.

The transfer transactions were completed after the lenders allowed the transfer of the pledged shares to the buyer and the permission was obtained from the Competition Board and the share transfer was realized on 29 June 2018.

The nominal value of TL 62.543.859 corresponding to 93,57% of the Group's capital were transferred to Çelik Holding A.Ş. by Döktaş Metal upon approval of the transfer of the pledged shares by the Lenders on 29 June 2018. The transfer was registered on 11 July 2018. With the transfer of shares, the authority to control the Company's operations was transferred to Çelik Holding A.Ş.

The main operations of the Company are production and trade of gray cast iron, spheroidal cast iron and aluminum castings for the automotive industry. The Company's production and trading operations are conducted in its premises based in Bursa - Orhangazi and in its aluminum casting factory in Manisa Industrial Area, which was acquired in 1999. The Company is registered with the Capital Markets Board ("CMB") of Turkey and its shares are currently quoted in Borsa İstanbul A.Ş. ("BIST").

The average number of employees for the period 1 January-31 December 2019 was 2.148 (1 January - 31 December 2018: 2.309).

The registered office addresses of Orhangazi and Manisa plants are as follows:

Fatih Mahallesi Gölyolu No: 26 P.K. (18) Orhangazi 16801 Orhangazi/ Bursa.

Organize Sanayi Bölgesi Sakarya Cad. No: 14, 45030 Manisa.

Organize Sanayi Bölgesi İsmail Tiryaki Cad. No:7 45030 Manisa.



**DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated)

**1. ORGANIZATION AND NATURE OF OPERATIONS** *(continued)*

Doktas UK Ltd. is the wholly owned subsidiary of the Company. Doktas UK Ltd. operates in England and conducts the trade and marketing activities of gray cast iron, wheel and high pressure manufactured by the Company. As of 18 April 2018, the title of Componenta UK Ltd. has been changed to Doktas Trading UK Ltd.

The Company and its subsidiary (together referred to as “the Group”) considers gray cast iron, wheel and high pressure as three separate business segments and prepares segment reporting for management reporting purposes (Note 3). There is no geographical segmentation as the production activities, being the principal area of activity for the Group, are conducted in Turkey.

The associate of the Group is Kumsan Döküm Malzemeleri San. ve Ticaret A.Ş. (“Kumsan”) as at 31 December 2019 (Note 11).

**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES**

**2.1. Basis of Presentation**

**2.1.1. Approval of Financial Statements**

The accompanying consolidated financial statements as at 31 December 2019 have been approved by the Company’s Board of Directors to be published on 25 February 2020. The General Assembly and related legal institutions have the right to amend these consolidated financial statements.

**2.1.2. Preparation of the Consolidated Financial Statements and Statement of Compliance to TAS**

The Company and its associate registered in Turkey maintain their accounting records and prepare their statutory financial statements in accordance with the Turkish Commercial Code (the “TCC”), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiary operating in foreign country prepares its statutory financial statements in accordance with the laws and regulations of the country in which it operates.

The accompanying consolidated financial statements are prepared in accordance with the Communiqué No. II-14.1, “Principles of Financial Reporting in Capital Markets” published in the Official Gazette numbered 28676 and dated 13 June 2013. According to the Communiqué Article 5, financial statements are prepared in accordance with Turkish Accounting Standards (“TAS”) which are published by Public Oversight Accounting and Auditing Standards Authority (“POA”). TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The accompanying consolidated financial statements as at 31 December 2019 have been prepared in accordance with the resolution numbered 20/670 and dated 7 June 2013 “Announcement on Financial Statements and Footnote Formats” announced by CMB.

**DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.**

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** (*continued*)

**2.1.3 Paragraph for Convenience Translation to English**

The accounting principles described in Note 2.3 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") with respect to the application of inflation accounting, classification of some profit or loss items and also for certain disclosures requirement of the POA.

**2.1.4. Basis of Measurement**

The consolidated financial statements have been prepared on the historical cost basis, except for the land and land improvements and buildings which are measured at fair value.

Basis for Measurement of fair value is explained in Note 29.

**2.1.4. Correction of Financial Statements during the Hyperinflationary Periods**

In accordance with the CMB's resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the regulations of CMB (including those applying IAS/IFRS) are not subject to the application of inflation accounting effective from 1 January 2005. Therefore, as at 1 January 2005, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying financial statements.

**2.1.5. Functional and Presentation Currency**

The functional currency of the Company is Euro. Euro is determined as functional currency since it is the most affecting currency that is used in sale of goods manufactured, trade and finance activities. The consolidated financial statements have been prepared in Euro which is functional currency of the Company and have been presented in TL.

**Transactions and Balances**

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Foreign currency gains and losses arising from the realization of these transactions and translation of monetary assets and liabilities denominated in foreign currencies to the functional currency at the exchange rate at the reporting date are recognized in that consolidated statement of profit or loss.

**The translation of the financial statements of subsidiary in foreign country**

Functional currency of the subsidiary operating in foreign country is Great Britain Pound ("GBP") and the assets, liabilities and equity are translated into the Group's functional currency, Euro at the exchange rate at the reporting date, statement of profit or loss items are translated at the average rates of exchange used (if exchange rates fluctuate significantly, the use of average rate for a period is inappropriate). Exchange rate differences arising from average exchange rates and reporting date exchange rates are recognised in "foreign currency translation differences" in the consolidated shareholders' equity for subsidiary operating in foreign country.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)**

**2.1. Basis of Presentation (continued)**

**The translation of the financial statements of subsidiary in foreign country (continued)**

For the purpose of translating the financial statements of the subsidiary in the foreign country, the average exchange rates for the periods in the statement of financial position and for the profit or loss table are as follows:

<b><u>End of the term:</u></b>	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
Turkish Lira / British Pound	7,7765	6,6528
<b><u>Average:</u></b>	<b><u>1 January - 31 December 2019</u></b>	<b><u>1 January - 31 December 2018</u></b>
Turkish Lira / British Pound	7,2258	6,4034

***Translation to the presentation currency (TL)***

- (a) As at 31 December 2019, items in the assets and liabilities in the consolidated statement of financial position are translated into TL using the Central Bank of the Republic of Turkey (“CBRT”) buying exchange rate of 6,6506 TL / Euro (31 December 2018: 6,0280). Equity and fixed assets are recorded at historical values.
- (b) The items in the consolidated statement of profit or loss and other comprehensive income for the year ended at 31 December 2019 have been translated into TL by using yearly average of CBRT’s Euro bid rate, which corresponds to 6,3481 (For the year ended 31 December 2018, yearly average CBRT Euro exchange buying rate of 5,6789 TL / Euro).
- (c) All exchange differences arising have been recognized on foreign currency translation differences within shareholders' equity on the Group's consolidated financial statements.

**2.2. Going Concern**

As at 31 December 2019, the consolidated financial statements have been prepared in accordance with “Going Concern” principle. In assessment of going concern, the Group management has taken into account the uncertainties on current and available financing resources, refinancing possibilities and liquidity risks in the business plan prepared for a predictable period of time.

On 1 September 2016, Componenta Oyj, declared publicly on Helsinki Stock Exchange that Componenta Oyj and its subsidiaries in Finland and Sweden filed for restructuring. It was also decided for Componenta Oyj’s Dutch subsidiary Componenta B.V. file for bankruptcy. The Group has applied to the bankruptcy desk for the Dutch facilities and has initiated legal action for the collection of the receivables. On the date of 23 August 2017, Componenta Oyj, the parent company, announced on the Nasdaq Stock Exchange that the application of Componenta Finland Ltd. and Componenta Frammestad AB which are the subsidiaries of the Componenta Oyj for the debt structuring have been approved and the process of debt structuring is completed. The order of bankruptcy for the Componenta Wirsbo AB and Componenta Arvika AB have been approved at the date of 13 July 2017.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** (*continued*)

**2.2. Going Concern** (*continued*)

The restructuring processes that have been initiated have been concluded as a result of mutual signatures with the assigned trustees.

In the context of restructuring, administrators appointed to Componenta Oyj and to the group companies have presented their restructuring proposals for respective companies' debts to the Group. The Group has recognised the uncollectible portion for commercial, financial and other receivables from related parties amounting to TL 429.474.292 as other equity interests in equity. The Negotiations with the trustees of related countries have been concluded in 2017. The irrecoverable receivables have been revised in the context of contracts and the difference amounting to 5.228.477 TL which is in favor of the Group has been reclassified to equity and other equity shares have been TL 424.245.815.

The nominal value of TL 62.543.859 corresponding to 93.57% of the Group's capital was transferred to Döktaş Metal Sanayi ve Ticaret A.Ş. by Componenta Oyj upon approval of the transfer of the pledged shares by the Lenders on 27 September 2017. The transfer transaction was registered on 12 October 2017 and published in Trade Registry Gazette No. 9432. The power to control the operations of the Group has been transferred to Döktaş Metal Sanayi ve Ticaret A.Ş with the transfer transaction.

In addition, Döktaş Metal has signed a share transfer consultancy agreement with İş Yatırım Menkul Değerler on 27 September 2017 and the Company's shares are sold to a buyer with a strategic and strong capital structure. On May 11, 2018, the Company decided to sell 93.57% of its shares to Çelik Holding AS and a share transfer agreement was signed between the parties on the same date.

The nominal value of TL 62.543.859 corresponding to 93,57% of the Group's capital were transferred to Çelik Holding A.Ş. by Döktaş Metal upon approval of the transfer of the pledged shares by the Lenders on 29 June 2018. The transfer was registered on 11 July 2018. Together with the transfer of shares, the Group's authority to control its operations was transferred to Çelik Holding A.Ş.

The company completed the process of structuring its existing loans and using new loans with the creditor banks on 27 September 2017. The loan package, renewed by the same banks under the guarantee of Döktaş Metal, was revised with the new loan package signed on June 29, 2018 and the guarantee was transferred to Çelik Holding A.Ş. with the approval of the lenders.

As of 31 December 2019, the Group has a total financial liability amounting to TL 1.105.203.299 which is TL 284.678.154 of which is short-term and TL 820.525.145 is long-term. On 27 September 2017, the Company completed the process of restructuring its existing loans with the lending banks and the use of new loans. The loan package renewed at the same banks under the auspices of Döktaş Metal was revised with the new loan package signed on June 29, 2018 and it was transferred to Çelik Holding A.Ş.

In the context of share transfer agreement signed with the Döktaş Metal and Çelik Holding A.Ş., Çelik Holding acknowledge that the Group needs to put in working capital in order to ensure the continuity of its activities and accepts and declares that it will pay this capital. In this context, the Group's main shareholder, Çelik Holding A.Ş., to meet the working capital needed by the Group and to be used to pay its financial debts. On September 23, 2019, the Çelik Holding A.Ş. paid TL 47.135.250 to the Group for 7.500.000 Euro to be deducted from its new rights to buy (pre-emptive) shares.

All The Group's, TL 66.844.800 issued capital An application was made to CMB on December 3, 2019 for the approval of paid capital increase regarding the increase of the issued capital of the company from TL 66.844.800 to TL 116.000.000 with an increase of 73,54% by TL 49.155.200

**DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.**

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** (*continued*)

**2.3. Consolidation Principles**

The consolidated financial statements include the accounts of the parent company, Döktaş Dökümcülük Ticaret ve Sanayi A.Ş., and its subsidiary on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as at the date of the consolidated financial statements and have been prepared in accordance with TAS stated in Note 2.1.2 by applying uniform accounting policies and presentation. The results of operations of the subsidiary are included from effective date of acquisition.

**Subsidiaries**

The table below sets out the subsidiary and demonstrates the proportion of ownership interest as at 31 December 2019 and 31 December 2018:

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b><u>Shares</u></b>	<b><u>Shares</u></b>
Doktaş UK Ltd.	100%	100%

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The statement of financial position and statements of profit or loss and other comprehensive income of the subsidiary are consolidated on line-by-line basis and the carrying value of the investment held by the Company and its subsidiary is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiary are eliminated during the consolidation. Unrealized losses are eliminated unless the transactions indicates an impairment in the transferred asset. The cost of, and the dividends arising from, shares held by the Company in its subsidiary are eliminated from shareholders' equity and income for the period, respectively.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Since Group has all shares of subsidiary, there is no non-controlling interest.

**Investment in Associate**

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

The following table shows the ratio of the Group's shares in the associate:

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b><u>Shares</u></b>	<b><u>Shares</u></b>
Kumsan	25, 10%	25,10%

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND  
ACCOUNTING POLICIES** (*continued*)

**2.4. Changes in TAS**

*Standards issued but not yet effective and not early adopted*

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

**The Revised Conceptual Framework**

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRSs. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

**Amendments to TAS 1 and TAS 8 - Definition of Material**

In June 2019 POA issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended “definition of material “was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 1 and TAS 8.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND  
ACCOUNTING POLICIES (continued)**

**2.4. Changes in TAS (continued)**

*Standards issued but not yet effective and not early adopted (continued)*

**Amendments to TFRS 3 - Definition of a Business**

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In May 2019, POA has also published the Definition of Business (Amendments to TFRS 3). With this amendments confirmed that a business shall include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 3.

**TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments**

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS Interpretation 23.

**Amendments to TFRS 9 - Prepayment features with negative compensation**

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include ‘reasonable additional compensation’ for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND  
ACCOUNTING POLICIES** *(continued)*

**2.4. Changes in TAS** *(continued)*

*Standards issued but not yet effective and not early adopted* *(continued)*

**Amendments to TFRS 9 - Prepayment features with negative compensation** *(continued)*

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 9.

**Amendments to TAS 28- Long-term Interests in Associates and Joint Ventures**

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 28.

**2.5 Changes in the accounting policies**

Except for the explanations below, the accounting policies used in the preparation of the consolidated financial statements are the same as the accounting policies based on the most recent annual consolidated financial statements.

The Group has started to apply TFRS 16 Leases standard as of January 1, 2019. In addition, some other standard changes have come into force as of January 1, 2019. However, these changes do not have a significant impact on the Group's consolidated financial statements.

**TFRS 16 Leases**

TFRS 16 introduced a single lease accounting model for tenants. As a tenant, the Company has included the right to use asset representing the right to use the underlying asset and the lease obligations representing the lease payments it is liable to pay. Accounting for the lessor is similar to previous accounting policies.

TFRS 16 has no significant effect on the accounting of the Group's leases.

**2.6. Changes in Accounting Estimates and Errors**

Effect of changes in accounting estimates, if they are only related to one period, is recognized in the period that the change is made, if they are related with the future periods, is recognized in the current period and also in future periods, prospectively. There is no significant change in the accounting estimates of the Group in the current year.

Significant accounting errors are corrected retrospectively and prior period consolidated financial statements are restated. The Group has no significant accounting error in the current year.



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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** (*continued*)

**2.7. Summary of Significant Accounting Policies**

Significant accounting policies used in the preparation of consolidated financial statements are summarized below:

**Financial Instruments**

*Recognition and measurement*

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*Classification and subsequent measurement*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** *(continued)*

**2.7. Summary of Significant Accounting Policies** *(continued)*

**Financial Instruments** *(continued)*

The Group may irrevocably make preference about presentation of subsequent changes in its fair value in other comprehensive income on initial recognition of non-trading equity investment. This is made separately for each investment.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial Instruments: Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets that are managed on the basis of fair value and whose performance is assessed accordingly are measured at fair value through profit or loss.

*Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:*

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** *(continued)*

**2.7. Summary of Significant Accounting Policies** *(continued)*

**Financial Instruments** *(continued)*

Detailed information on how the Group classifies and measures and financial assets in accordance with IFRS 9 is presented below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (“FVOCI”) – debt investment; FVOCI – equity investment; or fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of IFRS 9 are set out below:

*i. Classification and measurement of financial assets and financial liabilities*

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities and derivative financial instruments.

*Financial assets – subsequent measurement and gains and losses*

The following accounting policies apply to the subsequent measurement of financial assets.

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)**

**2.7. Summary of Significant Accounting Policies (continued)**

**Financial Instruments (continued)**

*ii. Impairment of financial assets*

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. The new impairment model applies to financial assets measured at amortized cost and contract assets but not to investments in equity instruments.

The Group recognizes loss allowances for the expected credit losses of the following items:

- financial assets measured at amortized cost;
- contract assets (as defined in IFRS 15).

Under IFRS 9, loss allowances are measured on either of the following bases:

Financial assets measured at amortized cost;

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument;and

Bank balances for which credit risk has not increased significantly since initial recognition;

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”.

The maximum time to be measured by the ECLs is the maximum contractual period that the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses (IFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The expected credit losses were calculated based on actual credit loss experience over the past years.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)**

**2.7. Summary of Significant Accounting Policies (continued)**

**Financial Instruments (continued)**

*ii. Impairment of financial assets (continued)*

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group’s cash and cash equivalents are classified under the category of ‘Loans and Receivables’.

Trade receivables

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of IFRS 9. The Company considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The Group has calculated the ECLs according to the experience of credit losses in the last three years. The Group performed the calculation of ECL separately for each customers of receivables at the reporting date. Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, delinquency status, geographic region, age of relationship.

**Effect of IFRS 9 on financial statements**

The Group has started to apply IFRS 9 Financial Instruments standard published in July 2014 with the first application date 1 January 2018. IFRS 9 establishes requirements for the accounting and measurement of financial assets and liabilities, and for the purchase or sale of certain non-financial items. As of January 1, 2018, the deferred tax effect of TFRS 9 on previous year’s profit / (loss) is summarized as follows:

	Opening the IFRS 9 application Effect on Balances
Profits / (Loses) in prior period	
Accounting for expected credit losses in accordance with IFRS 9	(8.582.300)
Tax	1.716.460
<b>Impact as of 1 January 2018</b>	<b>(6.865.840)</b>

The effect of the application of IFRS 9 on the carrying amounts of financial assets as of 1 January 2018 stems from the new provision for impairment as explained in more detail below.

The following table and accompanying notes clarify the original measurement categories within the scope of TAS 39 and the new measurement categories for each class of the Company’s financial assets at 1 January 2018 in accordance with IFRS 9.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)**

**2.7. Summary of Significant Accounting Policies (continued)**

**Financial Instruments (continued)**

*ii. Impairment of financial assets (continued)*

	Note	Original classification according to TAS 39	New classification according to IFRS 9	Original book value according to TAS 39	New book value according to IFRS 9
<b>Financial assets</b>					
Cash and cash equivalents	4	Loan and receivables	amortized cost	17.464.098	17.464.098
Trade receivables	6	Loan and receivables	amortized cost	244.823.253	236.240.953
Other receivables	7	Loan and receivables	amortized cost	1.473.715	1.473.715
<b>Total financial assets</b>				<b>263.761.066</b>	<b>255.178.766</b>

Commercial and other receivables classified as loans and receivables according to TAS 39 are now classified as those measured at amortized cost. An impairment loss of TL 8.582.300 for these receivables is recognized in retained earnings in the transition to IFRS 9 on 1 January 2018.

As of 1 January 2018, the Company has determined that the application of the provisions of TFRS 9 relating to impairment results in an additional provision for impairment.

<b>Provision for loss in accordance with TAS 39 of 31 December 2017</b>	<b>3.955.163</b>
Additional impairment recognized on 1 January 2018:	
- Trade Receivables	8.582.300
<b>Provision for loss in accordance with IFRS 9 of 1 January 2018</b>	<b>12.537.463</b>

**Inventories**

Inventories are valued at the lower of cost and net realizable value. The cost of stocks includes all purchasing costs, production or conversion costs, and other costs incurred to bring the stocks into their current state and position. The unit cost of inventories is determined by the monthly moving weighted average method. Net realizable value is the amount obtained by subtracting the estimated completion cost from the estimated sales price and the estimated sales cost required to realize the sales within the normal flow of the business.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** (*continued*)

**2.7. Summary of Significant Accounting Policies** (*continued*)

**Property, plant and equipment**

Land, land improvements and buildings are measured at their fair values and other property, plant and equipment acquired before 1 January 2005 are carried at cost and restated to the equivalent purchasing power at 31 December 2004 less accumulated depreciation. Items acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment; if any. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. Depreciation is charged so as to write off the cost or valuation of assets, using the straight-line method. Oncoming changes are reflected to financial statements taking into consideration the capacity utilization rates and economic and technologic developments.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds against carrying amounts and are included in income or expense from investing activities.

The Group has adopted “revaluation model” as permitted by TAS 16 “Property, plant and equipment” for its land, land improvements and buildings commencing from 31 December 2012. The remaining assets such as machinery and equipments, furniture and fixtures, special costs and motor vehicles are continued to be measured at cost less accumulated depreciation and impairment; if any as consistent with prior years. Fair values of lands, land improvements and buildings have been measured by an independent valuation firm as at 31 December 2018.

In the revaluation performed;

\* All characteristics like; land location, local formation style, substructure and access opportunities, front line to street and avenue, area and location that may affect the value, have been taken into account, detailed market research has been done locally and the economic conditions that have arisen previously have been considered as well.

\* Valuation reports have been prepared according to related Capital Markets Board regulatory provisions.

\* Valuation reports have been prepared by an independent expertise firm which gives service according to Capital Markets Board regulatory provisions.

\* Cost approach and market value methods and assumptions have been taken into consideration.

\* There is no restriction in distribution of increase in revaluation fund to shareholders.

Increases in the carrying amount arising on the revaluation of land, land improvements and buildings are recognised as credit in the gain on revaluation and re-measurement account in equity, net of applicable deferred income tax.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)**

**2.7. Summary of significant accounting policies (continued)**

**Property, plant and equipment (continued)**

Revalued amount is calculated by deducting the total of accumulated depreciation and impairment that have occurred in the periods after net realizable value determined in revaluation date. Revaluations are performed in every 3-year period, in case that there are not any significant differences between fair value as at reporting date and net book value.

Decrease in book value arisen from the aforementioned revaluation process is recorded in profit or loss in case the revaluation exceeds the balance already included in gain on revaluation and re-measurement account related to previous revaluation of the aforementioned asset.

When a revaluated property, plant and equipment is disposed, gain on revaluation and re-measurement account related with property, plant and equipment is transferred to retained earnings.

At reporting date, for revaluated property, plant and equipment or items of property, plant and equipment denominated at their purchasing value, depreciation is charged so as to write off the cost or valuation of assets, using the straight-line method. Land is not depreciated as it is deemed to have an indefinite life. The depreciation periods for property, plant and equipment, which approximate the useful lives of such assets, are as follows.

	<b><u>Useful lives (year)</u></b>
Buildings	30-50
Land improvements	15-30
Machinery and equipment	1-15
Furniture and fixtures	3-15
Motor vehicles	4-5

**Intangible assets**

Intangible assets comprise acquired rights. They are recorded at acquisition cost and less accumulated amortization and impairment; if any and amortized on the straight-line basis over their estimated useful lives for a period not exceeding 5-15 years from the date of acquisition.

**Impairment of assets**

At each reporting date, the Group reviews the carrying amounts of each asset except deferred tax asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.



## **2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)**

### **2.7. Summary of significant accounting policies (continued)**

#### **Property, plant and equipment (continued)**

##### **Impairment of assets**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss and other comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Reversal of impairment loss of goodwill is not possible. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### **Goodwill**

Goodwill has been recognised as an asset and has initially been measured as the excess of the cost of the combination over the fair value of the acquiree's assets, liabilities and contingent liabilities. The acquirer recognises identifiable assets (such as deferred income tax on carry forward losses), intangible assets (such as trademarks) and/or contingent liabilities which are not included in the acquiree's financial statements at their fair values in the consolidated financial statements. If the acquisition cost is lower than the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is accounted for as income in the related period.

##### **Bank borrowings**

Bank borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of profit or loss over the borrowing period.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)**

**2.7. Summary of significant accounting policies (continued)**

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Share capital, dividends and share premium**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. Share premium represents the difference between nominal value of the publicly held shares and their sales prices.

**Taxes on income**

Taxes include current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated based on currently enacted tax rates as at reporting date and according to tax legislation in force and includes adjustments related to previous years' tax liabilities.

Deferred tax is recognised, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilised or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Carrying value of deferred tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilise deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)**

**2.7. Summary of significant accounting policies (continued)**

**Revenue**

General model for accounting of revenue

In accordance with IFRS 15, a five-stage approach is followed in recognizing revenue for all contracts with customers.

*Step 1: Identify the contract with a customer*

A contract with a customer is in the scope of the new standard when the contract is legally enforceable and certain criteria are met. If the criteria are not met, then the contract does not exist for purposes of applying the general model of the new standard, and any consideration received from the customer is generally recognized as a deposit (liability). Contracts entered into at or near the same time with the same customer (or a related party of the customer) are combined and treated as a single contract when certain criteria are met.

*Step 2: Identify the performance obligations in the contract*

An entity determines whether it promises to transfer either goods or services that are distinct, or a series of distinct goods or services that meet certain conditions. A 'performance obligation' is the unit of account for revenue recognition. An entity assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a:

(a) good or service (or a bundle of goods or services) that is distinct; or

(b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

An entity may define a contract or a service separately from other contractual obligations and define it as a different commodity or service if the customer makes use of such goods or services alone or in combination with other resources available for use. A single contract may contain promises to deliver to the customer more than one good or service. At contract inception, an entity evaluates the promised goods or services to determine which goods or services (or bundle of goods or services) are distinct and therefore constitute performance obligations.

*Step 3: Determine the transaction price*

When determining the transaction price, an entity assumes that the goods or services will be transferred to the customer based on the terms of the existing contract. In determining the transaction price, an entity considers variables considerations and significant financing components.

Significant financing component

To estimate the transaction price in a contract, the Company adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer. The Company does not have sales transactions which includes significant financing component.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)**

**2.7. Summary of significant accounting policies (continued)**

**Revenue (continued)**

*Step 3: Determine the transaction price(continued)*

Variable consideration

An entity assesses whether discounts, rebates, refunds, rights of return, credits, price concessions, incentives, performance bonuses, penalties, or similar items may result in variable consideration.

*Step 4: Allocate the transaction price to the performance obligations in the contract*

The transaction price is allocated to each performance obligation – generally each distinct good or service – to depict the amount of consideration to which an entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

*Step 5: Recognize revenue when or as the entity satisfies a performance obligation*

An entity recognizes revenue over time when one of the following criterias are met:

- The customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs
- The entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- The entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

The Company has mainly recognized its revenue at a point of time when the goods have been removed from the inventories. If a performance obligation is not fulfilled in time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

In cases where the cost to be incurred by the Company exceeding the expected economic benefits to be incurred to fulfill the contractual obligations exceeds the expected economic benefit, the Company provides a provision in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Contract modifications

A ‘contract modification’ occurs when the parties to a contract approve a change in its scope, price, or both. The accounting for a contract modification depends on whether distinct goods or services are added to the arrangement, and on the related pricing in the modified arrangement.

The Company applied IFRS 15, which superseded IAS 18, “Revenue”, and accounted in the financial statements by using “cumulative effect method” on the transition date of 1 January 2018. According to this transition method, no restatement has been required in the comparative information of the financial statements.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)**

**2.7. Summary of significant accounting policies (continued)**

**Revenue (continued)**

*Sales of goods*

The Group sells cast iron, aluminum and wheels for the automotive industry. Considering the five-stage model described above, the Group accounts for the sales revenue of the products exported to overseas customers and to overseas warehouses belonging to the supply chain partners of overseas customers, when the goods in question fulfill their obligation to perform at the time of delivery.

Net sales have been estimated by deducting discounts and commissions.

The group sells scrap aluminum to its suppliers to purchase liquid aluminum. The mentioned scrap sales are not included in the sales revenues, the scrap included in the cost of the sales is netted off with the aluminum cost.

*Interest income*

The interest income earned by the Group is calculated on the accrual basis by calculating the effective interest yield method.

**Events after the reporting date**

Events after the reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

The Group records adjusting events after the reporting date and disclose non-adjusting events after the reporting date on the accompanying financial statements.

**Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs in consolidated statement of profit or loss and other comprehensive income.

A contingent asset and liability is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity and not recognised in the consolidated financial statements. Provisions shall not be recognised for future operating losses.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** *(continued)*

**2.7. Summary of significant accounting policies** *(continued)*

**Employee benefits / provision for employment termination benefit**

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) “Employee Benefits” (“TAS 19”).

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses. All actuarial differences are recognized immediately in other comprehensive income.

**Finance leases**

Leases of property, plant and equipment where the Company substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included as finance lease obligations. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment. The finance leases costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

**Research and development expenses**

Research expenditure is recognised as expense as incurred. Costs incurred on development projects (relating to the design and testing of developed products) are recognised as intangible assets when it is probable that the project will be completed satisfactorily considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as expense as incurred. Development costs previously recognised as expense are not recognised as an asset in subsequent periods.

**Related parties**

For the purpose of these consolidated financial statements, shareholders, key management personnel and members of the Board, their family members and companies, subsidiaries and partnerships managed or controlled by them are considered and referred to as related parties (Note 28). The related party transactions with companies and individuals during the period are disclosed in the notes even if such parties are not considered to be related parties as at period-end.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** *(continued)*

**2.7. Summary of significant accounting policies** *(continued)*

**Earnings per share**

Earnings per share are calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies may raise their share capital by distributing “bonus shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

**Reporting of cash flows**

In the consolidated statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group’s operations.

The cash flows due to investing activities indicate the Group’s cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used for redemption.

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid with less than 3 months to maturity (Note 4).

**Segment reporting**

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments. Since there is not a geographical segmentation in the Group’s organizational and management structure and internal financial reporting for the Board of Directors, geographical segment reporting is not performed.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** *(continued)*

**2.8. Significant accounting estimates and assumptions**

Preparation of consolidated financial statements requires use of estimates and assumptions that may affect the amount of assets and liabilities recognized as at reporting date, contingent assets and liabilities disclosed and amount of revenue and expenses reported. Although, these estimates and assumptions rely on the Group management's best knowledge about the current events and transactions, actual outcome may vary from those estimates and assumptions. The Group's significant accounting estimates are as follows:

***(a) Useful lives of property, plant and equipment and intangible assets***

Depreciation of property, plant and equipment, except machinery and equipment, is calculated using straight-line method over their useful lives. Useful lives are based on management's best estimates, are revised at each reporting date and the necessary corrections are made. Useful lives of each reporting period, the capacity utilization rate, and economic, technological developments are taken into account and the revised and necessary updates are reflected to the consolidated financial statements, prospectively.

The Group, reassessed useful lives and depreciation expense of machinery and equipment for the period 1 January - 31 December 2016 taking into consideration the capacity utilization rate and condition of machinery and equipment, and, if necessary update them in accordance with TAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

***(b) Income taxes***

There are many transactions and calculations whose effects are not definite to the ultimate tax liability during the ordinary course of business and such situations require significant judgement in determining the provision for income taxes. The Group recognizes possible additional tax liabilities as a result of taxable situations (Note 26). Where the final tax liability that has to be recognized is different from the liability that was initially recognized, such differences will impact the income tax and deferred tax income/loss in the current period.

***(c) Employment termination benefit discount rate***

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. Discount rate depends on best estimates of management, reviewed in each financial period and necessary adjustments are made.

The Group estimated the discount rate which has been used in calculating provision for employment termination benefit as at 31 December 2018 as 4,70%, calculated by an independent actuary company.



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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES** *(continued)*

**2.8. Significant accounting estimates and assumptions** *(continued)*

**d) Value added tax carried forward**

As at 31 December 2019, the Company has a total value added tax (“VAT”) receivable of TL 25.986.322 (31 December 2018: TL 17.019.449) consisting of the Company's investments, sales, and purchases and resulting from various VATs (Note 17). The Company shall apply to the relevant tax office in order to net-off the VAT receivables or receive a VAT refund for 2020. Therefore, in accordance with a management decision, the relevant VAT receivables were classified under current assets and non-current assets in the statement of financial position.

**e) Measurement of fair values**

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TAS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values of land, land improvements and buildings is included in the accounting policies.

The fair value measurement of land, land improvements and building is categorized as Level 3 fair value based on the inputs to the valuation technique used.

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**3. SEGMENT REPORTING**

Operating segments are evaluated in line with to the internal reporting and strategic divisions that are presented to competent organs or authorities to make decisions regarding the Group's operations. The aforementioned competent organ, which is authorized to make strategic decisions, is defined as the Board of Directors of the Company. The Group management determines operating segments according to the reports, which are evaluated during the Board of Director's decision making process. The Group's top executives follow the operation results as industrial segments. The Group considers high pressure, gray cast iron and wheel division as three separate business segments and provides segmental information in accordance with the requirements of the accounting framework used. The Group's top executives do not follow the operation results geographically, thus there is no geographical segment reporting.

<b>Segment assets:</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Gray cast iron	984.785.957	931.691.582
High pressure	314.878.860	297.902.281
Wheel	113.484.764	107.366.275
Unallocated assets (*)	21.095.052	22.776.165
<b>Total assets per consolidated financial statements</b>	<b>1.434.244.633</b>	<b>1.359.736.303</b>

(\*) As at 31 December 2019, unallocated assets consist of loans and interests of loans landed to Componenta Oyj amounting to TL 15.676.236 (31 December 2018: TL 14.585.849), financial investments in Kumsan amounting to TL 5.418.816 (31 December 2018: TL 8.190.316).

<b>Segment liabilities:</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Gray cast iron	153.914.147	141.711.447
High pressure	51.452.077	47.372.826
Wheel	15.842.980	14.586.909
Unallocated liabilities (*)	1.127.953.359	1.027.181.538
<b>Total liabilities per consolidated financial statements</b>	<b>1.349.162.563</b>	<b>1.230.852.720</b>

(\*) As at 31 December 2019 and 31 December 2018, unallocated liabilities consist of bank borrowings and deferred tax liabilities.

Segmental analysis for the year ended 31 December 2019:

	<b>Gray cast iron</b>	<b>High pressure</b>	<b>Wheel</b>	<b>Total</b>
External revenues	806.869.890	174.775.889	175.328.174	1.156.973.953
Operating expenses	(707.240.158)	(156.137.868)	(152.881.292)	(1.016.259.318)
<b>Operating profit</b>	<b>99.629.732</b>	<b>18.638.022</b>	<b>22.446.882</b>	<b>140.714.635</b>
Other operating income, net				35.720.163
Finance costs				(91.509.312)
Finance income				15.949.766
Share of profit of equity-accounted investees				683.019
Income from investing activities				13.515
<b>Loss before tax</b>				<b>101.571.786</b>
Tax income				(3.407.380)
<b>Net loss for the year</b>				<b>98.164.406</b>

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**3. SEGMENT REPORTING (continued)**

Segmental analysis for the year ended 31 December 2018:

	Gray cast iron	High pressure	Wheel	Total
External revenues	827.328.524	184.729.345	167.814.212	1.179.872.081
Operating expenses	(719.836.203)	(171.170.952)	(145.277.483)	(1.036.284.638)
<b>Operating profit</b>	<b>107.492.321</b>	<b>13.558.393</b>	<b>22.536.729</b>	<b>143.587.443</b>
Other operating income, net				53.030.102
Finance costs				(111.125.698)
Finance income				18.029.957
Share of profit of equity-accounted investees				820.385
Income from investing activities				5.545.400
<b>Loss before tax</b>				<b>109.887.589</b>
Tax income				(8.656.716)
<b>Net loss for the year</b>				<b>101.230.873</b>

**1 January-31 December 2019**

	Gray cast iron	High pressure	Wheel	Total
Depreciation and amortization	25.534.992	13.680.928	4.658.212	43.874.132
Capital expenditures	25.392.393	43.280.198	4.939.729	73.612.320

**1 January-31 December 2019**

	Gray cast iron	High pressure	Wheel	Total
Depreciation and amortization	22.268.413	16.325.046	3.746.627	42.340.085
Capital expenditures	16.141.254	11.025.984	5.415.715	32.582.953

**4. CASH AND CASH EQUIVALENTS**

As at 31 December 2018 and 31 December 2018, the details of cash and cash equivalents were as follows:

	31 December 2018	31 December 2018
Cash	5.247	44.601
Banks	54.697.195	27.696.816
<i>Time deposits – Foreign currency</i>	<i>7.682.000</i>	<i>865.000</i>
<i>Demand deposits – EUR</i>	<i>42.197.359</i>	<i>24.981.962</i>
<i>Demand deposits - Foreign currency</i>	<i>4.817.836</i>	<i>1.849.854</i>
	<b>54.702.442</b>	<b>27.741.417</b>

The interest rate of the time deposit is between 8%-10,5% and the maturity is 2 January 2020. As at 31 December 2018 the interest rate of the time deposit is 22,5% and the maturity is 2 January 2019.

Currency and interest rate risk and sensitivity analysis for the Group's financial assets and liabilities are described in Note 29.

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**5. SHORT AND LONG TERM BORROWINGS**

As at 31 December 2019 and 31 December 2018, the details of financial liabilities measured at amortized cost were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Short-term bank loans and factoring payables	216.136.459	198.410.240
Short-term financial lease liabilities	5.419.169	13.399.581
	<b>221.555.628</b>	<b>211.809.821</b>
Short-term portions of long-term bank loans	63.122.527	323.526.057
<b>Total short-term borrowings</b>	<b>284.678.154</b>	<b>535.335.878</b>
Long-term bank loans	816.805.138	478.025.427
Long-term financial lease liabilities	3.720.006	1.969.053
<b>Total long-term borrowings</b>	<b>820.525.144</b>	<b>479.994.480</b>
<b>Total financial liabilities</b>	<b>1.105.203.299</b>	<b>1.015.330.358</b>

**Short-term bank loans and factoring payables**

	<b>31 December 2019</b>		
	<b>Annual average interest rate %</b>	<b>Amount in original</b>	<b>TL</b>
Short-term Euro borrowings (*)	5,82	32.498.791	216.136.459
<b>Total short-term bank loans and factoring payables</b>			<b>216.136.459</b>

	<b>31 December 2018</b>		
	<b>Annual average interest rate %</b>	<b>Amount in original</b>	<b>TL</b>
Short-term Euro borrowings (*)	6,51	32.914.771	198.410.240
<b>Total short-term bank loans and factoring payables</b>			<b>198.410.240</b>

(\*) Current short-term borrowings consist of working capital loan and bank borrowings obtained from Exim Bank.

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**5. SHORT AND LONG TERM BORROWINGS (continued)**

**Short-term portion of long term bank loans**

<b>31 December 2019</b>			
	<b>Annual average interest rate %</b>	<b>Amount in original</b>	<b>TL</b>
Short-term portion of long-term Euro bank loans	5,98	9.491.253	63.122.527
<b>Short-term portion of long-term bank loans</b>			<b>63.122.527</b>

<b>31 December 2018</b>			
	<b>Annual average interest rate %</b>	<b>Amount in original</b>	<b>TL</b>
Short-term portion of long-term Euro bank loans	5,66	53.670.547	323.526.057
<b>Short-term portion of long-term bank loans</b>			<b>323.526.057</b>

As of 31 December 2019, the Group's bank loans are secured. The details of guarantees are explained in Note 15.b.

**Long-term bank loans**

<b>31 December 2019</b>			
	<b>Annual average interest rate %</b>	<b>Amount in original</b>	<b>TL</b>
Long-term Euro bank loans	6,02	122.816.759	816.805.139
<b>Long-term bank loans</b>			<b>816.805.139</b>

<b>31 December 2018</b>			
	<b>Annual average interest rate %</b>	<b>Amount in original</b>	<b>TL</b>
Long-term Euro bank loans	6,26	79.300.834	478.025.427
<b>Long-term bank loans</b>			<b>478.025.427</b>

Redemption schedules of short-term and long-term borrowings at 31 December 2019 and 31 December 2018 were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Up to 1 year	279.258.986	521.936.297
1 to 2 years	383.465.374	47.348.768
3 to 4 years	100.373.654	85.713.381
Over 4 years	332.966.111	344.963.278
	<b>1.096.064.125</b>	<b>999.961.724</b>

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**5. SHORT AND LONG TERM BORROWINGS** *(continued)*

Details of the Group’s variable and fixed interest rate loans as at 31 December 2019 and 31 December 2018 were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Variable interest rate loans	450.542.797	340.700.308
Fixed interest rate loans	645.521.328	659.261.416
	<b>1.096.064.124</b>	<b>999.961.724</b>

On 27 September 2017, the Company completed the process of restructuring its existing loans with the lending banks and the use of new loans. The loan package renewed at the same banks under the auspices of Döktaş Metal was revised with the new loan package signed on June 29, 2018 and it was transferred to Çelik Holding A.Ş.

Within the scope of the current loan agreement, the amount of TL 285.581.559 of the short-term financial liabilities that matured in 2019 has been renewed as a 2-year loan and has been classified in the long-term borrowings section.

The Group has financial and non-financial covenants in the loan agreement. Guarantees given for the bank loan agreement are disclosed in Note 15. There are two financial covenants to be fulfilled by the Group. These financial covenants are Debt Service Coverage Ratio and Leverage Ratio.

Debt Service Coverage Ratio means the ratio of the amount calculated by deducting the taxes paid in connection with related calculation period from earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) to the aggregate of all due amounts which are defined within the financial indebtedness, including without limitation principal, interest, fees, expenses, commissions and the breakage cost and indemnification, which are paid, accrued or have to be paid. Debt Service Coverage Ratio shall not be less than 1.20.

Leverage ratio means the rate of net Financial Debt, to Earnings before Interest, Taxes, Depreciation and Amortization. . The parties agree that no lower limit for the Net Financial Debt / EBITDA ratio for the year 2017 will be determined. However, the lower limits for the Net Financial Debt / EBITDA ratio will be determined for the year 2019 and the following periods by the lenders considering the 12 month EBITDA between 1 January 2019 and 31 December 2019. The lower limits determined shall be notified written to the Group and it will be legally binding.

In case of Group failed to fulfil one of the obligations above, an event of default will be occurred.

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**5. SHORT AND LONG TERM BORROWINGS** *(continued)*

Redemption schedule of finance lease liabilities were as follows:

	31 December 2019			31 December 2018		
	Minimum financial leasing payment	Interest	Total liabilities	Minimum financial leasing payment	Interest	Total liabilities
<i>Short-term portion</i>						
2019	5.993.144	(573.976)	5.419.168	14.008.998	(609.417)	13.399.581
<b>Short-term portion</b>	<b>5.993.144</b>	<b>(573.976)</b>	<b>5.419.168</b>	<b>14.008.998</b>	<b>(609.417)</b>	<b>13.399.581</b>
<i>Long-term portion</i>						
2020	4.024.326	(304.320)	3.720.006	2.045.090	(76.037)	1.969.053
<b>Long-term portion</b>	<b>4.024.326</b>	<b>(304.320)</b>	<b>3.720.006</b>	<b>2.045.090</b>	<b>(76.037)</b>	<b>1.969.053</b>
	<b>10.017.470</b>	<b>(878.296)</b>	<b>9.139.174</b>	<b>16.054.088</b>	<b>(685.454)</b>	<b>15.368.634</b>

Financial lease payables are denominated in Euro and the interest rate is between 4.30% and 6.50%.

Currency and interest rate risk and sensitivity analysis for the group’s financial assets and liabilities are described in Note 29.

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**6. TRADE RECEIVABLES AND PAYABLES**

**Trade receivables:**

As at 31 December 2019 and 31 December 2018, the details of the Group's trade receivables were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Short-term</b>		
Receivables from third parties	209.022.365	163.068.070
- <i>Customer accounts</i>	209.022.365	163.068.070
Less: Provision for doubtful receivables	(9.036.329)	(9.066.359)
<b>Short-term trade receivables</b>	<b>199.986.036</b>	<b>154.001.711</b>
<b>Long-term</b>		
Customer accounts	10.153.158	164.910.226
Less: Provision for doubtful receivables	(3.518.819)	(3.189.403)
<b>Long-term trade receivables</b>	<b>6.634.339</b>	<b>161.720.823</b>
<b>Total</b>	<b>206.620.375</b>	<b>315.722.534</b>

Aging analysis for trade receivables

As at 31 December 2019 and 31 December 2018, maturities of trade receivables were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Overdue receivables	78.540.036	40.557.914
0-30 days maturity	16.618.335	35.702.419
31-90 days maturity	26.216.768	56.323.453
91 days and over	85.245.236	183.138.748
	<b>206.620.375</b>	<b>315.722.534</b>

As at 31 December 2019 and 31 December 2018, overdue days of receivables are as follows:

<b>Days overdue</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
0 – 1 month	24.367.198	11.856.046
1 – 3 months	32.589.297	15.856.571
3 months and over	21.583.541	12.845.297
	<b>78.540.036</b>	<b>40.557.914</b>

Guarantee letters taken from the customers related with trade receivables are amounting to TL 725.000 (31 December 2018: TL 250.000), and the long-term notes payable are amounting to TL 400.000 (31 December 2018: TL 400.000).



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**6. TRADE RECEIVABLES AND PAYABLES (continued)**

**Trade receivables (continued)**

For the years ended 31 December 2019 and 31 December 2018, the movement of provision for doubtful receivables were as follows:

	2019	2018
<b>1 January</b>	<b>12.255.762</b>	<b>3.955.163</b>
Opening the IFRS 9 application Effect (Note 2.7)	--	8.582.300
Collections	(922.480)	(4.221.694)
Foreign exchange difference	1.221.866	3.939.993
<b>31 December</b>	<b>12.555.148</b>	<b>12.255.762</b>

Trade receivables have approximately 1-2 months of maturity terms on average (31 December 2019: 1-2 month). The Group's currency and interest rate risks are explained in Note 29.

**Trade payables**

As at 31 December 2019 and 31 December 2018, the details of the Group's trade payables were as follows:

	31 December 2019	31 December 2018
Payables to related parties (Note 28.b)	2.498.311	7.058.487
Payables to third parties	102.032.840	87.207.823
- Trade payables	102.032.840	86.734.276
- Notes payable	--	473.547
	<b>104.531.151</b>	<b>94.266.310</b>

Trade Payables have approximately 1-4 months of maturity terms on average (31 December 2018: 1-4 month). The Group's currency and interest rate risks are explained in Note 29.

**7. OTHER RECEIVABLES AND PAYABLES**

**Other Receivables**

**Short-term other receivables:**

As at 31 December 2019 and 31 December 2018, the details of short-term other receivables were as follows:

	31 December 2019	31 December 2018
Deposits and guarantees given	1.247.220	1.335.268
	<b>1.247.220</b>	<b>1.335.268</b>

**Long-term other receivables:**

As at 31 December 2018 and 31 December 2018, the details of long-term other receivables were as follows:

	31 December 2019	31 December 2018
Financial receivables from non-related parties (*)	15.676.236	14.585.849
	<b>15.676.236</b>	<b>14.585.849</b>

(\*) Consist of the financial receivables from Componenta Oyj.

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**7. OTHER RECEIVABLES AND PAYABLES (continued)**

**Other payables**

As at 31 December 2018 and 31 December 2018, the details of short-term and long-term other payables were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Installments tax liabilities of prior periods	--	1.005.886
Other refundable VAT	5.813.136	8.435.053
<b>Short-term other payables</b>	<b>5.813.136</b>	<b>9.440.939</b>

  

	<b>31 December 2019</b>	<b>31 December 2018</b>
Installments tax liabilities of prior periods	--	485.573
<b>Long-term other payables</b>	<b>--</b>	<b>485.573</b>

*Management Fee Investigation*

On 18 December 2015, the Ministry of Finance declared the Company the inspection of the Company's accounts and transactions for the years 2010, 2011, 2012, 2013, 2014 and 2015 based on tax regulations. Within the scope of inspection, management fee invoices by Componenta Oyj and other information about these invoices have been requested. According to this declaration related accounts have been started to be inspected by tax inspectors on 22 December 2015.

In accordance with the related report dated 26 January 2016, the total amount of 11,483,259.61 TL for Withholding and VAT Tax Principle and the total amount of 17,224,889.42 TL for such tax penalty is sent to the Bursa Ertuğrulgazi Tax Office and the Bursa Orhangazi Tax Office for penalty notice 28-30 September 2016 The Group has been notified. In accordance with the "Communiqué on Law No. 6736 Regarding Restructuring of Some Receivables and the General Law on the mentioned Banks", tax reduction has been applied for the reduction of tax penalty, reduction of delinquency and reduction of installments and installment. In this framework, the total tax debt was fully paid in 2019 by the Group.

**8. PAYABLES RELATED TO EMPLOYEE BENEFITS**

As at 31 December 2019 and 31 December 2018, the payables related to employee benefits were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Payables to the personnel	8.895.104	7.783.366
Payables to social security institution	3.989.070	3.645.451
Personnel income tax and stamp tax payables	3.058.531	3.341.073
	<b>15.942.705</b>	<b>14.769.890</b>

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**9. INVENTORIES**

As at 31 December 2019 and 31 December 2018, the details of the inventories were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Raw materials	79.308.179	69.211.308
Work-in-progress	9.795.423	9.564.610
Finished goods	78.373.337	67.966.664
Other (*)	45.180.293	20.445.535
	<b>212.657.232</b>	<b>167.188.117</b>
Less: Provision for net realisable value of inventories (**)	(3.458.359)	(1.003.602)
	<b>209.198.873</b>	<b>166.184.515</b>

(\*) Other inventories consist of models and molds produced on order.

(\*\*) Consists of net realizable value difference.

For the years ended 31 December 2019 and 31 December 2018, movement of impairment provision is as follows:

	<b>2019</b>	<b>2018</b>
<b>Balance at 1 January</b>	<b>1.003.602</b>	<b>1.635.668</b>
Provision during the period	2.244.144	--
Reversal of impairment losses	--	(1.111.611)
Foreign currency translation differences	210.613	479.545
<b>Balance at 31 January</b>	<b>3.458.359</b>	<b>1.003.602</b>

For the period from 1 January to 31 December 2019, a portion amounting to TL 415.040.726 of the cost of goods sold is related to raw material and supplies usage (1 January - 31 December 2018: TL 456.532.667). Impairment provisions and cancellations on inventory are included in cost of sales.

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**10. PREPAID EXPENSES**

*Short-term prepaid expenses*

As at 31 December 2019 and 31 December 2018, the details of the short-term prepaid expenses were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Deferred finance costs (*)	1.916.211	5.840.266
Advances given to suppliers	586.649	523.568
Prepaid expenses for the following months	--	265.805
	<b>2.502.860</b>	<b>6.629.639</b>

*Long-term prepaid expenses*

As at 31 December 2019 and 31 December 2018, the details of the non-current prepaid expenses were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Deferred finance costs (*)	7.904.843	13.140.604
	<b>7.904.843</b>	<b>13.140.604</b>

(\*) As at 31 December 2019 and 31 December 2018, deferred finance costs consist of commission paid, lawyer expenses of loan amounting to Euro 120.000.000.

**11. EQUITY-ACCOUNTED INVESTEEES**

**Investment in associates:**

As at 31 December 2019 and 31 December 2018, the details equity-accounted investees were as follows:

	<b>31 December 2019</b>		<b>31 December 2018</b>	
	Associate Share %	Associate Amount	Associate Share %	Associate Amount
Kumsan	25,10	5.418.816	25,10	8.190.316

For the year ended 31 December, movements of the equity-accounted investees are as follows:

	<b>2019</b>	<b>2018</b>
<b>1 January - Investment in associates</b>	<b>8.190.316</b>	<b>5.637.272</b>
Share of profit of equity-accounted investees	683.019	820.385
Dividends received	--	(155.585)
Foreign currency translation differences	(3.454.519)	1.888.244
<b>31 December - Investment in associates</b>	<b>5.418.816</b>	<b>8.190.316</b>

Information related with the financial statements of Kumsan were as follows:

	<b>31 December 2019</b>		<b>31 December 2018</b>	
	Total assets	Total liabilities	Total assets	Total liabilities
Kumsan	25.584.530	3.995.623	35.496.484	2.865.742

  

	<b>31 December 2018</b>		<b>31 December 2018</b>	
	Revenue	Net income	Revenue	Net income
Kumsan	29.314.390	2.721.218	23.352.608	2.648.609

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**12. PROPERTY PLANT AND EQUIPMENT**

For the years ended 31 December 2019 and 31 December 2018, movements of property, plant and equipment were as follows:

	Lands	Buildings and land improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress (*)	Total
<b>Opening net carrying value, 1 January 2018</b>	<b>123.307.393</b>	<b>106.617.576</b>	<b>337.787.395</b>	<b>15.391.423</b>	<b>38.780</b>	<b>23.907.702</b>	<b>607.050.269</b>
Additions	859.189	746.231	14.106.597	3.071.421	160.602	9.879.201	28.823.241
Disposals	--	--	(25.528.266)	--	--	--	(25.528.266)
Transfers	--	18.793	20.504.048	427.562	--	(21.324.859)	(374.456)
Foreign currency translation differences	41.302.720	35.712.344	113.127.592	5.144.502	12.988	7.957.939	203.258.085
Revaluation of property plant and equipment	(21.774.945)	8.384.153	--	--	--	--	(13.390.792)
Depreciation charge	--	(7.666.612)	(26.266.708)	(4.607.332)	(50.114)	--	(38.590.766)
Disposals from accumulated depreciation	--	--	16.041.367	--	--	--	16.041.367
<b>Closing net carrying value, 31 December 2018</b>	<b>143.694.357</b>	<b>143.812.485</b>	<b>449.772.025</b>	<b>19.427.576</b>	<b>162.256</b>	<b>20.419.983</b>	<b>777.288.682</b>
<b>Opening net carrying value, 1 January 2019</b>	<b>143.694.357</b>	<b>143.812.485</b>	<b>449.772.025</b>	<b>19.427.576</b>	<b>162.256</b>	<b>20.419.983</b>	<b>777.288.682</b>
Additions	--	3.299.855	29.648.669	5.920.878	488.438	17.604.086	56.961.926
Disposals	--	--	(58.531)	--	(522.050)	--	(580.581)
Transfers	--	686.124	11.780.425	99.547	--	(12.566.096)	--
Foreign currency translation differences	15.115.559	14.853.627	46.164.276	1.999.840	16.759	2.109.071	80.259.132
Depreciation charge	--	(8.670.784)	(26.308.729)	(3.733.335)	(152.884)	--	(38.865.732)
Disposals from accumulated depreciation	--	--	8.258	--	516.104	--	524.362
<b>Closing net carrying value, 31 December 2019</b>	<b>158.809.916</b>	<b>153.981.307</b>	<b>511.006.393</b>	<b>23.714.506</b>	<b>508.623</b>	<b>27.567.044</b>	<b>875.587.789</b>

TL 41.363.351 (31 December 2018: TL 40.148.853) of the current period depreciation and amortisation expenses have been reflected to costs of goods sold and TL 2.510.781 (31 December 2018: TL 2.191.232) to operating expenses.

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**13. PROPERTY PLANT AND EQUIPMENT**

Fair value of land, land improvements and buildings of the Company is obtained according to valuations at 31 December 2018. Valuation companies which are the independent companies authorized by CMB, are sufficient for the appropriateness of the valuation. Valuations made in accordance with International Valuation Standards in valuation reports was determined by the method of cost approach.

The fair value of land, land improvements and buildings are as follows is determined:

Level 1: Land, land improvements and buildings are valued at quoted prices in active markets for identical assets or liabilities.

Level 2: Land, land improvements and buildings are valued directly from the inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Land, land improvements and buildings are valued using inputs for the asset or liability that are not based on observable market data.

The fair value measurement of land, land improvements and building is categorized as Level 3 fair value based on the inputs to the valuation technique used.

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**13. INTANGIBLE ASSETS**

For the years ended 31 December 2019 and 31 December 2018, movements of intangible assets were as follows:

	<b>Rights</b>	<b>R&amp;D</b>	<b>Total</b>
<b><u>Cost</u></b>			
<b>1 January 2018 opening balance</b>	<b>19.079.255</b>	<b>--</b>	<b>19.079.255</b>
Additions	1.164.318	2.595.394	3.759.712
Translation differences	598.573	159.547	758.120
<b>31 December 2018 closing balance</b>	<b>21.216.600</b>	<b>2.754.941</b>	<b>23.971.541</b>
<b>1 January 2019 opening balance</b>	<b>21.216.600</b>	<b>2.754.941</b>	<b>23.971.541</b>
Additions	1.203.597	15.446.797	16.650.394
Transfer	374.456	--	374.456
Translation differences	517.225	3.458.498	3.975.723
<b>31 December 2019 closing balance</b>	<b>23.311.878</b>	<b>21.660.236</b>	<b>44.972.114</b>
<b><u>Accumulated Amortization</u></b>			
<b>1 January 2018 opening balance</b>	<b>15.616.286</b>	<b>--</b>	<b>15.616.286</b>
Additions	2.647.343	1.101.976	3.749.319
Translation differences	(401.825)	--	(401.825)
<b>31 December 2018 closing balance</b>	<b>17.861.804</b>	<b>1.101.976</b>	<b>18.963.780</b>
<b>1 January 2019 opening balance</b>	<b>17.861.804</b>	<b>1.101.976</b>	<b>17.861.804</b>
Additions	1.010.523	3.997.877	5.008.400
Translation differences	--	304.356	304.356
<b>31 December 2019 closing balance</b>	<b>18.872.327</b>	<b>5.404.209</b>	<b>23.174.560</b>
<b><u>Net carrying value</u></b>			
31 December 2018	<b>3.354.796</b>	<b>1.652.965</b>	<b>5.007.761</b>
31 December 2019	<b>4.439.551</b>	<b>15.446.797</b>	<b>21.797.554</b>

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**14. GOODWILL**

Goodwill is amounting to TL 7.540.809 as at 31 December 2019 (31 December 2018: TL 6.834.872). Goodwill has arisen due to the acquisition of Componenta UK Ltd. shares in 2006.

	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>6.834.872</b>	<b>5.119.918</b>
Translation Differences	705.937	1.714.954
<b>31 December</b>	<b>7.540.809</b>	<b>6.834.872</b>

Related with goodwill occurred in acquisition of Componenta UK Ltd, the Group compared value in use of cash generating unit with goodwill carried in the consolidated statement of financial position and concluded that there is no impairment.

**15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**a) Short-term provisions:**

As at 31 December 2019 and 31 December 2018, the details of other current provisions were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Provisions for litigation <sup>(1)</sup>	7.815.115	7.435.107
Unused vacation pay liability <sup>(2)</sup>	3.023.822	3.639.188
Provisions for energy and water expenses <sup>(3)</sup>	636.006	596.985
Other short-term provisions <sup>(4)</sup>	2.812.674	2.966.169
	<b>14.287.617</b>	<b>14.637.449</b>

- (1) There were lawsuits filed against the Group due to work accidents. The Group management has made employers' liability insurance in relation to these work accidents and the related provisions were reflected to the consolidated financial statements as at 31 December 2019 and 31 December 2018 by deducting the compensable amount of insurance from estimated payments.
- (2) In Turkey, according to the legislation, the employer has to make payments for unused vacation days when the personnel leave the company.
- (3) As at 31 December 2019, provision consists of not invoiced electricity, natural gas and water expense accruals for the year 2019.
- (4) As at 31 December 2019, other short term provisions consist of provision for personnel expenses and not invoiced office expenses provisions.



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**15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)**

**a) Short-term provisions(continued):**

As at 31 December 2019 and 31 December 2018, movement of provisions of the Group is as follows:

	1 January 2019	Additions	Foreign currency translation differences	Unutilized Portion/Utilization	31 December 2019
Provisions for litigation	7.435.107	--	750.285	(370.277)	7.815.115
Unused vacation pay liability	3.639.188	--	330.779	(946.145)	3.023.822
Provisions for energy and water expenses	596.985	--	56.401	(17.380)	636.006
Other short-term provisions	2.966.169	4.073.110	676.656	(4.903.261)	2.812.674
<b>Total</b>	<b>14.637.449</b>	<b>4.073.110</b>	<b>1.814.121</b>	<b>(6.237.063)</b>	<b>14.287.617</b>

	1 January 2018	Additions	Foreign currency translation differences	Unutilized Portion/Utilization	31 December 2018
Provisions for litigation	6.156.625	--	2.016.819	(738.337)	7.435.107
Unused vacation pay liability	2.667.314	73.894	897.980	--	3.639.188
Provisions for energy and water expenses	394.408	66.386	136.191	--	596.985
Other short-term provisions	9.599.046	--	2.644.941	(9.277.818)	2.966.169
<b>Total</b>	<b>18.817.393</b>	<b>140.280</b>	<b>5.695.931</b>	<b>(10.016.155)</b>	<b>14.637.449</b>

**b) Guarantee Letters, Pledges and Mortgages ("GPM") Given by the Group:**

The Group's guarantee letters/ pledges/ mortgages (GPMs) position as at 31 December 2019 and 31 December 2018 were as follows:

	Total TL equivalent	Original Currency TL	Original Currency US Dollar	Original Currency EUR
<b>31 December 2019</b>				
A. GPMs given on behalf of the Company's legal personality	8.228.974.943	3.340.783.943	--	735.000.000
B. GPMs given in favour of subsidiaries included in full consolidation	--	--	--	--
C. GPMs given by the Company for the liabilities of third parties in order to run ordinary course of business	--	--	--	--
D. Other GPMs	--	--	--	--
i.GPMs given in favour of parent company	--	--	--	--
ii.GPMs given in favour of group companies not in the scope of B and C above	--	--	--	--
iii.GPMs given in favour of third-party companies not in the scope of C above	--	--	--	--
Other	--	--	--	--
<b>Total GPMs</b>	<b>8.228.974.943</b>	<b>3.340.783.943</b>	<b>--</b>	<b>735.000.000</b>
<b>Other GPMs</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

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#### 15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

##### b) Guarantee Letters, Pledges and Mortgages ("GPM") Given by the Group (continued):

Ratio of other GPMs given by the Group to the Group's equity is 6922% as at 31 December 2019 (31 December 2018: 6022%).

As at 31 December 2019, lender banks Vakıfbank, Halk Bankası, İş Bankası and Ziraat Bankası have first degree and first ranking mortgage in the amount of EUR 270.000.000 and second degree and first ranking mortgage in the amount of TL 400.000.000, pursuant to the participation ratio on all of the property, plant and equipment of the Group under the contract dated 13 August 2014. With amending agreement dated 17 June 2015, amount of existing mortgages have been increased on first degree and first ranking to EUR 285.000.000 and second degree and first ranking to TL 500.000.000. With amending agreement dated 4 October 2016, amount of existing mortgages have been increased on first degree and first ranking to EUR 285.000.000, second degree and first ranking to TL 500.000.000 and third degree and first ranking to EUR 50.000.000 and TL 100.000.000. With the loan agreement dated September 27, 2017, the fifth degree and first place 400,000,000 Euros and the sixth degree and 2,000,000,000 TL in the first place were added to the existing mortgage amounts, and registration procedures were completed on 3 October 2017.

Other than that, same banks have first degree and first ranking mortgage in the amount of TL 400.000.000 on portable business facilities, trade name, company name, patent rights, brands, models, paintings, licenses and every kind of accessories, fixtures, essential part, syllabus and details without recourse, jointly and pursuant to the participation ratio. With amending agreement dated 17 June 2015, amount of existing pledge of assets have been increased TL 600.000.000 with the same scope. In accordance with the supplemental agreement dated 24 November 2016, the commercial enterprise pledge was amended and increased to TL 720.000.000 TL with the previous scope has been valid.

Letters of guarantees given which are amounting to TL 20.783.943 were composed of guarantees given to the Undersecretariat Customs, customs offices, chamber of commerce, tax authorities, electricity and natural gas suppliers, raw material suppliers and law courts related with ongoing legal cases.

	Total TL equivalent	Original Currency TL	Original Currency US Dollar	Original Currency EUR
<b>31 December 2018</b>				
A. GPMs given on behalf of the Company's legal personality	7.760.959.529	3.330.379.529	--	735.000.000
B. GPMs given in favour of subsidiaries included in full consolidation	--	--	--	--
C. GPMs given by the Company for the liabilities of third parties in order to run ordinary course of business	--	--	--	--
D. Other GPMs	--	--	--	--
i.GPMs given in favour of parent company	--	--	--	--
ii.GPMs given in favour of group companies not in the scope of B and C above	--	--	--	--
iii.GPMs given in favour of third-party companies not in the scope of C above	--	--	--	--
Other	--	--	--	--
<b>Total GPMs</b>	<b>7.760.959.529</b>	<b>3.330.379.529</b>	--	<b>735.000.000</b>
<b>Other GPMs</b>	--	--	--	--

##### c) Letter of Guarantees Received:

	31 December 2019	31 December 2018
Guarantee letters received	1.341.253	3.752.726
Guarantee cheques and notes received	6.300.996	5.020.061
<b>Total guarantees received</b>	<b>7.642.248</b>	<b>8.772.787</b>

Letters of guarantees received consist of guarantees received from customers, suppliers and subcontractors.

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**16. EMPLOYEE BENEFITS**

**Long term provisions related to Employee benefits**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Provision for employment termination benefits	58.663.719	51.350.736
	<b>58.663.719</b>	<b>51.350.736</b>

Provision for employment termination benefit is accounted according to the following disclosures:

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 6.380 for each year of service as at 31 December 2018 (31 December 2018: TL 5.002).

The liability is not funded in legally and there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The following actuarial assumptions were used in the calculation of the total liability:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Annual discount rate (%)	15,00	5,09
Turnover rate to estimate the probability of retirement (%)	95	95

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the liability cap for each year of service is adjusted once in every six months the maximum amount of TL 6.017, which is effective from 1 January 2019. (1 January 2018: TL 5.002), has been considered in the calculation.

For the years ended 31 December movements of provision for employment termination benefits were as follows:

	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>51.350.736</b>	<b>35.016.817</b>
Interest cost	5.662.628	4.739.358
Current year service cost	3.283.824	2.808.402
Actuarial loss	(14.596.671)	35.377.375
Foreign currency translation differences	21.909.886	(9.643.581)
Payments during the period	(8.946.684)	(16.947.635)
<b>31 December</b>	<b>58.663.719</b>	<b>51.350.736</b>

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**17. OTHER ASSETS AND LIABILITIES**

**Other current assets**

As at 31 December 2019 and 31 December 2018, details of other current assets were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
VAT receivables	6.762.184	7.690.432
Other	60.494	55.397
	<b>6.822.678</b>	<b>7.745.829</b>

**Other non-current assets**

	<b>31 December 2019</b>	<b>31 December 2018</b>
VAT Receivables (*)	19.224.138	9.329.017
	<b>19.224.138</b>	<b>9.329.017</b>

(\*) Long term VAT receivables are estimated to be collected in more than one year in accordance with the Group's forecasts, thus represented in other non-current assets as at 31 December 2019 and 31 December 2018.

**Other short-term liabilities**

As at 31 December 2019 and 31 December 2018, details of other short-term liabilities were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Deferred revenue	9.089.475	1.146.375
Advances received	2.001.252	1.176.485
Other short-term liabilities (*)	1.740.974	1.028.791
	<b>12.831.701</b>	<b>3.351.651</b>

(\*) As at 31 December 2019, TL 880.822 portion of other short-term liabilities consist of liabilities to union (31 December 2018: TL 204.968).

**18. SHAREHOLDER'S EQUITY**

**Paid-in Capital**

The Company applies registered capital system which is recognized by BIST registered companies. The Company identified share capital amounting to TL 250.000.000 for registered shares with a nominal value of TL 0,01.

The composition of the Company's statutory paid-in capital at 31 December 2019 and 31 December 2018 are as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Registered Capital (with historical value)	250.000.000	250.000.000
Approved and paid-in capital (nominal value)	66.844.800	66.844.800

The composition of the Company's statutory paid-in capital at 31 December 2019 and 31 December 2018 were as follows:

	<b>31 December 2019</b>	<b>Shareholding Percentage (%)</b>	<b>31 December 2018</b>	<b>Shareholding Percentage (%)</b>
Döktaş	64.281.914	96.17	64.496.888	96,49
Held by public	2.562.886	3.83	2.347.912	3,51
<b>Total paid-in-capital</b>	<b>66.844.800</b>	<b>100.00</b>	<b>66.844.800</b>	<b>100,00</b>

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#### 18. SHAREHOLDER'S EQUITY (continued)

The Company has 6.684.480.000 shares (31 December 2018: 6.684.480.000 shares) each with the nominal value of Kr 1 as at 31 December 2018. The Company has no privileged shares.

As explained in Note 1, the nominal value of TL 62.543.859 corresponding to 93,57% of the Group's capital were transferred to Çelik Holding A.Ş. by Döktaş Metal upon approval of the transfer of the pledged shares by the Lenders on 29 June 2018. The transfer was registered on 11 July 2018.

#### Capital Advance

With the decision of the board of directors dated 27 November 2019, the Group's main shareholder, Çelik Holding A.Ş. has paid the capital advance amounting to TL 47.135.520, equivalent to 7.500.000 Euro. The Group has recognized this amount in capital advance as at 31 December 2019.

#### Inflation Adjustment Differences on Paid-In Capital

Adjustment to share capital represents the inflation restatement effect of the cash contributions to share capital.

#### Share Premium

As at 31 December 2019 and 31 December 2018, the Group's share premium is amounting to TL 161.041.

#### Gain on Revaluation and Re-measurement

The gain on revaluation and re-measurement reserve relates to the revaluation of property, plant and equipment.

#### Remeasurements of Defined Benefit Liability

The reserve comprise of actuarial gains or loss from defined benefit plans recognized in other comprehensive income as a result of TAS 19 (2011)

#### Foreign Currency Translation Differences

Foreign currency translation differences comprises of foreign currency differences arising from the translation of the financial statements.

#### Prior Year's Profits

As at 31 December 2019 and 31 December 2018, the Group's prior year's profits are amounting to TL 229.427.106 and TL 125.860.629, respectively.

#### Legal reserves

Legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 10% of the paid-in capital. As at 31 December 2019, legal reserves of the Group is amounting to TL 16.035.194 (31 December 2018: TL 16.035.194).

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#### 18. SHAREHOLDER'S EQUITY (continued)

##### Other Equity Interest

As at 31 December 2016, the Group has recognised the uncollectible portion of the trade and financial receivables from related parties based on the payment capacity of the counterparties which resulted in restructuring due to financial difficulties experienced by the parent and its subsidiaries amounting to TL 429.474.292. In 2017, negotiations with the trustees in the related countries were completed. According to the agreements signed, bad debts have been revised and the difference amounting to TL 5.228.477 which is formed in favor of the Group is classified as equity. As at 31 December 2018, other equity interest is amounting to TL 424.245.815.

As at 31 December 2019, the Group has recognized its trade receivables amounting to TL 201.032.594 from its previous subsidiary, Componenta Frammestad AB, in other equity interest due to the subsidiary's bankruptcy process started in 2019. Thus, other equity interest is amounting to TL 625.278.409 as at 31 December 2019.

##### **Dividend:**

The Companies whose shares are listed are subject to the following dividend requirement introduced by the CMB:

In accordance with Article 19 of Capital Markets Law No. 6362 which came into effect on 30 December 2012 and CMB Communiqué on Dividend No. II-19.1 which came into effect as at 1 February 2014, publicly held corporations distribute dividends within the frameworks of the dividend distribution policies determined by their general assemblies and relevant legislation provisions. The assembly may determine different principles based on similar corporations for profit distribution policies of publicly held corporations.

If the legal reserves to be allocated in accordance with the TCC and the dividend determined for the shareholders in the articles of association or the dividend distribution policies are not allocated, a decision to allocate other legal reserves, transfer the profit to the next year, and distribute the dividend to people other than the owners of dividend shares, board members and employees of the corporation, and shareholders, cannot be made. Moreover, if the rate of the dividend determined for the shareholders is not paid in cash, no dividend shall be distributed to these people.

In publicly held corporations dividends shall be distributed equally to all of the shares existing as of the date of distribution regardless of their dates of issuance and acquisition.

In line with the effective regulations, upon the decision of the general assembly corporations distribute dividends according to the dividend distribution policy determined by their general assemblies and the provisions of relevant legislation. The said regulations do not specify a minimum dividend amount. Corporations make dividend payments according to the provisions of their articles of association or dividend distribution policies. In addition, corporations may pay dividends in instalments of equal or different amounts and may distribute dividend advances in cash for the profits shown in their financial statements.

The Company has not distributed dividends during the current year.

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**19. REVENUE AND COST OF SALES**

For the years ended 31 December, the details of revenue were as follows:

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Export sales	916.907.610	915.239.674
Domestic sales	213.823.333	267.373.527
Other sales	43.515.964	26.069.598
<b>Sales revenue (gross)</b>	<b>1.174.246.907</b>	<b>1.208.682.799</b>
Less: Discounts and returns	(17.272.954)	(28.810.718)
<b>Sales revenue (net)</b>	<b>1.156.973.953</b>	<b>1.179.872.081</b>
Cost of sales	(905.559.013)	(931.795.423)
<b>Gross profit</b>	<b>251.414.940</b>	<b>248.076.658</b>

**Cost of sales:**

For the years ended 31 December, the details of cost of sales were as follows:

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Raw material costs	(415.040.726)	(456.532.667)
Personnel expenses	(184.496.865)	(169.141.380)
General production costs	(143.674.255)	(137.881.695)
Energy expenses	(99.181.385)	(92.815.293)
Depreciation and amortization expenses	(41.363.351)	(40.148.853)
Other	(21.794.858)	(35.275.535)
	<b>(905.551.440)</b>	<b>(931.795.423)</b>

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**20. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND  
GENERAL ADMINISTRATIVE EXPENSES**

**Marketing expenses:**

For the years ended 31 December, the details of marketing expenses were as follows:

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Insurance premiums related to freight and customs procedures	(28.720.006)	(22.437.737)
Packaging	(10.247.893)	(10.252.487)
License fees	(3.670.596)	(745.702)
Warehousing	(2.494.671)	(3.517.488)
Personnel	(1.995.429)	(1.064.606)
Transportation	(583.934)	(543.760)
Other	(1.567.619)	(2.226.953)
	<b>(49.280.148)</b>	<b>(40.788.733)</b>

**General administrative expenses:**

For the years ended 31 December, the details of general administrative expenses were as follows:

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Personnel	(30.985.823)	(37.427.086)
Information technology services expenses	(6.366.671)	(5.016.155)
Taxes and stamp duty	(4.286.224)	(4.078.109)
Subcontractor expenses	(3.581.425)	(2.720.074)
Legal counseling expenses	(2.867.580)	(2.103.839)
Vacation pay liability expenses	(2.614.147)	(2.691.986)
Depreciation and amortization	(2.510.781)	(2.191.232)
Repair, maintenance and cleaning	(883.535)	(652.364)
Subscriptions	(347.061)	(821.612)
Notification payments	(124.707)	(555.942)
Travel expenses	(77.776)	(95.451)
Public holiday pay provision	--	(73.894)
Other	(4.648.400)	(4.617.416)
	<b>(59.294.130)</b>	<b>(63.045.160)</b>



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**21. EXPENSES BY TYPE**

For the years ended 31 December, details of expenses by nature were as follows:

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Cost of goods sold	(41.363.351)	(40.148.853)
General administrative expenses	(2.510.781)	(2.191.232)
<b>Depreciation and amortization</b>	<b>(43.874.132)</b>	<b>(42.340.085)</b>
Cost of goods sold	(184.496.865)	(169.141.380)
General administrative expenses	(30.985.823)	(37.427.086)
Research and development expenses	(786.754)	(719.282)
Marketing expenses	(1.995.429)	(1.064.606)
<b>Personnel expenses</b>	<b>(218.264.871)</b>	<b>(208.352.354)</b>

**22. OTHER OPERATING INCOME AND EXPENSES**

**Other operating income**

For the years ended 31 December, details of other operating income were as follows:

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Discount income	22.264.065	4.187.757
Foreign exchange income on other operating income	12.794.416	45.221.620
Insurance damage incomes	1.627.414	1.664.454
Reversal of impairment on receivables (Note 6)	922.480	4.221.694
Other	8.048.972	5.381.176
	<b>45.657.347</b>	<b>60.676.701</b>

**Other operating expenses**

For the years ended 31 December, details of other operating expenses were as follows:

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Foreign exchange expense on other operating expense	(5.928.179)	(4.905.877)
Discount interest expense	(3.005.231)	(1.051.817)
Rework expenses	(395.782)	(1.304.608)
Tax penalty expense	(258.994)	(318.558)
Other	(348.998)	(65.739)
	<b>(9.937.184)</b>	<b>(7.646.599)</b>

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**23. INCOME FROM INVESTING ACTIVITIES**

For the years ended 31 December, details of income from investing activities were as follows:

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Gain on sale of property, plant and equipment	13.515	5.545.400
	<b>13.515</b>	<b>5.545.400</b>

**24. FINANCE INCOME**

For the years ended 31 December, details of financial income were as follows:

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Foreign exchange gain	15.681.941	17.875.899
Interest income	267.825	154.058
	<b>15.949.766</b>	<b>18.029.957</b>

**25. FINANCE COSTS**

For the years ended 31 December, details of financial costs were as follows:

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Interest expenses	(64.636.526)	(59.082.180)
Foreign exchange losses	(11.567.045)	(35.586.594)
Employee termination interest expense	(5.662.628)	(4.739.358)
Factoring expenses	--	(42.425)
Loan expenses	(1.710.736)	(7.940.548)
Finance leasing interest expenses	(571.023)	(1.196.219)
Other	(3.844.373)	(2.538.374)
	<b>(91.509.312)</b>	<b>(111.125.698)</b>

**26. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on an individual-entity basis.

## DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

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#### 26. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (continued)

In Turkey corporate tax rate for the fiscal year 2019 is 22% (2018: 22%). Corporate tax rate for the subsidiary of the Group in United Kingdom is 20% (2018: 20%). In accordance with the "Law on the Amendment of Certain Tax Acts and Some Other Laws" numbered 30261 and published in Official Gazette on 5 December 2017; the corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences that will be realised in 2018, 2019 and 2020; and with 20% tax rate for the temporary differences that will be realised after 2021 and onwards.

The corporate tax rate applies to the tax base that will be found as a result of the deduction of the expenses that are not accepted as a result of the tax laws to the commercial income of the institutions, the exception to the tax law (participation earnings exception, exemption of investment allowance etc.) and the reduction of discounts (such as R & D discount). No further tax is paid if the profit is not distributed.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income and declare by the 14th of the second month following the quarter (31 December 2018: 22%). With the amendment of the law, this rate was determined as 22% for the years 2018, 2019 and 2020.

Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses can not be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until 25th of the fourth month following the end of the financial year to which they relate. Tax returns are open for 5 years starting from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Taxation expenses recognized in the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2019 and 31 December 2018 are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Deferred tax income / (expense)	(3.407.380)	(8.656.716)
<b>Total tax income / (expense)</b>	<b>(3.407.380)</b>	<b>(8.656.716)</b>

#### **Deferred tax income:**

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between tax bases of assets and liabilities and their carrying values in the consolidated financial statements, using the currently enacted tax rates. The tax rate applied to temporary differences is 20% (31 December 2018: 20%). With the new amendment to the law this rate has been increased to %22 for the years of 2018, 2019 and 2020. The tax rate applied to the Group's subsidiary in United Kingdom is 20% (31 December 2018: 20%).

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**26. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (continued)**

**Deferred tax income (continued):**

The composition of cumulative temporary differences and the related deferred tax assets and liabilities calculated using the enacted tax rates at 31 December 2019 and 31 December 2018, were as follows:

	Cumulative Temporary Differences		Deferred Tax Assets/ (Liabilities)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	311.164.760	250.158.612	(62.232.952)	(50.031.722)
Revaluation fund for land	116.093.075	116.112.421	(23.218.615)	(23.222.484)
Revaluation fund for land improvements and buildings	5.171.465	4.687.349	(1.034.293)	(937.470)
Provision for employment termination benefits and notification payments	(54.936.820)	(51.350.736)	10.987.364	10.270.147
Net difference between the tax base and carrying value of inventories	(388.355)	1.779.001	77.671	(355.800)
Timing differences in recognition of revenue	2.567.840	(1.385.330)	(513.568)	277.066
Legal provisions	(8.585.825)	(15.906.500)	1.717.165	3.181.300
Provision for doubtful receivables	(7.983.985)	(11.233.975)	1.596.797	2.246.795
Investment incentives (*)	37.751.484	26.957.912	37.751.484	26.957.912
Other	(14.898.560)	(21.972.212)	2.979.712	4.394.442
<b>Deferred tax liabilities - net</b>			<b>(31.889.235)</b>	<b>(27.219.814)</b>

(\*) The amount stems from investments held for factory building, field and production facility located in the Manisa Industrial Zone. The Group has received an Incentive Certificate from the Ministry of Economics General Directorate of Incentive Implementation and Foreign Capital for their investment in total amount of TL 80,660,000 starting on May 2015, which will end in May 2018. According to this certificate, tax discount rate is set at 70% and investment contribution rate at 40%. Based on the Investment Promotion Legislation and Article 15 of the Council of Ministers Resolution, costs of land, royalty, spare parts and costs of other expenses which are not subject to amortization will not benefit from tax support. In this context, total capital expenditure that may be subject to tax deductions is TL 72.579.690 excluding the land and other expenditures. The amount that can be used in discounted corporate tax is calculated through the capital expenditure amounting to TL 80.660.000 in the current period by using the 40% of investment contribution rate amounting TL 31.114.102. Since TL 4.156.190 of this amount is deducted in the calculation of corporate tax of year 2016, the remaining amount of TL 28.107.810 is recorded as deferred tax asset.

In the year 2019, The Group has received an Incentive Certificate from the Ministry of Economics General Directorate of Incentive Implementation and Foreign Capital for their investment in total amount of TL 30.000.000 TL. According to this incentive certificate, the tax reduction rate is determined as %70 and the contribution rate to investment is 30%. In this context, the total investment expenditure that may be subject to the Group's tax deduction account is TL 4.760.774. The amount that can be used in the calculation of reduced corporate tax is calculated as TL 1,428,232 with a 30% contribution to investment, based on the investment expenditure made by the Group until the end of the current period of TL 4.760.774.

In addition, the Group received two additional incentive certificates for Orhangazi Industrial Zone investments in 2019. According to this incentive certificate, the tax reduction rate is 50%, the investment contribution rate is 15%, the tax discount rate is 70%, and the investment contribution rate is 30%. Within the scope of these incentive certificates, the Group has recorded a deferred tax asset of TL 8.215.442, which can be used in the calculation of reduced corporate tax, through its investment expenditure of TL 29.911.717 until the end of the current period.

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**26. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (continued)**

**Deferred tax income: (continued)**

Movements of deferred tax liability are as follows:

	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>(27.219.814)</b>	<b>(11.553.923)</b>
Current period deferred tax income / (expense)	(3.407.380)	(8.656.716)
Charged to equity	(2.919.334)	7.576.137
Foreign currency translation differences	1.657.293	(14.585.312)
<b>31 December</b>	<b>(31.889.235)</b>	<b>(27.219.814)</b>

The reconciliation of the taxation on income in the consolidated statement of profit or loss and other comprehensive income for the periods ended 31 December and the taxation on income/expenses calculated with the current tax rate over income from continuing operations before tax is as follows:

	<b>%</b>	<b>2019</b>	<b>%</b>	<b>2018</b>
<b>Income/(loss) before tax rate</b>		<b>101.571.786</b>		<b>109.887.589</b>
Tax expense/(income) calculated at legal tax rate	22,00	22.345.793	22,00	24.175.270
Effect of share of equity-accounted investee	0,15	150.264	0,03	33.132
Effect of disallowable expenses	(0,71)	(719.883)	(1,04)	(1.146.846)
Effect of tax exemptions	0,45	457.337	1,45	1.596.526
Unrecognized deferred tax assets of the current year losses (*)	(12,30)	(12.488.757)	(11,64)	(12.785.871)
Effect of tax rate change	(0,41)	(411.706)	1,87	(865.672)
Other	(5,83)	(5.925.668)	(2,14)	(2.349.823)
<b>Tax provisions</b>	<b>3,35</b>	<b>3.407.380</b>	<b>11</b>	<b>8.656.716</b>

(\*)The Group has financial loss amounting to TL 56.767.078 which has been realized in the current period and the deferred tax has not been calculated.

**27. EARNINGS/(LOSS) PER SHARE**

For the periods 1 January - 31 December 2019 and 1 January - 31 December 2018, weighted average number of shares and earnings/ (loss) per share are as follows:

	<b>2019</b>	<b>2018</b>
<b>Average number of shares outstanding during the period (full value)</b>	<b>6.684.480.000</b>	<b>6.684.480.000</b>
<b>Net profit by Parent Company</b>	<b>98.164.406</b>	<b>101.230.873</b>
<b>Earnings per share with nominal value of 1 KR</b>	<b>14,6854</b>	<b>15,1442</b>

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#### 28. RELATED PARTY DISCLOSURES

Related parties of the Group are the Componenta Oyj Group until 12 October 2017. As explained in Note 1, the Company's shares have been transferred to Döktaş as of 12 October 2017 and then related shares were transferred to Çelik Holding A.Ş. as of 29 June 2018 after the banks that gave credit approved the transfer of pledged shares and obtained permission from the Competition Board.

##### a) Due from related parties:

As of 31 December 2019 and 31 December 2018, the Group has no receivables from related parties.

##### b) Due to related parties:

As at 31 December 2019 and 31 December 2018 trade payables due to related parties are as follows:

	31 December 2019	31 December 2018
Çelik Holding A.Ş.	5.471.716	--
Bordo Elektrik Enerjisi A.Ş.	5.346.375	5.476.035
Kumsan	259.764	201.405
Güriş İş Makinaları Endüstri A.Ş.	17.996	4.561
Parsan Makine Parçaları Sanayi A.Ş.	3.601	1.236.514
Mogan Özel Havacılık A.Ş.	--	139.972
	<b>11.099.452</b>	<b>7.058.487</b>

##### c) Sales to related parties:

As of 31 December 2019 and 31 December 2018, there are no sales to related parties.

##### d) Goods and services received:

For the year ended 31 December 2019 breakdown of the purchases from related parties are as follows:

	Trade goods/services	Management fee	Other	Total
Bordo Elektrik Enerjisi A.Ş.	79.246.903	--	--	79.246.903
Çelik Holding A.Ş.	71.316	3.025.714	784.508	3.881.538
Parsan Makine Parçaları Sanayi A.Ş.	21.925	1.227.884	184.667	1.434.476
Asil Çelik Deutschland GmbH	1.205.493	--	--	1.205.493
Kumsan Daöküm Malzemeleri Sanayi ve Ticaret A.Ş.	1.121.013	--	--	1.121.013
Güriş İş Makinaları Endüstri A.Ş.	994.999	--	--	994.999
Mogan Özel Havacılık A.Ş.	262.686	--	--	262.686
Güris Europe GmbH	355.929	--	--	355.929
Yamantürk Vakfı	--	--	174.000	174.000
Omtaş Otomotiv San. Tic. A.Ş.	6.512	--	--	6.512
	<b>83.286.776</b>	<b>4.253.598</b>	<b>1.143.175</b>	<b>88.683.549</b>

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**28. RELATED PARTY DISCLOSURES (continued)**

**d) Goods and services received (continued):**

For the year ended 31 December 2018 breakdown of the purchases from related parties are as follows:

	Trade goods/services	Management fee	Other	Total
Bordo Elektrik Enerjisi A.Ş.	20.256.239	--	--	20.256.239
Parsan Makine Parçaları Sanayi A.Ş.	--	1.093.696	452.074	1.545.770
Kumsan	1.121.667	--	--	1.121.667
Mogan Özel Havacılık A.Ş.	--	--	461.298	461.298
Güriş İş Makinaları Endüstri A.Ş.	--	--	25.783	25.783
	<b>21.377.906</b>	<b>1.093.696</b>	<b>939.156</b>	<b>23.410.757</b>

**e) Financing expense:**

Financial expenses from related parties for the years ended 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Çelik Holding A.Ş.	3.684.600	--
Omtaş Otomotiv Sanayi ve Ticaret A.Ş.	--	230.644
	<b>3.684.600</b>	<b>230.644</b>

**f) Remunerations to key management personnel:**

Key management personnel include general manager and directors and remunerations provided to key management personnel are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Short-term benefits	7.285.740	5.847.336
Long-term benefits	484.535	416.656
<b>Total</b>	<b>7.770.274</b>	<b>6.263.993</b>

**29. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS**

The Group's activities expose it to a variety of financial risks; these risks are market risk including the effects of changes in debt and equity market prices, foreign currency exchange rates, fair value interest rate risk and cash flow interest rate risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

**a) Interest-rate risk**

The Group Management evaluates the interest bearing assets in short-term investment instruments within the framework of the principle of managing with natural measures by balancing the maturities of interest-sensitive assets and liabilities.

Interest rate risk of the Group is derived from financial liabilities which have short and long term maturity.

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**29. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)**

**a) Interest rate risk (continued)**

	31 December 2019	31 December 2018
<b>Financial instruments with fixed interest rate</b>		
Cash and cash equivalents	7.682.000	865.000
Financial liabilities	(654.660.502)	(674.630.050)

	31 December 2019	31 December 2018
<b>Financial instruments with variable interest rate</b>		
Financial liabilities	(450.542.797)	(340.700.308)

**b) Credit Risk**

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Credit risk of the Group mainly arises from trade receivables and trade receivables consist of domestic and foreign receivables. In case of any collection problem with customers, the Group reduces the credit risk by limiting transactions with related customers. Analysis of credit risk exposed by types of financial instruments as at 31 December 2019 and 2018 is as follows:

31 December 2019	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related Parties	Other Parties	Related Parties	Other Parties	
<b>Maximum credit risk as at reporting date (*) (A+B+C+D+E)</b>	--	211.437.192	--	16.923.456	54.697.195
Guaranteed portion of the maximum risk	--		--		
<b>A.</b> Net book value of the assets that are not due or that are not impaired	--	128.080.337	--	16.923.456	54.697.195
<b>B.</b> Value of the financial assets whose terms have been renegotiated, otherwise considered as overdue or impaired	--	--	--	--	--
<b>C.</b> Book value of the overdue but not impaired assets	--	78.540.036	--	--	--
– Secured by collateral, etc.	--	--	--	--	--
<b>D.</b> Net book value of the assets impaired	--	--	--	--	--
Overdue (gross book value)	--	4.571.164	--	--	--
impaired (-)	--	(4.571.164)	--	--	--
Not due (gross book value)	--	7.983.985	--	--	--
impaired (-)	--	(7.983.985)	--	--	--
<b>E.</b> Off balance sheet items with credit risk	--	--	--	--	--

(\*) Increases in credit reliability are not taken into account in determining the amount, such as guarantees received.



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**b) Credit Risk (continued)**

31 December 2018	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related Parties	Other Parties	Related Parties	Other Parties	
<b>Maximum credit risk as at reporting date (*) (A+B+C+D+E)</b>	--	<b>315.722.534</b>	--	<b>15.921.117</b>	<b>27.696.816</b>
Guaranteed portion of the maximum risk	--	650.000	--	--	--
<b>A.</b> Net book value of the assets that are not due or that are not impaired	--	275.164.620	--	15.921.117	27.696.816
<b>B.</b> Value of the financial assets whose terms have been renegotiated, otherwise considered as overdue or impaired	--	--	--	--	--
<b>C.</b> Book value of the overdue but not impaired assets	--	40.557.914	--	--	--
- Guaranteed portion	--	--	--	--	--
<b>D.</b> Net book value of the assets impaired	--	--	--	--	--
Overdue (gross book value)	--	7.372.015	--	--	--
impaired (-)	--	(7.372.015)	--	--	--
Not due (gross book value)	--	4.883.747	--	--	--
impaired (-)	--	(4.883.747)	--	--	--
<b>E.</b> Off balance sheet items with credit risk	--	--	--	--	--

(\*) Increases in credit reliability are not taken into account in determining the amount, such as guarantees received.

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**c) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, providing availability of funds through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group is provided flexibility in funding through available credit lines considering the dynamics of business environment. The Group management holds adequate cash, credit commitment and factoring capacity that will meet the need for cash for 4-weeks in order to manage its liquidity risk.

Remaining maturities of liabilities which includes interest are disclosed in the following page:

31 December 2019	Net Book Value	Agreed Total Cash Outflows	Less than 3 months	3-12 months	1-5 years	5-10 years
<b>Derivative financial liabilities</b>						
Short and long term borrowings	1.096.064.125	1.341.542.692	66.354.832	255.509.522	688.668.638	331.009.701
Finance lease liabilities	9.139.174	14.081.761	3.154.733	4.899.366	6.027.663	--
Trade payables	104.531.151	104.592.921	104.592.921	--	--	--
Other payables	5.813.136	5.813.136	5.813.136	--	--	--
Other liabilities	12.831.701	12.831.701	12.831.701	--	--	--
<b>Toplam</b>	<b>1.228.379.287</b>	<b>1.478.862.212</b>	<b>192.747.323</b>	<b>260.408.887</b>	<b>694.696.300</b>	<b>331.009.701</b>
<b>31 December 2018</b>						
<b>Non-derivative financial liabilities</b>						
Short and long term borrowings	999.961.724	1.202.914.794	51.661.808	503.796.191	345.269.810	302.186.985
Finance lease liabilities	15.368.634	20.043.971	4.688.232	11.601.424	3.754.315	--
Trade payables	94.266.310	94.266.310	94.266.310	--	--	--
Other payables	9.926.512	9.926.512	9.440.939	--	485.573	--
Other liabilities	3.351.651	3.351.651	3.351.651	--	--	--
<b>Toplam</b>	<b>1.122.874.831</b>	<b>1.330.503.238</b>	<b>163.408.940</b>	<b>515.397.615</b>	<b>349.509.698</b>	<b>302.186.985</b>

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**29. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)**

**d) Foreign Currency Risk**

The Group, due to its TL and other foreign currency denominated borrowings, TL and other foreign currency denominated borrowings, and TL and other foreign currency denominated borrowings, are denominated in a The Group is exposed to foreign exchange rate risk due to the effect of exchange rate changes. This risk is monitored by the Board of Directors at regular meetings. The Group provides natural protection by balancing foreign currency debts and receivables. The fact that the foreign trade receivables used in relation to the liquidity risk is subject to factoring is an important element in this balancing operation.

The table below summarizes the Group's foreign currency position as at 31 December 2019 and 2018. Carrying values of foreign currency denominated assets and liabilities held by the Group are as follows:

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**29. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)**

FOREIGN CURRENCY POSITION TABLE	31 December 2019					31 December 2018				
	TL Equivalent (Functional currency-Euro)	USD	TL	GBP	Other	TL Equivalent (Functional currency-Euro)	USD	TL	GBP	Other
1. Trade Receivables	49.299.804	22.356	48.336.638	106.779	--	42.099.036	49.031	38.876.476	445.619	--
2a. Monetary Financial Assets (including Cash, Banks accounts)	10.130.749	--	7.774.814	302.956	--	2.399.491	--	978.745	213.556	--
2b. Non-monetary Financial Assets	--	--	--	--	--	--	--	--	--	--
3. Other	19.289.171	32.657	19.095.182	--	--	974.092	95.967	441.174	4.215	--
<b>4. Current Assets (1+2+3)</b>	<b>78.719.724</b>	<b>55.013</b>	<b>75.206.634</b>	<b>409.735</b>	<b>--</b>	<b>45.472.619</b>	<b>144.998</b>	<b>40.296.395</b>	<b>663.390</b>	<b>--</b>
5. Trade Receivables	--	--	--	--	--	--	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--	--	--	--	--	--	--
6b. Non-monetary Financial Assets	--	--	--	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--	--	--	--
<b>8. Fixed Assets (5+6+7)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. Total Assets (4+8)</b>	<b>78.719.724</b>	<b>55.013</b>	<b>75.206.634</b>	<b>409.735</b>	<b>--</b>	<b>45.472.619</b>	<b>144.998</b>	<b>40.296.395</b>	<b>663.390</b>	<b>--</b>
10. Trade Payables	74.678.981	957.453	67.692.093	137.567	362.030	62.278.713	950.935	55.443.352	269.971	62.500
11. Financial Liabilities	--	--	--	--	--	--	--	--	--	--
12a. Other Monetary Liabilities	16.681.502	--	--	2.145.117	--	(14.206.155)	--	--	(2.135.365)	--
12b. Other Non-monetary Liabilities	--	--	--	--	--	--	--	--	--	--
<b>13. Short-term Liabilities (10+11+12)</b>	<b>91.360.483</b>	<b>957.453</b>	<b>67.692.093</b>	<b>2.282.684</b>	<b>362.030</b>	<b>48.072.558</b>	<b>950.935</b>	<b>55.443.352</b>	<b>(1.865.394)</b>	<b>62.500</b>
14. Trade Payables	--	--	--	--	--	--	--	--	--	--
15. Financial Liabilities	--	--	--	--	--	--	--	--	--	--
16a. Other Monetary Liabilities	--	--	--	--	--	--	--	--	--	--
16b. Other Nonmonetary Liabilities	--	--	--	--	--	--	--	--	--	--
<b>17. Long-term Liabilities ( 14+15+16)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>18. Total Liabilities (13+17)</b>	<b>91.360.483</b>	<b>957.453</b>	<b>67.692.093</b>	<b>2.282.684</b>	<b>362.030</b>	<b>48.072.558</b>	<b>950.935</b>	<b>55.443.352</b>	<b>(1.865.394)</b>	<b>62.500</b>
<b>19. Net Asset / (Liability) Position of the Off- Balance Sheet Foreign Exchange Based Derivatives (19a-19b)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19a. The Amount of the Asset Type Off-Balance-Sheet Foreign Exchange Based Derivatives</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19b. The Amount of the Liability Type Off-Balance-Sheet Foreign Exchange Based Derivatives</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>20. Net Foreign Exchange Asset / (Liability) (9-18+19)</b>	<b>(12.640.759)</b>	<b>(902.440)</b>	<b>7.514.541</b>	<b>(1.872.949)</b>	<b>(362.030)</b>	<b>(2.599.939)</b>	<b>(805.937)</b>	<b>(15.146.957)</b>	<b>2.528.784</b>	<b>(62.500)</b>
<b>21. Net Foreign Exchange Asset / (Liability) Position of the Monetary Item (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16)</b>	<b>(12.640.759)</b>	<b>(902.440)</b>	<b>7.514.541</b>	<b>(1.872.949)</b>	<b>(362.030)</b>	<b>(2.599.939)</b>	<b>(805.937)</b>	<b>(15.146.957)</b>	<b>2.528.784</b>	<b>(62.500)</b>

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**29. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS** *(continued)*

	<b>31 December 2019</b>			
	Profit/ Loss		Shareholder’s Equity (*)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
	10% change in USD against EUR / in case of depreciation			
1. USD net asset/liability	(536.067)	536.067	(536.067)	536.067
2. Hedged from the USD risk (-)	--	--	--	--
<b>3. USD Net Effect (1+2)</b>	<b>(536.067)</b>	<b>536.067</b>	<b>(536.067)</b>	<b>536.067</b>
	10% change in TL against EUR / in case of depreciation			
4. TL net asset/liability	751.454	(751.454)	751.454	(751.454)
5. Hedged from the TL risk (-)	--	--	--	--
<b>6. TL Net Effect (4+5)</b>	<b>751.454</b>	<b>(751.454)</b>	<b>751.454</b>	<b>(751.454)</b>
	10% change in GBP against EUR / in case of depreciation			
7. GBP net asset/liability	(1.456.499)	1.456.499	(1.456.499)	1.456.499
8. Hedged from the GBP risk (-)	--	--	--	--
<b>9. GBP Net Effect (7+8)</b>	<b>(1.456.499)</b>	<b>1.456.499</b>	<b>(1.456.499)</b>	<b>1.456.499</b>
	% 10 change in other currency against EUR / in case of depreciation			
10- Other currency net asset/liability	(193.150)	193.150	(193.150)	193.150
11- Hedged from the other currency risk (-)	--	--	--	--
<b>12- GBP Net Effect (10+11)</b>	<b>(193.150)</b>	<b>193.150</b>	<b>(193.150)</b>	<b>193.150</b>
<b>TOTAL (3 + 6 +9+12)</b>	<b>(321.614)</b>	<b>321.614</b>	<b>(321.614)</b>	<b>321.614</b>

(\*) Does not include profit/loss effects.

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**28. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)**

	31 December 2018			
	Profit/ Loss		Shareholder's Equity (*)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
	10% change in USD against EUR / in case of depreciation			
1. USD net asset/liability	(423.995)	423.995	(423.995)	423.995
2. Hedged from the USD risk (-)	--	--	--	--
<b>3. USD Net Effect (1+2)</b>	<b>(423.995)</b>	<b>423.995</b>	<b>(423.995)</b>	<b>423.995</b>
	10% change in TL against EUR / in case of depreciation			
4. TL net asset/liability	(1.514.696)	1.514.696	(1.514.696)	1.514.696
5. Hedged from the TL risk (-)	--	--	--	--
<b>6. TL Net Effect (4+5)</b>	<b>(1.514.696)</b>	<b>1.514.696</b>	<b>(1.514.696)</b>	<b>1.514.696</b>
	10% change in GBP against EUR / in case of depreciation			
7. GBP net asset/liability	1.682.349	(1.682.349)	1.682.349	(1.682.349)
8. Hedged from the GBP risk (-)	--	--	--	--
<b>9. GBP Net Effect (7+8)</b>	<b>1.682.349</b>	<b>(1.682.349)</b>	<b>1.682.349</b>	<b>(1.682.349)</b>
	% 10 change in other currency against EUR / in case of depreciation			
10- Other currency net asset/liability	(33.345)	33.345	(33.345)	33.345
11- Hedged from the other currency risk (-)	--	--	--	--
<b>12- GBP Net Effect (10+11)</b>	<b>(33.345)</b>	<b>33.345</b>	<b>(33.345)</b>	<b>33.345</b>
<b>TOTAL (3 + 6 +9+12)</b>	<b>(289.687)</b>	<b>289.687</b>	<b>(289.687)</b>	<b>289.687</b>

(\*) Does not include profit/loss effects.

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**29. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)**

**e) Price Risk**

The Group is exposed to commodity (gray cast iron, aluminium) price risk due to the nature of its business. In order to limit the price risk, the Group makes contracts on fixed prices based on the production capacity estimates performed at the beginning of period.

**f) Capital Risk Management**

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt/equity ratio. The Group has not set any specific target in regards to this ratio and determines its strategies by evaluating the market conditions and the needs of the Group arising from operations for each period.

	31 December 2019	31 December 2018
Financial liabilities	1.105.203.299	1.015.330.358
Less: Cash and cash equivalents (Note 4)	(54.702.442)	(27.741.417)
Net financial liability	1.050.500.857	987.588.941
Total equity	85.082.070	128.883.583
<b>Financial liabilities/equity ratio</b>	<b>%1235</b>	<b>%766</b>

**g) Fair Value**

*Carrying amounts versus fair values*

The fair value and carrying values of financial assets and financial liabilities are as follows:

	31 December 2019		31 December 2018	
	Net carrying value	Fair value	Net carrying value	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	54.702.442	54.702.442	27.741.417	27.741.417
Trade receivables	206.620.375	206.620.375	315.722.534	315.722.534
Other receivables	16.923.456	16.923.456	15.921.117	15.921.117
	<b>278.246.273</b>	<b>278.246.273</b>	<b>359.385.068</b>	<b>359.385.068</b>
<b>Financial liabilities</b>				
Borrowings	1.105.203.299	1.105.203.299	1.015.330.358	1.015.330.358
Trade payables	104.531.151	104.531.151	94.266.310	94.266.310
Other payables	5.813.136	5.813.136	9.926.512	9.926.512
	<b>1.215.547.586</b>	<b>1.215.547.586</b>	<b>1.119.523.180</b>	<b>1.119.523.180</b>

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**29. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)**

**g) Fair Value (continued)**

*Carrying amounts versus fair values (continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, the Group uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. However, judgment is required to interpret in order to find the fair value, fair value measurements may not reflect the values arising in the current market conditions. The following methods and assumptions were used in determining the fair value of financial assets: The fair values of cash and cash equivalents are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables and impairment for trade receivables are estimated to be their fair values. Carrying value of variable interest rate loans approximately assumed as fair value.

**30. SUBSEQUENT EVENTS**

Çelik Holding A.Ş., the parent company of the Group, sold 185.200 number of shares with nominal value amounting to TL 1.852 and 2.800.000 number of shares with nominal value amounting to TL 28.000 on 2 January 2020 and 4 February 2020, respectively.

The Group has applied to Capital Market Board ("CMB") to increase the Company's issued capital from TL 66.844.800 to TL 116.000.000 with an increase of 73.14% by TL 49.155.200 in cash for the approval of capital increase prospectus. The prospectus submitted for approval regarding paid capital increase was approved by the CMB with the decision dated 20 February 2020 and numbered 2020/12.