ANNUAL REPORT 2019

Döktaş

DÖKTAŞ DÖKÜMCÜLÜK TİC. VE SAN. A.Ş.

A nation can be developed only if it produces.

With this consciousness, Atatürk ensured the establishment of premises with the most advanced technology even in the hardest times of our country.

We owe everything to Atatürk and the Republic of Turkey. We are grateful to him.

Our aim is to grow while maintaining our credibility over the individuals and companies we do business and cooperate with and to stand on faithfully.

Hereby, I would like to thank all our members, for their efforts and those who have supported us with their trust.

Sincerely,

İdris YAMANTÜRK
Güriş Founding Chairman and Honarary President
Electrical Engineer M.Sc.
İstanbul Technical University - 1952

Contents

GÜRİŞ
1958

Founded in 1958 by İdris YAMANTÜRK, Güriş maintains to be one of Turkey's leading groups with a presence in construction, industry, mining, tourism and energy sector.

Güriş has carried out business activities in Turkey, Middle East, Near and Central Asia, Commonwealth of Independent States and North African countries and has completed turnkey projects in a very wide range, namely in almost every field of the construction sector.

Group companies operating in construction are Güriş Construction and Engineering and Güriş Machinery and Assembly.

In tourism; Mirage Park Hotel and Mogan Aviation.

In mining; Santral Mining and North Cyprus Santral Mining.

In industry; under the parent company of Çelik Holding; Parsan Machinery Components, Omtaş Automotive and Transmission Components, Asil Çelik Industry and Trade, Güriş Construction Equipment and joined in 2018, Döktaş Dökümcülük.

In energy sector; Mogan Energy Investment and subsidiaries.

Generating around 1 billion Euro turnover, holding over 30 affiliates and with more than 7,000 staff Güriş Industry Group provides added value to Turkish economy.

Çelik Holding

Established in 1974, in order to contribute to national economy, especially to weigh on export-oriented investments, to support foreign capital inflows and to build know-how, brandname, trademark and industrial property rights. Çelik Holding incorporates Güriş Industry Group companies.

	%	Capital TL
Güriş İnşaat ve Mühendislik A. Ş.	88.33%	105,998,134
Güriş Holding A. Ş.	11.67%	14,001,866
	100.0%	**120,000,000**

Döktaş

Döktaş Dökümcülük Ticaret ve Sanayi A.Ş. is a leading company in Turkey specialized in manufacturing of pig, ductile and aluminium castings supplied to automotive, heavy commercial vehicles, construction and agricultural machinery industry.

Founded in 1973 Orhangazi Iron Foundry maintains pig and ductile iron casting and machining capabilities and is Turkey's largest iron casting plant.

In Manisa facilities, high- and low-pressure aluminium casting and aluminium wheel production activities are performed. Manisa Aluminium Plant is the 2nd largest aluminium casting facility for the automotive sector in Turkey, while Aluminium Wheel Plant is Turkey's 4th largest aluminium wheel manufacturing facility.

In 1973, Döktaş Dökümcülük was established in Bursa Orhangazi in the name of Koç Holding. In December 2006 the company was acquired by Finnish Componenta Corporation. As of September 29 2017, the company's shares were transferred to Döktaş Metal Sanayi ve Ticaret A.Ş. Subsequently on June 29, 2018, the company became a member of Çelik Holding. Company shares have been quoted on Istanbul Stock Exhange since 1986.

VISION

Is to be a world scale reliable business partner that creates innovation, solutions and opportunities in casting industry.

MISSION

Is to protect and strengthen our position as a reliable and leading company preferred as a supplier of cast iron, light alloy aluminum casting and wheels.

CAPITAL STRUCTURE AND AFFILIATES

As of 31.12.2019, our company's registered capital is 250.000.000 TRY, the issued share capital is 66,844,800 TRY. Capital share of the shareholders who own more than 10% of paid-in capital are as follows:

	%	Capital TL
Çelik Holding A. Ş.	96.17%	64,281,913.83
Public shares	3.83%	2,562,886.17
	100.00%	**66,844,800.00**

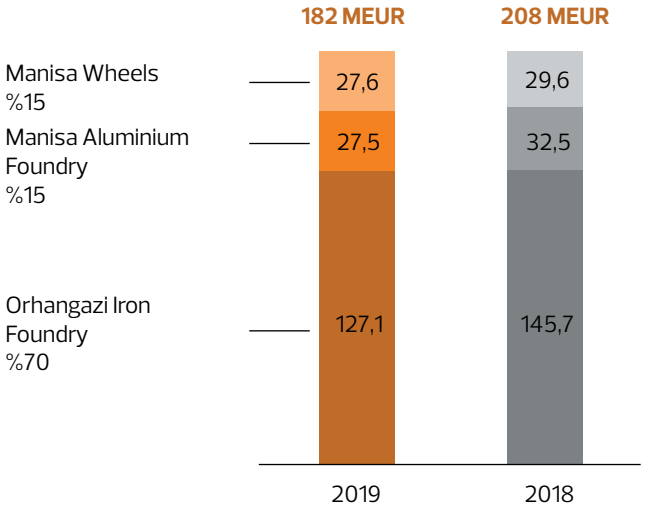
SUBSIDIARIES AND ASSOCIATES

Campany name	Operation	Capital	Share
Kumsan Döküm Malzemeleri Sanayi ve Ticaret A.Ş./Türkiye	Foundry sand production & trading	1,200,000 TL	25.1%
Döktaş Trading UK Limited/United Kingdom	Import - Export	287,850 GBP	100%

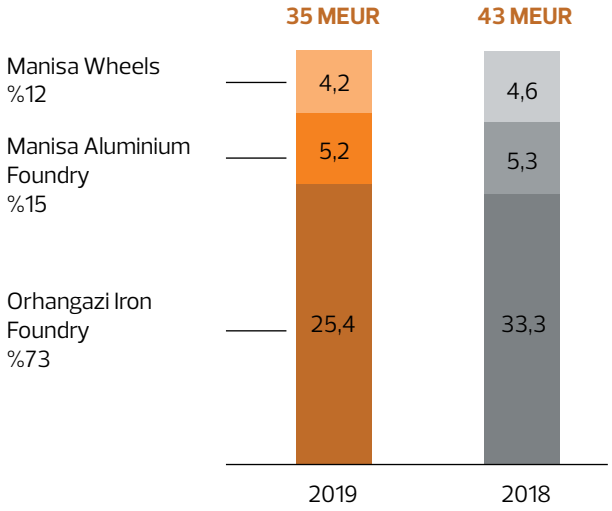
Operations in Brief

Döktaş consists of three business units: Iron Foundry in Orhangazi, Aluminum Foundry and Wheels Production facility in Manisa.

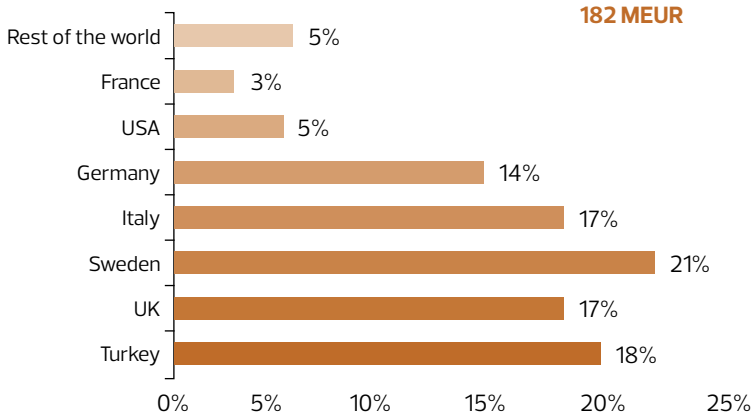
Revenues



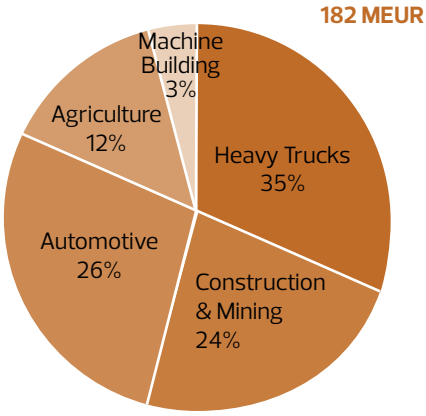
EBITDA



Sales by Country



Sales by Customer Segment



Message from Chairman of Board of Directors

2019 has been an economically turbulent year in our country and worldwide. In addition to the regional risks, ongoing Brexit process in Europe, trade wars the US escalated over China and Iran, political and economic tensions have also affected Turkey's economy as it affects the global economy.

During 2019 world economic activity declined, the contaction in the Chinese economy had a negative impact on European economy. Developed industrial countries, especially the German manufacturing industry, slowed down due to the decreasing global trade.

On the other hand, Turkey's economy influenced by both global-scale trade wars and geopolitical developments in the south east border. During the second half of the year Turkish economy tend to grow and despite the decrease in investments and consumption there was no loss in export volume compared to previous year with the efforts of manufacturing sector to increase exports. Also, public banks started to support real sector significantly. The market tried to be revived by providing access to finance through low interest loans.

2019 was a year in which the transformation process for Döktaş continued. Investments towards new markets and projects, automation, advanced technology and improvements regarding operations, productivity, environment, health and safety gained momentum.

Leading in the sector, according to the results of 2018 top 500 companies of Turkey ranked to 160th in terms of net sales, 67th across Turkey with regards to 189 million USD export volume, our company creates added value to Turkey's economy by generating employment to around 2,200 people.

We aim to make Döktaş a worldwide brand with the mission of "Growing while maintaining our credibility over the individuals and companies we do business and cooperate with" and through new investments, sales strategies and Güriş Group synergy that will contribute to Turkish industry and export.

We have faith in that the synergy created with the Güriş Industrial Group companies; Parsan, Omtaş and Asil Çelik will carry Döktaş one step further in terms of customer relations, new markets and other technical issues.

On behalf of Güriş family and esteemed members of Board of Directors, I would like to express our sincere thanks to our staff in all levels of duty who are always working with dedication, to all domestic and foreign organizations that support us by cooperating.

I wish that the decisions you will make will bring happiness and success to our country, our group, all institutions and members we work with by giving us strength in our future works.

Regards,

Tevfik Yamantürk
Chairman of Board of Directors

Key Financials

	2019	2018	2017	2016	2015
ORHANGAZİ IRON FOUNDRY BUSINESS UNIT					
Capacity (tons)	**150,000**	150,000	150,000	150,000	170,000
Production (tons)	**77,354**	96,665	112,236	96,766	106,830
Sales (M TRY)	**806.9**	827.3	733.7	461.1	511.7
Operating profit (M TRY)	**99.6**	166.9	94.2	-14.9	49.7
MANİSA ALUMINIUM DIE CASTING BUSINESS UNIT					
Capacity (tons)	**14,400**	14,400	14,400	12,400	10,875
Production (tons)	**5,629**	6,558	8,645	7,839	8,192
Sales (M TRY)	**174.8**	184.7	177.6	131.1	134.8
Operating profit (M TRY)	**18.6**	13.6	17.2	16.1	11.0
MANİSA WHEELS BUSINESS UNIT					
Capacity (units)	**1,440,000**	1,440,000	1,440,000	1,440,000	1,440,000
Production (units)	**685,097**	730,631	883,894	1,044,244	1,332,342
Sales (M TRY)	**175.3**	167.8	155.1	130.9	155.1
Operating profit (M TRY)	**22.4**	22.5	29.5	26.8	20.1
DÖKTAŞ DÖKÜMCÜLÜK A. Ş. Total					
Sales (M TR Y)	**1,157**	1,179.9	1,066.3	723.1	801.6
Operating profit (M TRY)	**140.7**	203.0	141.0	28.0	80.8
Export (M EUR)	**148.6**	160.7	184.5	176.8	197.0
Import (M EUR)	**31.9**	32.8	30.6	32.2	49.5
Investments (M EUR)	**10.7**	5.9	5.2	18.5	26.6
Number of personnel	**2,170**	2,260	2,521	2,462	2,660
Orhangazi	**1,434**	1,521	1,629	1,589	1,748
Manisa	**736**	739	892	873	912

	2019	2018	2017
DÖKTAŞ DÖKÜMCÜLÜK A. Ş. Total (M TRY)			
Net sales	**1,157**	1,180	1,066
EBITDA	**221**	245	178
Earnings before tax	**102**	110	77
Net profit	**98**	101	68
Total assets	**1,434**	1,360	1,049
Total liabilities	**1,349**	1,231	1,001
Equity	**85**	129	48
Current ratio	**1.08**	0.54	0.80
Leverage ratio	**0.94**	0.91	0.95
ST financial debt / Total financial debt	**0.26**	0.53	0.25
Net financial debt / Equity	**12.35**	7.66	16.68
EBITDA margin	**19%**	21%	17%
ROCE (*)	**18%**	30%	20%

(*) Return on capital employed

Business Unit Results

Consolidated net sales of Döktaş decreased to 182 MEUR from 208 MEUR in 2018. The 12% decline in business volume is due to the narrowing mainly in domestic market.

Total workforce consists of 363 white collars and 1,807 blue collars (including leased personnel) in 2019 whereas, 312 white collars and 1,948 blue collars (including leased personnel) in 2018. The headcount decreased by 90 employees, approx. 4% compared to previous year end.

Döktaş consists of three business units: Iron Foundry in Orhangazi, Aluminum Foundry and Wheels production facilities in Manisa. In addition, we have a 100% owned subsidiary, Döktaş Trading UK Ltd, which is carrying out commercial activities in the UK and a 25,1% owned associated company, Kumsan Döküm Malzemeleri A.Ş, a foundry sand manufacturer located in Turkey.

Compared to 2018, the share of automotive business area in total sales decreased from 28% to 26% in 2019, whereas the share of agricultural machinery decreased from 14% to 12%. The share of construction and mining remained 24% as previous year. On the other hand, the share of machine building decreased from 4% to 3% in 2019. The share of heavy trucks increased from 30% to 35%. 69% of total sales were generated from Orhangazi business unit and 82% of Döktaş sales refers to export operations.

Orhangazi Iron Foundry

Compared to 133,8 MEUR of net sales in 2018, Orhangazi Iron Foundry realized 127,1 MEUR sales revenue in 2019 with a 13% decrease. Exports accounted for 77% of the sales while the remaining 23% represents domestic sales.

Number of machined parts reached to a level of 36% and 45,4 MEUR of the sales was generated from those parts during 2019. In the coming periods, it is aimed to enhance the added value by increasing the share of machined parts.

The year 2019 was a year of savings for Orhangazi Plant, which provided efficiency increase and cost control in all areas. On the other hand, it was a year of recovery for new projects. With the synergy of Güriş Industry Group, new customers and project proposals increased significantly compared to previous years.

With the new machinery installed in machineshop and 3D printer investment, Orhangazi foundry enabled rapid protytping and special product manufacturing during 2019. Investments towards occupational health and safety continued as a priority as well. Investments have been made for environmental, energy, efficiency, automation and digitalization efforts.

Within the scope of occupational safety and health studies, indoor improvement studies and 5S activities continued. During 2020 intense efforts will be spent on scrap improvements, productivity increases, savings and integration of new projects and investments.

Manisa Aluminium Foundry

In 2019, although the Aluminum business unit experienced a 20% turnover loss compared to previous year, succeeded in achieving the budget targets in terms of profitability with the operational improvements. As a result of the new facility installation, which was completed at the beginning of 2017, lean production and management practices were implemented more effectively in our premises.

Improvement activities can be gathered as follows:

- Revisions in lay out to shorten processes,
- Improvements in cycle times,
- Scrap rate improvements,
- Reducing labor and transfer costs through combining processes,
- Improvements in material consumption,
- Savings from purchasing activities

The completion of transition process, together with other companies within the Güriş Industrial Group, created new opportunities especially for the expansion of our sales network. As the aluminum facility, we started to offer to OEM companies that are already customers of our Group companies and started mass

production. We see the mobility in our quotatitions as an indicator of both the increase in synergy effect and the strengthening of confidence in the Döktaş brand.

In addition to above mentioned improvements, our occupational health and safety figures remained as previous year and therefore realized below of our targets. Our only consolation is those accidents were minor and did not result with loss. However, in 2020 we will develop different approaches and focus on improving our occupational safety processes with all of our employees.

Manisa Aluminyum Wheels

Order fluctuations in 2019 negatively affected the the business unit and a total turnover of 27.7 MEUR was realized.

We maintained our profitability with our lean production, process, quality and cost improvement efforts which started as of 2019. Continuous improvement activities in which all our employees participated are carried out in all areas.

With the incorporation to Güriş Industrial Group, 2019 will be remembered as a year that important investment decisions have been made.

Some of those investments are as follows:

- Pre-treatment renewal and wet paint revision
- New heat treatment plant
- New laboratory building and machinery
- Measurement control and laboratory building renewal in the production area

With the completion of the investments, our ability to provide service and production to customers will increase. We will open to new areas by strengthening our sales team. This will enable us to look to future more safely.

2020 will be a period that new customer relations are established, and volume increases with existing customers are achieved.

Customer Segments

For heavy truck industry Döktaş manufactures readyto-install components used in the chassis, engines, axles, transmissions and brakes. We offer all parts of the supply chain from product engineering and manufacturing to surface treatment, painting and preassembly. Customers in heavy trucks segment include Iveco, Ford Otosan, Daimler, Scania, Volvo and Mercedes Benz.

Provides iron and aluminum cast parts and light alloy wheels in a wide range of products for the automotive industry including passenger car and light commercial vehicle manufacturers. DJ Wheels and MAXX brands are produced in Manisa Wheels Business Unit. Tofaş, Gruner, ThyssenKrupp, Ford Otosan, Ford of Europe, Renault, PSA, ATU, Borbet, OZ and R.O.D Wheels are some of our customers in this segment.

Customers include construction machinery, bucket, crane, excavator and damper manufacturers. Döktaş supplies various components for engines, power transmissions and chassis. Caterpillar, JCB, Volvo Construction Equipment and Carraro Drive Tech are some of our customers in this segment.

Various casting components are supplied for agricultural equipment such as tractors, forestry machinery and combine harvester manufacuters. Türk Traktör Fabrikası, New Holland, Tümosan, AGCO Grup, Claas, Valtra, Gima and Raba are some of our customers in this segment.

Pumps, concrete breakers and hydraulic motor cast iron parts are supplied to lift, robot and various crane manufacturers. ABB, Cummins, Kone, Atlas Copco and ZF Friedrichshafen AG are some of our customers in machine building segment.

Board of Directors

Tevfik YAMANTÜRK
Chairman of Board

Yaylalı GÜNAY
Deputy Chairman
Early Detection of Risk Committee

Dr. Mehmet Tahir VARLIK
Member of Board

Olgun ŞAMLI
Member of Board

Alpaslan AKTUĞ
Member of Board

Orhan METİN
Member of Board

Hasan Basri AKTAN
Independent Member of Board
Audit Committee
Early Detection of Risk Committee

Atilla ZEYBEK
Independent Member of Board
Audit Committee
Early Detection of Risk Committee
Corporate Governance Committee

Ömer Lütfi ERTEN
Independent Member of Board
Audit Committee
Early Detection of Risk Committee
Corporate Governance Committee

Executives

Andreas HECKER
Managing Director

Sabri ÖZDOĞAN
Vice General Manager Aluminium & Wheels

Sibel BİNİCİ
CFO

İbrahim Keyif
Director Orhangazi Maintenance & Investments & Foundry Production Deputy

Uğur DEMİRCİ
Director, Orhangazi Purchasing & Strategic Projects

Güngör ÇETİN
Director, Aluminium Casting Business Unit

Önder SÖNMEZ
Director, Aluminium Wheels Business Unit

Corporate Governance Principles Compliance Report

1. Report for Compliance with Corporate Governance Principles

Pursuant to the Communique dated 30 December 2011 and Serial: IV, No: 56 Regarding the Determination and Application of Corporate Governance Principles (the "Communique"), the companies listed on Borsa İstanbul A.Ş. ("BIST") are obliged to comply with some of the principles set forth in the Annex of the Communique. Finally, Corporate Governance Legislation (II-17.1) has been entered to force dated 3 January 2014 by Official Gazette No:28871.

Döktaş Dökümcülük Tic. ve San. A.Ş. ("the Company") always efforts to comply with the Capital Markets Board's ("CMB") Corporate Governance Principles. The Company has adopted the principles of equality, transparency, accountability and responsibility of the Corporate Governance Principles published by CMB. The "Corporate Governance Principles" as stipulated by the Capital Markets Board are also observed by the Company and these universal principles are implemented by Döktaş Dökümcülük Tic. ve San. A.Ş.

SECTION I

SHAREHOLDERS

2. Investor Relations

Relations with the shareholders at Döktaş Dökümcülük Ticaret ve Sanayi A.Ş. are carried out by the responsible unit established under the Treasury department. Investor Relations department responsible contact information is given below:

Sibel BİNİCİ CFO
(sibel.binici@doktas.com /02245734263-8107)

The activities of investor relations are as follows:

1. Promotion of the company to the individual and corporate investors and informing the potential investors and shareholders,
2. Responding information requests of the undergraduate, graduate students, lecturers of the universities making researches on our company and the sector.
3. Holding the general assembly meeting of the company, preparing of the documents that may be useful for shareholders and submitting the minutes to the demanding persons,
4. Informing our shareholders,
5. Submitting Material Disclosures to public in accordance with the communiqué of Capital Markets Board Series II-15.1.
6. Making preparation for meeting prior to General Assembly, preparing the respective documentation and obtaining the preliminary permits for amendment of the articles of association and presenting the same to General Assembly for approval,
7. Following up the amendments in the legislation concerning the Capital Market Law and informing the respective units of the company about such amendments.
8. Following up and keeping records of the decisions of the Board of Directors and the Committee.
9. Representing and communication of the company with other institutions such as CMB, BIST, Takas Istanbul and Central Registry Agency.

During the fiscal period nearly 20 verbal and written questions were submitted to the department and they were answered according to the legislation.

3. Exercise of Shareholders Right to Obtain Information

All shareholders are equally treated under Döktaş Dökümcülük Ticaret ve Sanayi A.Ş. in exercise of right to obtain and review information. In order to expand the shareholders' right to obtain information, any information that may affect the exercise of the rights is made available to the shareholders in electronic media.

All the questions directed verbally or written has been answered. Notifications of our Company to BIST are also sent via electronic signature. Additionally, membership of the Central Registry Agency, which was established to monitor capital market instruments, was completed and an important step was taken in dematerializing the stocks. The Company website (www.doktas.com) contains the following financial statements as well as many other information.

- Articles of association
- Company policies
- All declarations regarding to General Assembly Meeting
- Material disclosures
- Share structure of the company
- Information on members of the Board of Directors and senior management of the company
- Financial announcements and calendar
- Financial statements and annual reports

Request for the appointment of a special auditor does not exist in our Articles of Association as an individual right. No request has been received from our shareholders in this regard. For 2018 it has been decided and voted in General Assembly Meeting that KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. will be our company's Independent Audit Firm.

4. General Assembly Meeting

The Ordinary General Assembly meeting to discuss the activities of our Company in 2019 is planned to be held on a date to be determined by the Board of Directors after the financial statements are published in PDP.

Invitations to the General Assembly meeting are made by the Board of Directors as per the provisions of Turkish Commercial Code, Capital Market Law and company's articles of association. Public is informed by notifying the Borsa İstanbul, Public Disclosure Platform and Central Registry Agency immediately after the Board of Directors' decision to hold the General Shareholders' Meeting. Also the venue, agenda of the General Assembly meeting, amendment drafts for the articles of association and proxy forms are published via all kinds of communication tools including electronic communication and announcements made on the Turkish Trade Registry Gazette and newspapers published in the area where the company headquarters is located at least three weeks prior to the General Assembly. This announcement states where the financial statements for the period that have undergone independent audit may be examined.

In addition, the information specified in the mandatory Corporate Governance Principles is being placed on the website of the company along with the general assembly meeting announcement and other notifications and declarations to be made in accordance with the relevant legislation.

A shareholder can take the floor in the General Assembly, voice his views about the company activities, provide questions to the company management to demand information and his question is answered. Our General Assembly is held under the supervision of a Government Commissioner from the Ministry of Industry and Commerce. The suggestions put forward by the shareholders of the company holding control interest were taken into consideration in 2019 General Assembly. The minutes of the General Assembly are available in our website. In addition, these minutes are made available to the shareholders for examination purposes at the headquarters of the company. In accordance with provisions of the Regulation on Electronic General Assembly Meetings of Joint Stock Companies published on the Official Gazette dated 28 August 2012 and numbered 28395 and entered into force on 1 October 2012 as per article 1527 of the Turkish Commercial Code numbered 6102, necessary actions in relation to attendance of shareholders to general assembly meetings through electronic means, declaration of opinions, raising propositions and casting

votes are provided through the electronic general assembly system provided by the Central Registry Agency.

Ordinary General Assembly of the Company was held on 29 April 2018. The results of the General Assembly meeting were published on the Company's website (www.doktas.com) under the Investor Relations tab and in the PDP notifications.

5. Voting Rights and Minority Rights

For the exercise of voting rights in our company there is no privilege in our Articles of Association and there is no legal entity that is our subsidiary among our partners. In addition, shareholders may participate in the General Assemblies with the proxy given to other shareholders or non-shareholders.

6. Profit Distribution Policy and Profit Distribution Timing

A balanced and consistent policy is followed between the interests of the shareholders and the interests of the Company in accordance with the Corporate Governance Principles.

Our Company makes profit distribution decisions in accordance with the Turkish Commercial Code, Capital Markets Legislation, Capital Markets Law (CMB), Capital Markets Board (CMB) Regulations and Decisions, Tax Laws, other relevant legal regulations and Articles of Association and General Assembly Decision.
Accordingly:
1- In case of not distributing the net distributable profit for the period calculated in accordance with the Capital Market Legislation or distributing profit at a minimum of 5%, the financial structure and budget of our company are taken into consideration in determining the profit distribution ratio.

2- Investments that require significant fund outflow to increase our company value, important issues affecting our financial structure and uncertainties that may arise in the economy, markets or other areas beyond the control of our company are taken into consideration by the Board of Directors in making profit distribution decisions.

3- The profit distribution proposal shall be disclosed to the public in accordance with the regulations of the CMB taking into consideration the legal periods.

4- Dividend distribution is accepted to be commenced as soon as possible following the General Assembly meeting where the distribution decision has been made. Although the dividend will be distributed to shareholders on the date determined by the General Assembly within the specified legal periods.

5- Our company may distribute its dividend in cash and / or "bonus share" in advance in accordance with the Capital Markets Legislation, CMB Regulations and Decisions and Articles of Association.

6- Our Company may decide to distribute dividend advances in accordance with the Turkish Commercial Code, Capital Markets Legislation, CMB Regulations and Decisions, taxl, other relevant legislative provisions and our articles of association and General Assembly Decision.

7- In case the Board of Directors proposes to the General Assembly not to distribute the profit, the shareholders are informed at the General Assembly regarding the usage of the undistributed profit.

As stated in the Corporate Governance Principles Compliance Report of the previous year and the Minutes of the General Assembly Meeting, Dividend Distribution Policy is determined in comliance with the relevant articles, regulations and practices of the Turkish Commercial Code and the Capital Markets Law, as well as the medium and long term strategies and investment and financial plans of our company.

Our Dividend Distribution Policy, determined in this direction, is presented for the information of the shareholders and the public in both the Annual Report and the General Assembly of Shareholders.

7. Transfer of Shares

The Articles of Association do not contain any practices that make it difficult for shareholders to freely transfer their shares and provisions that restrict the transfer of shares.

SECTION II

PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

In line with the principle of public disclosure and transparency, our company aims to provide accurate, complete, comprehensible, analyzable and easily accessible information to the relevant parties in a timely manner.

It is ensured that all information demanded is evaluated, only if such information is not confidential. Disclosure of material events is made in writing and by electronic signature using BIY over the Public Disclosure Platform. Such disclosures shall be disclosed to the public in a timely manner within the period determined by the legislation.

In 2018, in addition to the ordinary notifications, 64 material event disclosures were made by our company.

Since our Company is not listed on foreign stock exchanges, no Material Event Disclosure is required except CMB and BIST. Material Disclosures were made within the period stipulated by the law. Respectively no sanctions were imposed by the CMB.

9. Website of the Company and its Contents

Our company website is www.doktas.com. The Company actively uses the corporate website as stipulated by the CMB Principles in order to maintain its relations with shareholders more effectively and rapidly, and to maintain constant communication with shareholders. The information contained here is constantly updated and made in accordance with the relevant legislation and does not contain conflicting or incomplete information.

10. Annual Report

The Company's Board of Directors prepares its Annual Report in accordance with the legislation and corporate governance principles in order to ensure that the public can obtain complete and accurate information about the company's activities.

Our corporate presentation, products and services, our management systems and the information listed in Section II Article 1.11.5 of the Capital Markets Law Corporate Governance Principles are available on our website. CMB Corporate Governance Principles information is included in the Annual Report.

In addition, the Annual Report of the Management was prepared according to Regulation on the Determination of the Minimum Content of the Companies' Annual Activity Report which was published in the Official Gazette dated 28 August 2012 and numbered 28395, and the Communiqué on Principles Regarding Financial Reporting II 14.1 of the Capital Markets Board as well as in accordance with the Corporate Governance Communiqué published in the Official Gazette dated 03 January 2014 and numbered 28871.

SECTION III

STAKEHOLDERS

11. Disclosure to Stakeholders

Partners:

Pursuant to the stock exchange communiqués and the provisions of the Turkish Commercial Code the Company announces issues such as general assembly meetings, capital increases, dividend distribution to the stakeholders in the Trade Registry Gazette and Material Disclosure.

Customers:
In line with the importance attached to service and product quality, the Company continues its activities to improve customer satisfaction. Customer satisfaction is measured by regular surveys. Trainings and seminars for customers are planned and held regularly. In addition, research and development activities are continued.

Personnel:
All kinds of practices related to employees are carried out in accordance with the laws regulating the working life. Recruitment, promotion, training and performance improvement policies and various practices for employees are determined in writing. The Company communicates clearly with employees on matters related to occupational health and safety. Employees are also informed through meetings, seminars and trainings held in their fields of expertise and general interest. Stakeholders learn about the Company's developments through disclosures made to the public in accordance with the relevant legislation.

In addition, stakeholders can communicate with the Corporate Governance Committee, Audit Committee or Investor Relations Department by telephone and / or e-mail regarding the Company's unethical transactions. Stakeholders of the Company are invited to meetings as required and informed via telecommunication tools.

Relations with our employees within the scope of Labor Agreement are carried out through union representatives. The blue-collar employees of our company are members of the Turkish Metal Union.

12. Stakeholders' Participation to the Company Management

The decisions are taken together with the trade union regarding the implementation of the stakeholders' participation in management, activities carried out, working conditions and rights provided to the employees.

13. Human Resources Policy

The criteria for recruitment and promotion mechanism have been determined written in human resources policy of our company.

Our most important strength is our experienced, knowledgeable, enthusiastic and highly qualified human resources. Our aim as Human Resources process is:

- The right person for the right job
- Equal pay for the equal job
- Merit associated with success
- Equal opportunity for all,

for continuously improving the competencies of our workforce and maintaining our permanent superiority in the global competitive environment. The functioning of the human resources systems determined for this purpose is defined by the procedures and announced to all employees.

Employee satisfaction is measured with surveys and areas that need improvement are determined and remedial measures are taken. A representative has not been appointed to conduct relations with employees other than union workplace representatives designated under the collective labor agreement. This function is mainly carried out by the Human Resources Department. There were no complaints from employees regarding discrimination.

14. Ethic Rules and Social Responsibility

Activities are organized according to the criteria of corporate social responsibility and impact on the society. Information about our projects performed during the period are available on our website.

Corporate values include institutionalism, transparency and sustainability. In this context, we reflect our values in our daily work in the following ways:

- In all our activities, we act in compliance with ethical rules, laws and corporate governance principles, respecting the environment, and respecting occupational health and safety principles.
- We communicate with all our stakeholders in a transparent, open and trust-based manner.
- We ensure continuity in all our processes and consider the effects of our actions on the environment and society.

Our ethical policy approved by the resolution of the Board of Directors has been published in the human resources tab of our website (www.doktas.com)

SECTION IV

BOARD OF DIRECTORS

15. Structure of the Board of Directors

Most of the members of our Board of Directors are non-executive members of the company. These members include independent members who are able to perform their duties without being influenced under any circumstances. The number and qualifications of the independent members of the Board of Directors are determined according to the regulations of the CMB regarding corporate governance. The procedures set forth in the said regulations are followed in the appointment of independent members of the Board of Directors. Following the General Assembly meetings in which the members of the Board of Directors are elected, the Chairman and the Deputy Chairman are determined regarding the distribution of duties. If there is a vacancy in the memberships of the Board of Directors during the period, the provisions of Article 315 of the Turkish Commercial Code shall apply.

As per Turkish Commercial Code Article 395 & 396, the approval of the General Assembly is taken for the chairman and members of the board of directors to carry out the business that are in the scope of the company in person or on behalf of others and to become partners in the companies that do such works. The background of the members of the Board of Directors are available on the website.

The Board of Directors consists of the following persons:

Tevfik YAMANTÜRK	Chairman of Board Non-Executive Member
Yaylalı GÜNAY	Deputy Chairman Executive Member
Dr. Mehmet Tahir VARLIK	Member of Board Executive Member
Olgun ŞAMLI	Member of Board, Non-Executive Member
Alpaslan AKTUĞ	Member of Board Non-Executive Member
Orhan METİN	Member of Board Non-Executive Member
Hasan Basri AKTAN	Independent Member of Board
Atilla ZEYBEK	Independent Member of Board
Ömer Lütfi ERTEN	Independent Member of Board

Duties carried out by Members of the Board of Directors:

Chairman of Board Tevfik YAMANTÜRK:
A member of Board of Directors in the Güriş Group companies.

Deputy Chairman Yaylalı GÜNAY:
Served as a consultant and board member in many companies operating in the foundry sector

Member of Board Dr. Mehmet Tahir VARLIK:
CEO and Board Member of Güriş Industry Group companies (Parsan, Omtaş).

Member of Board Olgun ŞAMLI:
Board member of Omtaş Otomotiv Transmisyon Aksamı Sanayi ve Ticaret A.Ş.

Member of Board Alpaslan AKTUĞ:
Board Member in Güriş Group Companies.

Member of Board Orhan METİN:
Board Member in Güriş Group Companies and Founding Chairman of DÖVSADER.

Independent Member of Board Hasan Basri AKTAN:
Board Member in Güriş Group Companies.

Independent Member of Board Atilla ZEYBEK:
The founder partner and Chairman of the Board of Directors of As Finansal Danışmanlık Tic. and Board Member in in Güriş Group Companies.

Independent Member of Board Ömer Lütfi ERTEN:
Do not perform any duties other than the membership of Döktaş Dökümcülük Board of Directors.

The Members of the Board of Directors declared that there has not been a direct and indirect interest relationship in terms of employment, capital or trade within the last 10 years of Döktaş or one of its affiliates or in-group companies and of the person, spouse and blood relatives and have not taken part in the independent audit process within the last 6 years.

16. Fundamentals of Activities of the Board of Directors

The agenda of the meetings of the Board of Directors is determined by information from relevant units to senior management and members of the Board of Directors of the matters that the Company's Articles of Association explicitly order to be resolved by the Board of Directors. Additionally, the agenda of the meeting is determined when any of the members of the Board of Directors notifies the senior management about the decision to be taken on a specific issue. The matters to be discussed in the Board of Directors meeting are collected and consolidated in the Finance Department and the agenda is formed. Finance Director has been assigned to determine the agenda of the meetings of the Board of Directors, to prepare the decisions of the Board of Directors taken in the provision of Turkish Trade Code article 390/4, to inform the members of the board and to ensure communication. The Board of Directors takes decisions to the extent required by the business and to the minimum number determined by the articles of association.

CMB's corporate governance regulations shall be complied with in all transactions where the corporate governance principles are deemed important, in all related party transactions of the company and in the transactions regarding the issuance of collaterals, pledges and mortgages in favor of third parties. The responsibilities of the members of the Board of Directors are clearly defined in the articles of association of the company. The different opinions and the reasons for opposing votes arising at the meetings of the Board of Directors are recorded in the resolution records. However, since no such opposition or different views were declared recently, no public announcements were made.

17. Number, Structure and Independence of the Committees established under the Board

The Board of Directors manages and represents the company by taking into consideration the long- term interests of the company with a rational and prudent risk management approach by keeping the risk, growth and return balance of the company at the most appropriate level through strategic decisions to be taken. The Board of Directors determines the human and financial resources required by the company in line with the strategic goals of the company and audits the performance of the management. The Board of Directors is responsible for overseeing the compliance of the Company's activities with the legislation, articles of association, internal regulations and policies established.

The formation and election of the Board of Directors is carried out in accordance with the corporate governance principles and the relevant principles are included in the articles of association. As determined by the articles of association of the Company, one third of the members are independent board members as defined in the CMB's Corporate Governance Principles. Detailed explanations regarding the committees of the board of directors determined in accordance with the articles of association are given below. In accordance with the CMB Corporate Governance Principles, many of the Board Members are non-executive members.

Corporate Governance Committee; has determined whether the corporate governance principles have been applied in the company, if not, the reasons and conflicts of interest arising from non-compliance with these principles, provided remedial recommendations to the board of directors and supervised the work of the investor relations department.

The Chairman of the Corporate Governance Committee is elected among the independent members in accordance with the corporate governance principles. It meets as often as needed, at least twice a year. Since no separate Nomination Committee and Remuneration Committee is established in the current structure, the Corporate Governance Committee also fulfills the duties of these committees. The members of the Corporate

Governance Committee are as follows and 4 meetings were held during 2019.

Chairman Atilla ZEYBEK

Member Nuri OKUTAN

Member Ömer Lütfi ERTEN

Member Sibel BİNİCİ

Early Detection of Risk Committee; is responsible for early identification of risks that may endanger the existence, development and maintenance of the company, taking measures and managing risk. It reviews risk management systems at least 4 times a year. Committee members are as follows and 6 meetings were held during 2019.

Chairman Atilla ZEYBEK

Member Hasan Basri AKTAN

Member Ömer Lütfi ERTEN

Member Yaylalı GÜNAY

Audit Committee: carries out activities to monitor and assist the healthy functioning of internal audit activities, to plan independent audit activities, to select the audit firm and to review the auditor reports. Committee members are as follows.

Chairman Hasan Basri AKTAN

Member Atilla ZEYBEK

Member Ömer Lütfi ERTEN

18. Risk Management and Internal Control Mechanism

The Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner. The Board of Directors set out management, information system and processes that can minimize the risks that may affect stakeholders, especially the shareholders, by taking into consideration the opinions of the relevant committees.

The Early Detection of Risk Committee, which was formed among the members of the Board of Directors, held 5 meetings during 2019.

The Risk Management Committee advises the Board of Directors to determine all kinds of strategic, financial and operational risks that may affect the company, to calculate the effects and probabilities, to manage and report the risks in line with the company's profile, to implement the necessary measures and to establish effective internal control systems accordingly.

19. Strategic Goals of Company

The Board of Directors manages and represents the company by taking into consideration the long-term interests of the company with a rational and prudent risk management approach by keeping the risk, growth and return balance of the company at the most appropriate level through strategic decisions to be taken.

The Board of Directors determines the human and financial resources required by the company in line with the strategic goals of the company and audits the performance of the management. The Board of Directors is responsible for overseeing the compliance of the Company's activities with the legislation, articles of association, internal regulations and policies established.

20. Financial Rights Offered to the Board of Directors

No benefit is granted to the chairman and members of the board of directors except for the remuneration determined in the General Assembly. The Company complies with the corporate governance principles that are obliged to be fulfilled by the CMB regarding the fees to be paid. There is no application based on performance or reward for the Board of Directors. As of December 31, 2019, the members of the Board of Directors were provided with the attendance fees approved by the General Assembly (net 6.300TL per person per month).
During the reporting period, no loans were made to any member of the board of directors or managers, no loans were granted directly or through a third party under the name of personal loans, and no guarantees were given in favor of bail.

Statement of Responsibility

THE BOARD OF DIRECTORS RESOLUTION REGARDING TO ACCEPTANCE OF FINANCIAL STATEMENTS AND ANNUAL REPORT

Resolution Date: 26.02.2020
Resolution Number: 2020/04

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD FINANCIAL REPORTING COMMUNIQUE (II-14.1), SECTION 2 ARTICLE 9

Approved by the Board of Directors and the Audit Committee, independently audited financial statements of our company for the accounting period of January – December 2019, prepared pursuant to the CMB's Financial Reporting Communique (II-14.1) and in compliance with the Turkish Accounting Standards / Turkish Financial Reporting Standards adopted by the Public Oversight Accounting and Auditing Standards Authority, are attached below. We declare that:

a) We have examined the consolidated financial statements dated December 31, 2019,

b) With the available information in accordance with our duties and responsibilities, the consolidated financial statements and the annual report do not contain material misstatements on key issues or any omissions that may be misleading as of the date of the disclosure,

c) The consolidated financial statements prepared in accordance with the current financial reporting standards provide an accurate view on the company's assets, liabilities, profit and loss and the annual report reflects the performance of the business and financial position of the company including the principal risks and uncertainties our company is exposed to.

Sincerely,

DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

2019 Consolidated Financial Statements

DÖKTAŞ DÖKÜMCÜLÜK
TİCARET VE SANAYİ A.Ş.

As at and For the Year
Ended 31 December 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
Current Assets		**474.460.109**	363.638.379
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
Non-Current Assets		**959.784.524**	996.097.924
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		**29.338.36**	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
TOTAL ASSETS		**1.434.244.633**	1.359.736.303

	Notes	Audited 31 December 2019	Audited 31 December 2018
LIABILITIES			
Current Liabilities		**438.084.465**	**671.802.117**
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
Non-Current Liabilities		**911.078.098**	**559.050.603**
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	16	**58.663.719**	51.350.736
– Long-term provisions for employee benefits		**58.663.719**	51.350.736
Deferred Tax Liabilities	26	**31.889.235**	27.219.814
TOTAL LIABILITIES		**1.349.162.563**	**1.230.852.720**
EQUITY		**85.082.070**	**128.883.583**
Paid-in Capital	18	**66.844.800**	66.844.800
Capital Advance	18	**47.135.250**	--
Inflation Adjustment Differences on Paid-in Capital		**45.195.347**	45.195.347
Share Premium	18	**161.041**	161.041
Other Comprehensive Income/Expense Items That will not to 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
TOTAL LIABILITIES AND EQUITY		**1.434.244.633**	**1.359.736.303**

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.)

PROFIT OR LOSS:	Not	Audited 1 January–31 December 2019	Audited 1 January–31 December 2018
Revenue	19	**1.156.973.953**	1.179.872.081
Cost of Sales (-)	19	**(905.551.440)**	(931.795.423)
GROSS PROFIT		**251.422.513**	**248.076.658**
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)
OPERATING PROFIT		**176.434.798**	**196.617.545**
Income from Investing Activities	23	**13.515**	5.545.400
Share of Profit of Equity-Accounted Investees	11	**683.019**	820.385
OPERATING PROFIT BEFORE FINANCE COSTS		**177.131.332**	**202.983.330**
Finance Income	24	**15.949.766**	18.029.957
Finance Expenses (-)	25	**(91.509.312)**	(111.125.698)
OPERATING PROFIT/(LOSS) BEFORE TAX		**101.571.786**	**109.887.589**
Income Tax Expense		**(3.407.380)**	**(8.656.716)**
- Current Tax Expense	26	**--**	--
- Deferred Tax Income	26	**(3.407.380)**	(8.656.716)
NET PROFIT/(LOSS) FOR THE YEAR		**98.164.406**	**101.230.873**
Ordinary and Diluted Earnings/(Loss) per Share (Nominal value of 1 Kuruş)	27	**14.6854**	15.442
OTHER COMPREHENSIVE INCOME			
Profit or Loss not to be Reclassified		**11.677.337**	**(41.192.031)**
- Revaluation of property, plant and equipment	12	**--**	(13.390.793)
- 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
Profit or Loss to be Reclassified		**254.088**	**28.070.824**
- Foreign operations-foreign currency translation diffenrences		**254.088**	28.070.824
TOTAL COMPREHENSIVE INCOME		**11.931.425**	**(13.121.207)**
TOTAL COMPREHENSIVE INCOME		**110.095.831**	**88.109.666**

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

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

	Notes	Paid in Capital	Capital advance	Inflation adjustment differences on paid-in capital	Share Premium	Gain on revaluation and remeasurement	Other Comprehensive Income/Expense Items That will not to be Reclassified to Profit or Loss: Remeasurements of defined benefit liability	Other Comprehensive Income/Expense Items That are or may be Reclassified Subsequently to Profit or Loss: Foreign Currency Translation Differences	Restricted Reserves	Other Equity Interests	Prior years' profits	Net profit/(loss) for the year	Total equity
Balances at 1 January 2018		**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**	**47.639.757**
TFRS 9 Adjustment	2,7	--	--	--	--	--	--	--	--	--	(6.865.840)	--	(6.865.840)
Adjusted balances as of 1 January 2018		**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**	**40.773.917**
Transfers		--	--	--	--	--	--	--	--	--	68.127.774	(68.127.774)	--
Total comprehensive income		--	--	--	--	(12.890.131)	(28.301.900)	28.070.824	--	--	--	101.230.873	88.109.666
Depreciation transfer		--	--	--	--	(2.116.955)	--	--	--	--	2.116.955	--	--
Balances at 31 December 2018		**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**	**128.883.583**
Balances at 1 January 2019		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	128.883.583
Transfers		--	.	--	--	--	--	--	--	--	101.230.873	(101.230.873)	0
Capital advance		--	47.135.250	--	--	--	--	--	--	--	--	--	47.135.250
Total comprehensive income		--		--	--	--	11.677.337	254.088	--	--	--	98.164.406	110.095.831
Other contributions of shareholders										(201.032.594)			(201.032.594)
Depreciation transfer		--		--	--	(2.335.604)	--	--	--	--	2.335.604	--	0
Balances at 31 December 2019	**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**	**85.082.070**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited 31 December 2019	Audited 31 December 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES		**71.682.046**	**58.841.779**
Net profit/(loss)		**98.164.406**	**101.230.873**
Adjustments to reconcile net profit to cash provided by operating activities:		**189.642.701**	**181.976.091**
Depreciation and amortisation expenses	12,13	**43.874.132**	42.340.085
(Reversal of)/Provision for impairment		**2.244.144**	7.470.689
(Reversal of)/Provision for diminution in value of inventories	9	**2.244.144**	(1.111.611)
Provision for impairment on trade receivables	6	**--**	8.582.300
Adjustments related to provisions		**6.782.498**	(2.328.115)
Provision for employee termination benefits	15,16	**8.000.306**	7.621.654
Provision of litigation	15	**(370.277)**	(738.337)
Other provisions (cancellations)	15	**(847.531)**	(9.211.432)
Adjustments related to interest (income)/expense		**70.602.352**	64.863.699
Interest income	24	**(267.825)**	(154.058)
Interest expense	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)
Gain on sale of property, plant, and equipment	23	**(13.515)**	(5.545.400)
Cash flows from operating activities before changes in operating assets and liabilities:		**189.642.701**	**181.976.091**
Increase in trade receivables		**(92.852.915)**	(83.703.275)
(Increase)/decrease in trade receivables from third parties		**(92.852.915)**	(83.703.275)
Increase in other receivables from operating activities		**(1.002.339)**	(3.896.245)
(Increase)/decrease in other receivables from third party operations		**(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)
Increase in trade payables to related parties		**4.040.965**	6.820.158
Increase in trade payables to third parties		**6.223.876**	(13.871.653)
Increase in other payables from operating activities		**(4.113.376)**	3.301.565
Increase in other payables from operating activities with third parties		**(4.113.376)**	
(Increase)/decrease on working capital		**12.490.484**	32.896.560
Increase in other assets from operations		**(8.971.970)**	2.653.545
Decrease in other liabilities from operations		**21.462.454**	30.243.015
(Increase)/decrease in payables related to employee benefits		**1.172.815**	(305.301)
Cash from operating activities		**79.706.249**	**71.567.720**
Payments of employee termination benefits	16	**(8.946.684)**	(16.947.635)
Other cash inflows	6	**922.480**	4.221.694
Net cash from operating activities		**71.682.046**	**58.841.779**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
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)
Acquisition of property, plant and equipment	12	**(56.961.926)**	(28.823.241)
Acquisition of intangible assets	13	**(16.650.394)**	(3.759.712)
Dividend received	11	**--**	(155.585)
Interest received		**267.825**	154.058
Net cash used in investing activities		**(73.274.761)**	**(17.552.181)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**137.277.516**	206.302.875
Proceeds from bank loans		**137.277.516**	206.302.875
Repayment of f borrowings		**(156.184.058)**	(237.560.957)
Repayment of bank loans		**(155.613.035)**	(236.322.313)
Repayment factoring payables		**--**	(42.425)
Other financial borrowing payments		**(571.023)**	(1.196.219)
Proceeds from capital advance		**47.135.250**	--
Net cash provided from financing activities		**28.228.708**	**(31.258.082)**
DECREASE IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN EXCHANGE (A+B+C)		**26.635.993**	**10.031.516**
D. FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EUQIVALENTS		**325.032**	**245.803**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	**27.741.417**	**17.464.098**
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**26.961.025**	**10.277.319**
NET CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D +E)	4	**54.702.442**	**27.741.417**

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 Döktas 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.

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.

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.

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:

End of the term:	**31 December 2019**	31 December 2018
Turkish Lira / British Pound	**7,7765**	6,6528

Average:	**1 January – 31 December 2019**	1 January – 31 December 2018
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 deciced 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, Coponenta 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.

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, Doktaş 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.

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:

	31 December 2019 Shares	31 December 2018 Shares
Doktas 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 equityaccounted 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:

	31 December 2019 Shares	31 December 2018 Shares
Kumsan	**%25,10**	%25,10

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 ConceptualFramework sets out the fundamental concepts for financial reporting that guide the POA in developingTFRSs. It helps to ensure that the Standards are conceptually consistent and that similar transactionsare 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 TFRSStandard applies to a particular transaction, and more broadly, helps stakeholders to understand andinterpret the Standards. The revised Framework is more comprehensive than the old one – its aim is toprovide the POA with the full set of tools for standard setting. It covers all aspects of standard settingfrom the objective of financial reporting, to presentation and disclosures. For companies that use theConceptual Framework to develop accounting policies when no TFRS Standard applies to a particulartransaction, the revised Conceptual Framework is effective for annual reporting periods beginning onor 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.

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.

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.

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

- it is its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

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.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	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.
Debt investments at FVOCI	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.
Equity investments at FVOCI	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.

ii. Impairment of financial assets

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
Impact as of 1 January 2018	**(6.865.840)**

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.

Financial assets	Not	Original classification according to TAS 39	New classification according to IFRS 9	Original book value according to TAS 39	New value according to IFRS 9
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
Total financial assets				**263.761.066**	255.178.766

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.

Provision for loss in accordance with TAS 39 of 31 December 2017	**3.955.163**
Additional impairment recognized on 1 January 2018:	
– Trade Receivables	8.582.300
Provision for loss in accordance with IFRS 9 of 1 January 2018	**12.537.463**

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.

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.

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 remeasurement 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.

	Useful lives (year)
Buildings 30-50	30-50
Land improvements 15-30	15-30
Machinery and equipment 1-15	1-15
Furniture and fixtures 3-15	3-15
Motor vehicles 4-5	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 cashgenerating units for which a reasonable and consistent allocation basis can be identified.

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.

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.

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.

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.

Revenue

The Group sells cast iron, aluminum and wheels for the automotive industry. Considering the fivestage 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.

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.

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.

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.

(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.

- Seviye 2: Seviye 1'de yer alan kayıtlı fiyatlar dışında kalan ve varlıklar veya borçlar açısından doğrudan (fiyatlar aracılığıyla) veya dolaylı olarak (fiyatlardan türetilmek suretiyle) gözlemlenebilir nitelikteki veriler; ve

- 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.

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.

Segment assets:	**31 December 2019**	**31 December 2018**
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
Total assets per consolidated financial statements	**1.434.244.633**	**1.359.736.303**

(*) 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).

Segment liabilities:	**31 December 2019**	**31 December 2018**
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
Total liabilities per consolidated financial statements	**1.349.162.563**	**1.230.852.720**

(*) 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:

	Gray cast iron	High pressure	Wheel	Total
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)
Operating profit	**99.629.732**	**18.638.022**	**22.446.882**	**140.714.635**
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
Profit before tax				**101.571.786**
Tax income				(3.407.380)
Net profit for the year				**98.164.406**

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)
Operating profit	**107.492.321**	**13.558.393**	**22.536.729**	**143.587.443**
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
Loss before tax				**109.887.589**
Tax income				(8.656.716)
Net profit for the year				**101.230.873**

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 2018				
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 2019 and 31 December 2018, the details of cash and cash equivalents were as follows:

	31 December 2019	31 December 2018
Cash	**5.247**	44.601
Banks	**54.697.195**	27.696.816
Time deposits – Foreign currency	**7.682.000**	865.000
Demand deposits – EUR	**42.197.359**	24.981.962
Demand deposits - Foreign currency	**4.817.836**	1.849.854
	54.702.442	27.741.417

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.

5. KISA VE UZUN VADELİ BORÇLANMALAR

31 December 2019 ve 31 December 2018 tarihleri itibarıyla, Grup'un itfa edilmiş maliyet değeriyle duran finansal borçlarının detayı aşağıdaki gibidir:

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

Short-term bank loans and factoring payables

31 December 2019

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

31 December 2018

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

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

Short-term portion of long term bank loans

31 December 2019

	Annual average interest rate %	Amount in original	TL
Short-term portion of long-term Euro bank loans	5,98	9.491.253	63.122.527
Short-term portion of long-term bank loans			**63.122.527**

31 December 2018

	Annual average interest rate %	Amount in original	TL
Short-term portion of long-term Euro bank loans	5,66	53.670.547	323.526.057
Short-term portion of long-term bank loans			**323.526.057**

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

31 December 2019

	Annual average interest rate %	Amount in original	TL
Long-term Euro bank loans	6,02	122.816.759	816.805.139
Long-term bank loans			**816.805.139**

31 December 2018

	Annual average interest rate %	Amount in original	TL
Long-term Euro bank loans	6,26	79.300.834	478.025.427
Long-term bank loans			**478.025.427**

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

	31 December 2019	31 December 2018
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
	1.096.064.125	999.961.724

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

	31 December 2019	31 December 2018
Variable interest rate loans	450.542.797	340.700.308
Fixed interest rate loans	645.521.328	659.261.416
	1.096.064.124	999.961.724

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 fort he 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 occured.

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
Short-term portion						
2019	5.993.144	(573.976)	5.419.168	14.008.998	(609.417)	13.399.581
Bir yıldan kısa vadeli kısım	**5.993.144**	**(573.976)**	**5.419.168**	**14.008.998**	**(609.417)**	**13.399.581**
Long-term portion						
2020	4.024.326	(304.320)	3.720.006	2.045.090	(76.037)	1.969.053
Long-term portion	**4.024.326**	**(304.320)**	**3.720.006**	**2.045.090**	**(76.037)**	**1.969.053**
	10.017.470	**(878.296)**	**9.139.174**	**16.054.088**	**(685.454)**	**15.368.634**

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.

6. TRADE RECEIVABLES AND PAYABLES

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

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

Aging analysis for trade receivables

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

	31 December 2019	31 December 2018
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
	206.620.375	315.722.534

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

Days overdue	31 December 2019	31 December 2018
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**
	78.540.036	**40.557.914**

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).

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

	2019	2018
1 January	**12.255.762**	3.955.163
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
31 December	**12.555.148**	12.255.762

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
	104.531.151	94.266.310

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
	1.247.220	1.335.268

Long-term other receivables:

As at 31 December 2019 and 31 December 2018, the details of long-term other receivables were asfollows:

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

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

Other payables

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

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

	31 December 2019	31 December 2018
Installments tax liabilities of prior periods	**--**	485.573
Long-term other payables	**--**	485.573

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:

	31 December 2019	31 December 2018
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
	15.942.705	14.769.890

9. INVENTORIES

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

	31 December 2019	31 December 2018
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
	212.657.232	167.188.117
Less: Provision for net realisable value of inventories (**)	**(3.458.359)**	(1.003.602)
	209.198.873	166.184.515

(*) 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:

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

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.

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:

	31 December 2019	31 December 2018
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
	2.502.860	6.629.639

Long-term prepaid expenses

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

	31 December 2019	31 December 2018
Deferred finance costs (*)	**7.904.843**	13.140.604
	7.904.843	13.140.604

(*) 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 INVESTEES

Investment in associates:

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

	31 December 2019		31 December 2018	
	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:

	2019	2018
1 January – Investment in associates	**8.190.316**	5.637.272
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
31 December – Investment in associates	**5.418.816**	8.190.316

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

	31 December 2019		31 December 2018	
	Total assets	Total liabilities	Total assets	Total liabilities
Kumsan	**25.584.530**	**3.995.623**	35.496.484	2.865.742

	31 December 2019		31 December 2018	
	Revenue	Net income	Revenue	Net income
Kumsan	**29.314.390**	**2.721.218**	23.352.608	2.648.609

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:

	Arazi ve arsalar	Binalar ve yeraltı ve yerüstü düzenleri	Tesis makine ve cihazlar	Döşeme ve demirbaşlar	Motorlu araçlar	Yapılmakta olan yatırımlar(*)	Toplam
Opening net carrying value, 1 January 2018	123.307.393	106.617.576	337.787.395	15.391.423	38.780	23.907.702	607.050.269
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
Closing net carrying value, 31 December 2018	**143.694.357**	**143.812.485**	**449.772.025**	**19.427.576**	**162.256**	**20.419.983**	**777.288.682**
Opening net carrying value, 1 January 2019	**143.694.357**	**143.812.485**	**449.772.025**	**19.427.576**	**162.256**	**20.419.983**	**777.288.682**
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
Closing net carrying value, 31 December 2019	**158.809.916**	**153.981.307**	**511.006.393**	**23.714.506**	**508.623**	**27.567.044**	**875.587.789**

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.

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.

13. INTANGIBLE ASSETS

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

	Rights	R&D	Total
Cost			
1 January 2018 opening balance	**19.079.255**	**--**	**19.079.255**
Additions	1.164.318	2.595.394	3.759.712
Translation differences	598.573	159.547	758.120
31 December 2018 closing balance	**21.216.600**	**2.754.941**	**23.971.541**
1 January 2019 opening balance	**21.216.600**	**2.754.941**	**23.971.541**
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
31 December 2019 closing balance	**23.311.878**	**21.660.236**	**44.972.114**
Accumulated Amortization			
1 January 2018 opening balance	**15.616.286**	**--**	**15.616.286**
Additions	2.647.343	1.101.976	3.749.319
Translation differences	(401.825)	--	(401.825)
31 December 2018 closing balance	**17.861.804**	**1.101.976**	**18.963.780**
1 January 2019 opening balance	**17.861.804**	**1.101.976**	**17.861.804**
Additions	1.010.523	3.997.877	5.008.400
Translation differences	--	304.356	304.356
31 December 2019 closing balance	**18.872.327**	**5.404.209**	**23.174.560**
Net carrying value			
31 December 2018	3.354.796	1.652.965	5.007.761
31 December 2019	**4.439.551**	**15.446.797**	**21.797.554**

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.

	2019	2018
1 January	**6.834.872**	5.119.918
Translation Differences	**705.937**	1.714.954
31 December	**7.540.809**	6.834.872

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:

	31 December 2019	31 December 2018
Provisions for litigation [1]	**7.815.115**	**7.435.107**
Unused vacation pay liability [2]	**3.023.822**	**3.639.188**
Provisions for energy and water expenses [3]	**636.006**	**596.985**
Other short-term provisions [4]	**2.812.674**	**2.966.169**
	14.287.617	**14.637.449**

(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.

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/Utilizatin	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
Total	**14.637.449**	**4.073.110**	**1.814.121**	**(6.237.063)**	**14.287.617**

	1 January 2018	Additions	Foreign currency translation differences	Unutilized Portion/Utilizatin	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
Total	**18.817.393**	**140.280**	**5.695.931**	**(10.016.155)**	**14.637.449**

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:

31 December 2019	Total TL equivalent	Original Currency TL	Original Currency US Dollar	Original Currency EUR
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 forthe 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	--	--	--	--
Total GPMs	**8.228.974.943**	**3.340.783.943**	**--**	**735.000.000**
Other GPMs	--	--	--	--

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.

31 December 2018	Total TL equivalent	Original Currency TL	Original Currency US Dollar	Original Currency EUR
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	--	--	--	--
Total GPMs	**7.760.959.529**	**3.330.379.529**	**--**	**735.000.000**
Other GPMs	--	--	--	--

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
Total guarantees received	**7.642.248**	8.772.787

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

16. EMPLOYEE BENEFITS

Long term provisions related to Employee benefits

	31 December 2019	31 December 2018
Provision for employment termination benefits	**58.663.719**	51.350.736
	58.663.719	51.350.736

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 2019 (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:

	31 December 2019	31 December 2018
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:

	2019	2018
1 January	**51.350.736**	35.016.817
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)
31 December	**58.663.719**	51.350.736

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:

	31 December 2019	31 December 2018
VAT receivables	6.762.184	7.690.432
Other	60.494	55.397
	6.822.678	7.745.829

Other non-current assets	31 December 2019	31 December 2018
VAT Receivables (*)	19.224.138	9.329.017
	19.224.138	9.329.017

(*) 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:

	31 December 2019	31 December 2018
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
	12.831.701	3.351.651

(*) 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:

	31 December 2019	31 December 2018
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:

	31 December 2019	Shareholding Percentage (%)	31 December 2018	Shareholding Percentage (%)
Döktaş	64.281.914	96.17	64.496.888	96,49
Held by public	2.562.886	3,83	2.347.912	3,51
Total paid-in-capital	66.844.800	100,00	66.844.800	100,00

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 2019. 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

GWith 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 paidin 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).

Other Equity İnterest

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 Communique 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.

19. REVENUE AND COST OF SALES

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

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

Cost of sales:

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

	1 January–31 December 2019	1 January–31 December 2018
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)
	(905.551.440)	(931.795.423)

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:

	1 January–31 December 2019	1 January–31 December 2018
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)
	(49.280.148)	(40.788.733)

General administrative expenses:

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

	1 January–31 December 2019	1 January–31 December 2018
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)
	(59.294.130)	(63.045.160)

21. EXPENSES BY TYPE

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

	1 January–31 December 2019	1 January–31 December 2018
Cost of goods sold	(41.363.351)	(40.148.853)
General administrative expenses	(2.510.781)	(2.191.232)
Depreciation and amortization	(43.874.132)	(42.340.085)
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)
Personnel expenses	(218.264.871)	(208.352.354)

22. OTHER OPERATING INCOME AND EXPENSES

Other operating income

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

	1 January–31 December 2019	1 January–31 December 2018
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
	45.657.347	60.676.701

Other operating expenses

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

	1 January– 31 December 2019	1 January– 31 December 2018
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)
	(9.937.184)	(7.646.599)

23. INCOME FROM INVESTING ACTIVITIES

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

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

24. FINANCE INCOME

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

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

25. FINANCE COSTS

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

	1 January– 31 December 2019	1 January– 31 December 2018
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)
Warranty commission expense	(3.516.981)	--
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)
	(91.509.312)	(111.125.698)

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.

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)
Total tax income / (expense)	(3.407.380)	(8.656.716)

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%).

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
Deferred tax liabilities – net			**(31.889.235)**	(27.219.814)

(*) 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 contrubition 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.

Movements of deferred tax liability are as follows:

	2019	2018
1 January	**(27.219.814)**	(11.553.923)
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)
31 December	**(31.889.235)**	(27.219.814)

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:

	%	**2019**	%	2018
Income/(loss) before tax rate		**101.571.786**		109.887.589
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)
Tax provisions	**3,35**	**3.407.380**	11	8.656.716

(*)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:

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

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 transferren 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
	11.099.452	7.058.487

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 Döküm 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
	83.286.776	**4.253.598**	**1.143.175**	**88.683.549**

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
	21.377.906	**1.093.696**	**939.156**	**23.410.757**

e) Financing expense:

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

	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
	3.684.600	230.644

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
Total	**7.770.274**	6.263.993

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.

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

	31 December 2019	31 December 2018
Financial instruments with variable interest rate		
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:

	Receivables				
31 December 2019	Trade Receivables		Other Receivables		
	Related Parties	Other Parties	Related Parties	Other Parties	Bank Deposits
Maximum credit risk as at reporting date(*) (A+B+C+D+E)	**--**	**211.437.192**	**--**	**16.923.456**	**54.697.195**
- Guaranteed portion of the maximum risk	--	--	--	--	--
A. 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. Value of the financial assets whose terms have been renegotiated, otherwise considered as overdue or impaired	--	--	--	--	--
C. Book value of the overdue but not impaired assets	--	78.540.036	--	--	--
- Teminat, vs ile güvence altına alınmış kısmı	--	--	--	--	--
D. 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)	--	--	--
E. Off balance sheet items with credit risk	--	--	--	--	--

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

	Receivables				
31 December 2018	Trade Receivables		Other Receivables		
	Related Parties	Other Parties	Related Parties	Other Parties	Bank Deposits
Maximum credit risk as at reporting date(*) (A+B+C+D+E)	**--**	**315.722.534**	**--**	**15.921.117**	**27.696.816**
- Guaranteed portion of the maximum risk	--	650.000	--	--	--
A. 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. Value of the financial assets whose terms have been renegotiated, otherwise considered as overdue or impaired	--	--	--	--	--
C. Book value of the overdue but not impaired assets	--	40.557.914	--	--	--
- Teminat, vs ile güvence altına alınmış kısmı	--	--	--	--	--
D. 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)	--	--	--
E. Off balance sheet items with credit risk	--	--	--	--	--

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

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
Derivative financial liabilities						
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	--	--	--
Total	**1.228.379.287**	**1.478.862.212**	**192.747.323**	**260.408.887**	**694.696.300**	**331.009.701**

31 December 2018	Net Book Value	Agreed Total Cash Outflows	Less than 3 months	3-12 months	1-5 years	5-10 years
Derivative financial liabilities						
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	--	--	--
Total	**1.122.874.831**	**1.330.503.238**	**163.408.940**	**515.397.615**	**349.509.698**	**302.186.985**

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.

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

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:

DFOREIGN 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	--
4. Current Assets (1+2+3)	**78.719.724**	**55.013**	**75.206.634**	**409.735**	**--**	**45.472.619**	**144.998**	**40.296.395**	**663.390**	**--**
5. Trade Receivables	--	--	--	--	--	--	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--	--	--	--	--	--	--
6b. Non-monetary Financial Assets	--	--	--	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--	--	--	--
8. Fixed Assets (5+6+7)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
9. Total Assets (4+8)	**78.719.724**	**55.013**	**75.206.634**	**409.735**	**--**	**45.472.619**	**144.998**	**40.296.395**	**663.390**	**--**
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	--	--	--	--	--	--	--	--	--	--
13. Short-term Liabilities (10+11+12)	**91.360.483**	**957.453**	**67.692.093**	**2.282.684**	**362.030**	**48.072.558**	**950.935**	**55.443.352**	**(1.865.394)**	**62.500**
14. Trade Payables	--	--	--	--	--	--	--	--	--	--
15. Financial Liabilities	--	--	--	--	--	--	--	--	--	--
16a. Other Monetary Liabilities	--	--	--	--	--	--	--	--	--	--
16b. Other Nonmonetary Liabilities	--	--	--	--	--	--	--	--	--	--
17. Long-term Liabilities (14+15+16)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
18. Total Liabilities (13+17)	**91.360.483**	**957.453**	**67.692.093**	**2.282.684**	**362.030**	**48.072.558**	**950.935**	**55.443.352**	**(1.865.394)**	**62.500**
19. Net Asset / (Liability) Position of the Off- Balance Sheet Foreign Exchange Based Derivatives (19a-19b)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
19a. The Amount of the Asset Type Off-Balance-Sheet Foreign Exchange Based Derivatives (*)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
19b. The Amount of the Liability Type Off-Balance-Sheet Foreign Exchange Based Derivatives	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
20. Net Foreign Exchange Asset / (Liability) (9-18+19)	**(12.640.759)**	**(902.440)**	**7.514.541**	**(1.872.949)**	**(362.030)**	**(2.599.939)**	**(805.937)**	**(15.146.957)**	**2.528.784**	**(62.500)**
21. Net Foreign Exchange Asset / (Liability) Position of the Monetary Item (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16)	**(12.640.759)**	**(902.440)**	**7.514.541**	**(1.872.949)**	**(362.030)**	**(2.599.939)**	**(805.937)**	**(15.146.957)**	**2.528.784**	**(62.500)**

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

31 December 2019	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 (-)	--	--	--	--
3- USD Net Effect (1+2)	**(536.067)**	**536.067**	**(536.067)**	**536.067**
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 (-)	--	--	--	--
6- TL Net Effect (4+5)	**751.454**	**(751.454)**	**751.454**	**(751.454)**
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 (-)	--	--	--	--
9- GBP Net Effect (7+8)	**(1.456.499)**	**1.456.499**	**(1.456.499)**	**1.456.499**
% 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 (-)	--	--	--	--
12- Other Net Effect (10+11)	**(193.150)**	**193.150**	**(193.150)**	**193.150**
TOTAL (3 + 6 +9+12)	**(1.434.262)**	**1.434.262**	**(1.434.262)**	**1.434.262**

(*) Does not include profit/loss effects.

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 (-)	--	--	--	--
3- ABD Doları net etki (1+2)	**(423.995)**	**423.995**	**(423.995)**	**423.995**
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 (-)	--	--	--	--
6- TL Net Effect (4+5)	**(1.514.696)**	**1.514.696**	**(1.514.696)**	**1.514.696**
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 (-)	--	--	--	--
9- GBP Net Effect (7+8)	**1.682.349**	**(1.682.349)**	**1.682.349**	**(1.682.349)**
% 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 (-)	--	--	--	--
12- Other Net Effect (10+11)	**(33.345)**	**33.345**	**(33.345)**	**33.345**
TOPLAM (3 + 6 +9+12)	**(289.687)**	**289.687**	**(289.687)**	**289.687**

(*) Does not include profit/loss effects.

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
Financial liabilities/equity ratio	**%1235**	%766

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
Financial assets				
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
	278.246.273	**278.246.273**	**359.385.068**	**359.385.068**
Financial liabilities				
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
	1.215.547.586	**1.215.547.586**	**1.119.523.180**	**1.119.523.180**

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.

Döktaş

Trade Registration Number: 1204 / Orhangazi
E-mail: doktas@doktas.com
Web: www.doktas.com

DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.
Fatih Mah. Gölyolu No: 26
Orhangazi 16801 Bursa / Türkiye
Phone : +90 (224) 573 42 63
Fax : +90 (224) 573 42 73

ORHANGAZİ IRON FOUNDRY BUSINESS UNIT
Fatih Mah. Gölyolu No: 26
16801 Orhangazi Bursa / Türkiye
Phone : +90 224 573 4263 – Fax : +90 224 573 4273

MANİSA ALUMINIUM FOUNDRY BUSINESS UNIT
Organize Sanayi Bölgesi 4.Kısım İsmail Tiryaki Cad. No: 7
45030 Manisa / Türkiye
Phone : +90 236 233 8060 – Fax : +90 236 233 8060

MANİSA WHEELS BUSINESS UNIT
Organize Sanayi Bölgesi Sakarya Cad. No: 9
Manisa / Türkiye
Phone : +90 236 233 8057 – Fax : +90 236 233 8061

DÖKTAŞ TRADING UK LTD.
3 & 4 The Mews, Trent Park, Eastern Avenue,
Lichfield, WS13 6RN, UK.
Phone : +44 1543 443 810 – Fax : +44 1543 444 397

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