

**Kordsa Teknik Tekstil Anonim Şirketi  
and Its Subsidiaries**

Convenience Translation into English  
of the Consolidated Financial Statements  
As at and for the Year Ended  
31 December 2019  
With Independent Auditor's Report  
(Originally issued in Turkish)

20 February 2020

*This report contains 5 pages of Independent Auditor's Report  
and 92 pages of financial statements and explanatory notes.*



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## Independent Auditor's Report

To the Board of Directors of Kordsa Teknik Tekstil Anonim Şirketi,

### A) Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Kordsa Teknik Tekstil Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as "the Group"), which comprise the statement of consolidated financial position as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

#### *Basis for Opinion*

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

Refer to Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>The Group's revenue is primarily generated from sales of industrial fabrics included in the structure of vehicle tires and industrial fabrics to the companies operating in tyre sector. Revenue is recognised over the fair value of the consideration receivable which is taken on the accrual basis of the financial reporting when the delivery is made, the amount of income can be reliably determined and it is probable that the Group will obtain economic benefits related to these transactions.</p> <p>Recognition of revenue for the accounting period in which the product is sold depends on an appropriate assessment of whether the product is associated with a sales contract. Since commercial contracts can be complex, important considerations are required to be made while selecting the accounting basis for each situation.</p> <p>Regarding to nature and huge size of Group's revenue, the revenue recognition has been identified as one of key audit matter as the amount of revenue required significant management assumptions as to be determined accurate and timely.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none"> <li>- Evaluation of the effectiveness of key internal controls for accounting of revenue in the consolidated financial statements as well as by the assistance of our IT experts</li> <li>- Evaluation the timing of revenue recognition for the different shipment arrangements by examining the terms of trade and shipping conditions in the contracts made with customers</li> <li>- Examination of transfer of risk and rewards through sales documents obtained for selected sample sales transactions and evaluation of appropriateness of revenue recognition in the appropriate financial reporting period</li> <li>- Verifying trade receivable balances of third parties by obtaining confirmation letters for selected samples and reconciling to the financial statements.</li> <li>- Performing analytical procedures to determine the existence of unusual transactions.</li> <li>- Testing of the subsequent sales returns transactions after the reporting period of financial statements whether they are accounted for in the appropriate financial reporting period by selecting the samples from subsequent sales returns after the reporting period and using substantive testing procedures.</li> <li>- Evaluation of the journal entries that the Group has accounted for during the year.</li> <li>- Evaluation of the Group's disclosures regarding the revenue in the consolidated financial statements in accordance with the disclosure requirements.</li> </ul>



### Business combinations and Goodwill impairment

Refer to Note 2.5, Note 3 and Note 16 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for business combinations.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>In accordance with the final protocol regarding to share purchase agreements signed on 23 July 2019, Kordsa Inc., a 95,86% owned affiliated of the Group, has taken over all of the shares of Axiom Materials Acquisition LLC. through cash payments. The Group applied acquisition accounting for this transaction in accordance with TFRS 3 "Business Combinations" in the accompanying consolidated financial statements. Purchase price allocation has been performed by an independent company in the scope of TFRS 3.</p> <p>As a result of the acquisition, this topic has been determined as one of the focus areas of audit because of the complexity of the purchase price allocation, and management estimations used in business combinations accounting.</p> <p>Additionally, non current assets of the Group mainly comprised of intangible assets and goodwill by the amount of TL 798,034,611 as at 31 December 2019.</p> <p>Regarding to required annual assessment in accordance with TFRS, management has compared the book value of each cash generating unit which goodwill has been allocated to use based on discounted cash flow estimates to determine whether any impairment is required to be recognised.</p> <p>The recoverable amount of the cash generating units calculated based on the higher of the use value or the fair value with discounted sales costs, was obtained from the discounted cash flow models. In those models too many basic assumptions has been used, such as future sales volumes and prices, operating expenses, final appreciation rates, and weighted average cost of capital ("WACC").</p> <p>Goodwill is significant in the consolidated financial statements and determining the assumptions used in estimating recoverable amounts requires significant judgments. Therefore, this item has been identified as one of the key audit matters.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none"> <li>- Evaluation of the appropriateness of the estimates and assumptions used in the work aimed at allocating the purchase price by consulting with the expert company representatives and the management of the Group as well as by the assistance of our valuation experts</li> <li>- Controlling the mathematical appropriateness of the calculations used in the allocation of the purchase price.</li> <li>- Reconciling fair values of the acquired identifiable assets and liabilities to the financial statements of the related companies as at 23 July 2019</li> <li>- Evaluation of the appropriateness of the discount rates used in the work for each cash generating unit with the comparison of the sector WACC rates as well as by the assistance of our valuation experts</li> <li>- Evaluation of the disclosures in accordance with the disclosure requirements of TFRS 3</li> <li>- Analyzing of key inputs used in assumptions such as sales volume and long term growth rates.</li> <li>- Evaluation of the disclosures in accordance with the impairment included principal assumptions, judgments ve sensitivities.</li> </ul>

### Other Matter

As explained in Note 2.1 to the consolidated financial statements, USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira, as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2019 for the consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2019 for the consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows, and the do not form part of these consolidated financial statements.





### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

### *Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Responsibilities of the independent auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 20 February 2020.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2019, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Group's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative

Ruşen Fikret Selamet, SMMM  
Partner  
20 February 2020  
İstanbul, Turkey

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**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

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

<b>Assets</b>	<b>Notes</b>	<b>31 December 2019 USD (*)</b>	<b>31 December 2018 USD (*)</b>	<b>Audited 31 December 2019</b>	<b>Audited 31 December 2018</b>
<b>Current assets</b>					
Cash and cash equivalents	5	122.830.305	24.862.982	729.636.576	130.801.662
Financial investments		13	16.464	76	86.617
Trade receivables	8	163.161.327	157.705.895	969.210.914	829.674.943
<i>Due from related parties</i>	28	13.040.279	13.096.562	77.461.866	68.899.704
<i>Due from third parties</i>		150.121.048	144.609.333	891.749.048	760.775.239
Other receivables	9	4.340.882	2.920.765	25.785.710	15.365.854
<i>Due from third parties</i>		4.340.882	2.920.765	25.785.710	15.365.854
Derivatives	31	1.371.472	509.101	8.146.818	2.678.327
<i>Derivative financial assets</i>		1.371.472	509.101	8.146.818	2.678.327
Inventories	10	207.240.636	199.125.979	1.231.050.823	1.047.581.862
Prepayments	11	6.994.960	2.871.870	41.551.462	15.108.621
<i>Prepayments to third parties</i>		6.994.960	2.871.870	41.551.462	15.108.621
Current tax assets	26	725.967	-	4.312.390	-
Other current assets	19	9.798.977	17.676.849	58.207.881	92.996.136
<i>Other current assets from third parties</i>		9.798.977	17.676.849	58.207.881	92.996.136
<b>Subtotal</b>		<b>516.464.538</b>	<b>405.689.905</b>	<b>3.067.902.650</b>	<b>2.134.294.022</b>
Assets held for sale		1.236.950	2.703.047	7.347.731	14.220.459
<b>Total current assets</b>		<b>517.701.488</b>	<b>408.392.952</b>	<b>3.075.250.381</b>	<b>2.148.514.481</b>
<b>Non-current assets</b>					
Financial investments	6	98.647	100.438	585.981	528.396
Other receivables	9	6.976.450	5.995.914	41.441.509	31.543.902
<i>Due from third parties</i>		6.976.450	5.995.914	41.441.509	31.543.902
Investment properties	15	23.260.360	21.835.448	138.171.192	114.874.106
Property, plant and equipment	12	366.030.962	368.676.877	2.174.297.121	1.939.572.181
Right of use assets	14	14.107.664	-	83.802.346	-
Intangible assets		257.817.039	88.360.487	1.531.484.773	464.855.686
<i>Goodwill</i>	16	134.344.738	32.677.373	798.034.611	171.912.390
<i>Other intangible assets</i>	13	123.472.301	55.683.114	733.450.162	292.943.296
Prepayments	11	1.523.817	428.778	9.051.777	2.255.759
<i>Prepayments to third parties</i>		1.523.817	428.778	9.051.777	2.255.759
Deferred tax assets	26	7.455.075	13.811.323	44.284.637	72.659.987
Other non-current assets	19	12.163.667	10.527.100	72.254.616	55.382.019
<b>Total non-current assets</b>		<b>689.433.681</b>	<b>509.736.364</b>	<b>4.095.373.952</b>	<b>2.681.672.036</b>
<b>Total assets</b>		<b>1.207.135.169</b>	<b>918.129.316</b>	<b>7.170.624.333</b>	<b>4.830.186.517</b>

(\*) US Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1).

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



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

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

		31 December	31 December	Audited	Audited
	Notes	2019 USD (*)	2018 USD (*)	31 December	31 December
Liabilities				2019	2018
<b>Short term liabilities</b>					
Short term borrowings	7	286.074.818	181.064.521	1.699.341.631	952.562.339
Short term portion of long term borrowings	7	16.316.934	7.970.630	96.925.852	41.932.689
Short term lease liabilities	2.2	1.614.877	-	9.592.693	-
Trade payables	8	104.438.788	108.796.691	620.387.291	572.368.514
<i>Due to related parties</i>	28	2.037.491	1.623.728	12.103.105	8.542.272
<i>Due to third parties</i>		102.401.297	107.172.963	608.284.186	563.826.242
Payables related to employee benefits	18	1.774.254	2.055.275	10.539.421	10.812.595
Other payables	9	7.118.147	4.343.999	42.283.219	22.853.343
<i>Due to third parties</i>		7.118.147	4.343.999	42.283.219	22.853.343
Deferred revenue		1.623.019	1.746.235	9.641.055	9.186.767
<i>Deferred revenue from third parties</i>	11	1.623.019	1.746.235	9.641.055	9.186.767
Current tax liabilities	26	-	533.994	-	2.809.289
Short term provisions		8.238.828	5.930.799	48.940.287	31.201.341
<i>Short term employee benefits</i>	18	8.238.828	5.921.664	48.940.287	31.153.281
<i>Other short term provisions</i>		-	9.135	-	48.060
Other short term liabilities	19	9.041.554	6.784.897	53.708.642	35.694.664
<i>Other short term liabilities to third parties</i>		9.041.554	6.784.897	53.708.642	35.694.664
Derivative financial instruments	31	2.496.379	-	14.828.992	-
<b>Subtotal</b>		<b>438.737.599</b>	<b>319.227.041</b>	<b>2.606.189.083</b>	<b>1.679.421.541</b>
Liability directly associated with the assets held for sale		524.664	812.360	3.116.609	4.273.745
<b>Total short term liabilities</b>		<b>439.262.263</b>	<b>320.039.401</b>	<b>2.609.305.692</b>	<b>1.683.695.286</b>
<b>Long term liabilities</b>					
Long term borrowings	7	207.544.961	99.752.002	1.232.858.578	524.785.306
Long term lease liabilities	2.2	12.691.630	-	75.390.820	-
Other payables	9	2.397.919	3.824.933	14.244.118	20.122.592
<i>Due to third parties</i>		2.397.919	3.824.933	14.244.118	20.122.592
Long term provisions		15.589.393	13.740.044	92.604.113	72.284.998
<i>Long term employee benefits</i>	18	14.497.256	12.981.932	86.116.601	68.296.647
<i>Other long term provisions</i>		1.092.137	758.112	6.487.512	3.988.351
Deferred tax liabilities	26	49.321.761	36.188.555	292.981.127	190.384.367
Other long term liabilities		5.670.058	-	33.681.278	-
<b>Total long term liabilities</b>		<b>293.215.722</b>	<b>153.505.534</b>	<b>1.741.760.034</b>	<b>807.577.263</b>
<b>Total liabilities</b>		<b>732.477.985</b>	<b>473.544.935</b>	<b>4.351.065.726</b>	<b>2.491.272.549</b>
<b>Shareholder's equity</b>					
<b>Equity attributable to owners of the Company</b>		<b>378.255.966</b>	<b>348.779.589</b>	<b>2.246.916.091</b>	<b>1.834.894.539</b>
Share capital	20	32.747.900	36.976.387	194.529.076	194.529.076
Share premium	20	10.446.257	11.795.103	62.052.856	62.052.856
Put option valuation fund on non-controlling interest		(4.252.543)	-	(25.260.958)	-
Other comprehensive income or expenses that will not be reclassified to profit or loss	20	6.080.535	7.060.649	36.119.595	37.145.368
<i>Revaluation and remeasurement gain /(loss)</i>		(657.806)	(547.764)	(3.907.502)	(2.881.729)
<i>Defined benefit plans remeasurement fund</i>		(657.806)	(547.764)	(3.907.502)	(2.881.729)
<i>Revaluation and reclassification gain /(loss)</i>		6.738.342	7.608.412	40.027.097	40.027.097
<i>Other revaluation and reclassification gain/(loss)</i>		6.738.342	7.608.412	40.027.097	40.027.097
Other comprehensive income or expenses that will be reclassified to profit or loss		124.914.583	109.368.971	742.017.606	575.379.217
<i>Currency translation difference</i>		124.960.521	109.506.804	742.290.484	576.104.345
<i>Gain/loss on hedge reserve</i>	20	(459)	(86.483)	(2.727)	(454.977)
<i>Cash flow hedge gains/loss</i>		(459)	(86.483)	(2.727)	(454.977)
<i>Revaluation and reclassification gain /(loss)</i>		(45.478)	(51.351)	(270.151)	(270.151)
<i>Other revaluation and reclassification gain/(loss)</i>		(45.478)	(51.351)	(270.151)	(270.151)
Restricted reserves	20	20.613.011	13.259.074	122.445.409	69.754.663
Retained earnings	20	130.510.326	114.728.592	775.257.436	603.575.651
Profit for the period		57.195.898	55.590.813	339.755.071	292.457.708
<b>Total non-controlling interests</b>		<b>96.401.218</b>	<b>95.804.792</b>	<b>572.642.516</b>	<b>504.019.429</b>
<b>Total equity</b>		<b>474.657.184</b>	<b>444.584.381</b>	<b>2.819.558.607</b>	<b>2.338.913.968</b>
<b>Total equity and liabilities</b>		<b>1.207.135.169</b>	<b>918.129.316</b>	<b>7.170.624.333</b>	<b>4.830.186.517</b>

(\*) USD amounts presented above have been translated from TL for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

		1 January- 31 December 2019 USD (*)	1 January- 31 December 2018 USD (*)	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
<b>Profit or loss</b>	<b>Notes</b>				
Revenue	21	905.932.389	819.928.158	5.137.361.394	3.946.724.188
Cost of sales	21	(731.881.249)	(655.041.202)	(4.150.352.186)	(3.153.040.828)
<b>Gross profit</b>		<b>174.051.141</b>	<b>164.886.955</b>	<b>987.009.208</b>	<b>793.683.360</b>
General and administrative expenses	22	(40.720.323)	(31.418.070)	(230.916.809)	(151.230.878)
Selling and marketing expenses	22	(35.976.159)	(31.582.634)	(204.013.603)	(152.023.011)
Research and development expenses	22	(1.924.751)	(1.774.024)	(10.914.880)	(8.539.264)
Other income from operating activities	23	26.113.530	20.572.059	148.084.605	99.023.605
Other expense from operating activities	23	(13.224.209)	(11.526.594)	(74.991.846)	(55.483.259)
<b>Operating profit</b>		<b>108.319.227</b>	<b>109.157.693</b>	<b>614.256.675</b>	<b>525.430.553</b>
Income from investing activities	24	2.390.705	2.901.701	13.557.211	13.967.339
Expense from investing activities	24	(86.271)	(242.175)	(489.227)	(1.165.711)
<b>Operating profit before finance costs</b>		<b>110.623.661</b>	<b>111.817.218</b>	<b>627.324.659</b>	<b>538.232.181</b>
Finance income	25	1.008.810	2.374.646	5.720.757	11.430.357
Finance expense	25	(29.749.645)	(28.643.439)	(168.704.285)	(137.875.194)
<b>Profit before tax from continuing operations</b>		<b>81.882.826</b>	<b>85.548.425</b>	<b>464.341.131</b>	<b>411.787.344</b>
Tax (expense)/benefit from continuing operations		(15.112.708)	(15.220.832)	(85.701.146)	(73.265.477)
<i>Current tax expense</i>	26	(9.585.167)	(9.948.595)	(54.355.565)	(47.887.560)
<i>Deferred tax benefit/ (charge)</i>	26	(5.527.541)	(5.272.238)	(31.345.581)	(25.377.917)
<b>Profit for the year from continuing operations</b>		<b>66.770.118</b>	<b>70.327.593</b>	<b>378.639.985</b>	<b>338.521.867</b>
<b>Net profit/(loss) for the year from discontinued operations</b>	32	<b>(26.814)</b>	<b>4.732</b>	<b>(152.057)</b>	<b>22.778</b>
<b>Profit for the year</b>		<b>66.743.304</b>	<b>70.332.325</b>	<b>378.487.928</b>	<b>338.544.645</b>
<b>Profit/(Loss) Attributable to:</b>					
- Non-Controlling Interests		6.830.228	9.574.517	38.732.857	46.086.937
- Owners of the Company		59.913.076	60.757.808	339.755.071	292.457.708
Earnings (Loss) per share;		3,08	3,12	17,47	15,03
<i>Earnings/(losses) per share from continuing operations</i>	27	3,08	3,12	17,47	15,03
<i>Earnings/ (losses) per share from discontinuing operations</i>		-	-	-	-
<i>Earnings / (losses) per diluted shares from operations</i>		3,08	3,12	17,47	15,03

(\*) USD amounts presented above have been translated from TL for convenience purposes only, at the official USD average CBRT bid rates for the year ended 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1).

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



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

	Notes	1 January- 31 December 2019 USD (*)	1 January- 31 December 2018 USD (*)	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
<b>Profit for the year</b>		<b>66.743.304</b>	<b>70.332.325</b>	<b>378.487.928</b>	<b>338.544.645</b>
<b>Other comprehensive income</b>					
Items that will not be reclassified to profit or loss		(180.887)	9.555.926	(1.025.773)	45.997.450
Defined benefit plans remeasurement fund	18	(241.183)	1.590.173	(1.367.698)	7.654.299
<i>Deferred tax expense</i>		60.296	(349.838)	341.925	(1.683.946)
Revaluation and reclassification gain/(loss)	15	-	8.315.591	-	40.027.097
Items that are or may be reclassified subsequently to profit or loss		42.908.649	87.986.240	243.326.365	423.521.764
Foreign currency translation differences		42.828.898	88.083.178	242.874.115	423.988.376
Hedging reserve gain/(loss)		102.244	(124.264)	579.807	(598.146)
Tax (expense) related to other comprehensive income items		(22.494)	27.326	(127.557)	131.534
<i>Deferred tax (expense) benefit</i>	20	(22.494)	27.326	(127.557)	131.534
<b>Total other comprehensive income</b>		<b>42.727.762</b>	<b>97.542.166</b>	<b>242.300.592</b>	<b>469.519.214</b>
<b>Total comprehensive income</b>		<b>109.471.066</b>	<b>167.874.490</b>	<b>620.788.520</b>	<b>808.063.859</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the company		89.117.530	129.807.519	505.367.687	624.828.495
Non-controlling interests		20.353.536	38.066.971	115.420.833	183.235.364

(\*) USD amounts presented above have been translated from TL for convenience purposes only, at the official USD average CBRT bid rates for the year ended 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

				Other comprehensive income or expenses that will not be reclassified to profit or loss		Other comprehensive income or expenses that will be reclassified to profit or loss				Retained earnings					
				Revaluation and remeasurement gain/(loss)	Revaluation and reclassification gain/(loss)		Gain/(loss) on hedge reserve	Revaluation and reclassification gain/(loss)							
				Defined benefit plans remeasurement fund	Other revaluation and reclassification gain/(loss)		Currency translation differences	Gain/(loss) on cash flow hedge							
Balance at 1 January 2018	194.529.076	62.052.856	-	(8.852.082)	-	289.264.396	11.635	(270.151)	54.948.350	520.164.823	165.102.073	1.276.950.976	371.020.900	1.647.971.876	
Transfer	-	-	-	-	-	-	-	-	14.806.313	150.295.760	(165.102.073)	-	-	-	
Total comprehensive income	-	-	-	5.970.353	40.027.097	286.839.949	(466.612)	-	-	-	292.457.708	624.828.495	183.235.364	808.063.859	
Dividend paid (*)	-	-	-	-	-	-	-	-	-	(66.884.932)	-	(66.884.932)	(50.236.835)	(117.121.767)	
Balance at 31 December 2018	194.529.076	62.052.856	-	(2.881.729)	40.027.097	576.104.345	(454.977)	(270.151)	69.754.663	603.575.651	292.457.708	1.834.894.539	504.019.429	2.338.913.968	
Balance at 1 January 2019	194.529.076	62.052.856	-	(2.881.729)	40.027.097	576.104.345	(454.977)	(270.151)	69.754.663	603.575.651	292.457.708	1.834.894.539	504.019.429	2.338.913.968	
Transfer	-	-	-	-	-	-	-	-	52.690.746	239.766.962	(292.457.708)	-	-	-	
Total comprehensive income	-	-	-	(1.025.773)	-	166.186.139	452.250	-	-	-	339.755.071	505.367.687	115.420.833	620.784.859	
Gains/(losses) due to other changes (***)	-	-	(25.260.958)	-	-	-	-	-	-	-	-	(25.260.958)	-	(25.260.958)	
Dividend paid (**)	-	-	-	-	-	-	-	-	-	(68.085.177)	-	(68.085.177)	(46.797.746)	(114.879.262)	
Balance at 1 January 2019	194.529.076	62.052.856	(25.260.958)	(3.907.502)	40.027.097	742.290.484	(2.727)	(270.151)	122.445.409	775.257.436	339.755.071	2.246.916.091	572.642.516	2.819.558.607	

(\*) In accordance with the Ordinary General Assembly Meeting for 2017 of the Group held on 26 March 2018 the Company distributed a dividend of 34.383% gross and 29.2255% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 66.884.932 (gross TL per share 0,3438, net TL per share 0,2923). In accordance with the resolution, the dividend payment was made after 2 April 2018.

(\*\*) In accordance with the Ordinary General Assembly Meeting for 2018 of the Group held on 20 March 2019 the Company distributed a dividend of 35% gross and 29.75% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 68.085.177 (gross TL per share 0,35, net TL per share 0,2975). In accordance with the resolution, the dividend payment was made after 25 March 2019.

(\*\*\*) The increase (decrease) due to other changes comprised of the put option valuation fund of the non-controlling shares of the Group's subsidiary Axiom Materials Acquisition LLC (Note 3).

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



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

	Notes	1 January- 31 December 2019 USD (*)	1 January- 31 December 2018 USD (*)	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>124.414.232</b>	<b>70.809.784</b>	<b>705.528.225</b>	<b>340.842.897</b>
Profit for the period		66.743.304	70.332.325	378.487.928	338.544.645
<i>Profit/(loss) for the period from continuing operations</i>		<i>66.770.118</i>	<i>70.327.593</i>	<i>378.639.985</i>	<i>338.521.867</i>
<i>Profit/(loss) from discontinued operations</i>		<i>(26.814)</i>	<i>4.732</i>	<i>(152.057)</i>	<i>22.778</i>
<b>Adjustments to reconcile profit/(loss) for the period</b>		<b>112.900.391</b>	<b>106.523.989</b>	<b>640.235.536</b>	<b>512.753.223</b>
Adjustments related to depreciation and amortisation	12, 13, 14	36.360.845	29.000.849	206.195.077	139.595.585
Adjustments related to provisions for (reversal) of impairment		641.322	789.344	3.636.808	3.799.509
<i>Adjustments related to provision for (reversal) of doubtful receivables</i>	8	<i>38.582</i>	<i>(22.324)</i>	<i>218.791</i>	<i>(107.457)</i>
<i>Adjustments related to provision for (reversal) of inventory allowances</i>	10	<i>602.740</i>	<i>811.668</i>	<i>3.418.017</i>	<i>3.906.966</i>
Adjustments related to provisions		5.524.428	2.493.395	31.327.928	12.001.957
<i>Adjustments related to reversal employee retirement benefit provision</i>		<i>3.142.406</i>	<i>1.964.009</i>	<i>17.819.954</i>	<i>9.453.757</i>
<i>Adjustments related to reversal other provisions</i>		<i>2.382.023</i>	<i>529.386</i>	<i>13.507.974</i>	<i>2.548.200</i>
Adjustments related to interest (income)/expense		20.264.195	12.408.811	114.914.198	59.729.811
<i>Adjustments related to interest income</i>	24	<i>(853.707)</i>	<i>(752.519)</i>	<i>(4.841.201)</i>	<i>(3.622.252)</i>
<i>Adjustments related to interest expense</i>	25	<i>21.645.560</i>	<i>15.019.312</i>	<i>122.747.643</i>	<i>72.295.456</i>
<i>Adjustments related to unrealized finance expenses on credit purchases</i>	8	<i>145.774</i>	<i>15.114</i>	<i>826.653</i>	<i>72.752</i>
<i>Adjustments related to unrealized finance income on credit sales</i>	8	<i>(673.432)</i>	<i>(1.873.095)</i>	<i>(3.818.897)</i>	<i>(9.016.145)</i>
Adjustments related to unrealized currency translation difference		34.796.971	47.508.504	197.326.661	228.682.185
Adjustments related to fair value changes		190.831	-665.323	1.082.165	(3.202.530)
<i>Adjustments related to fair value losses /(gains) of investment properties</i>	15	<i>(1.459.818)</i>	<i>(1.236.297)</i>	<i>(8.278.336)</i>	<i>(5.950.915)</i>
<i>Adjustments related to fair value losses /(gains) of derivatives</i>		<i>1.650.649</i>	<i>570.974</i>	<i>9.360.501</i>	<i>2.748.385</i>
Adjustments related to tax (benefit)/expense	26	15.112.708	15.220.832	85.701.146	73.265.477
Adjustments related to losses /(gains) on disposal of non-current assets		9.091	(232.424)	51.553	(1.118.771)
<i>Adjustments related to gains on disposal of tangible assets</i>		<i>9.091</i>	<i>(232.424)</i>	<i>51.553</i>	<i>(1.118.771)</i>
<b>Changes in working capital</b>		<b>(55.229.463)</b>	<b>(106.046.530)</b>	<b>(313.195.239)</b>	<b>(510.454.971)</b>
(Increase)/decrease in trade receivables		(17.259.904)	(57.482.668)	(97.877.461)	(276.692.824)
(Increase)/decrease in other receivables		(3.582.821)	(2.248.540)	(20.317.463)	(10.823.345)
(Increase)/decrease in inventories		(29.895.758)	(82.103.923)	(169.532.862)	(395.207.234)
(Increase) in prepaid expenses		(5.861.406)	879.310	(33.238.859)	4.232.561
Increase/(decrease) in trade payables		5.299.515	45.021.054	30.052.488	216.708.845
Increase/(decrease) in retirement pay and employee benefit obligation		(48.172)	2.764.354	(273.174)	13.306.218
Increase/(decrease) in other payables		2.389.681	2.980.074	13.551.402	14.344.585
Decrease in deferred income		80.110	413.672	454.288	1.991.212
Other increase/(decrease) in working capital		5.224.351	(8.457.708)	29.626.252	(40.711.176)
<i>Decrease/(increase) in other assets from operating activities</i>		<i>7.434.018</i>	<i>(9.624.617)</i>	<i>42.156.827</i>	<i>(46.328.095)</i>
<i>Increase/(decrease) in other liabilities from operating activities</i>		<i>(2.209.666)</i>	<i>1.166.910</i>	<i>(12.530.575)</i>	<i>5.616.919</i>
Payments related to provision of employee benefits	18	(1.387.193)	(1.719.817)	(7.866.496)	(8.278.337)
Income tax returns/(payments)		(11.195.766)	(5.258.477)	(63.488.947)	(25.311.681)
Net cash flows related from discontinued operations		1.007.899	(833.862)	5.715.593	(4.013.795)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(204.879.797)</b>	<b>(145.971.714)</b>	<b>(1.161.832.355)</b>	<b>(702.634.847)</b>
Proceeds from sales of property, plant and equipment		3.469.106	2.843.954	19.672.609	13.689.371
Acquisition of sales of property, plant and equipment and intangible assets		(33.046.558)	(48.137.026)	(187.400.422)	(231.707.576)
Acquisition of subsidiary and/or associates or cash outflow for capital increase of subsidiaries	3	(176.156.053)	(101.431.161)	(998.945.743)	(488.238.894)
Interest received	24	853.707	752.519	4.841.201	3.622.252
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>186.065.290</b>	<b>99.102.884</b>	<b>1.055.139.044</b>	<b>477.031.730</b>
Proceeds from borrowings	7	352.270.565	274.719.174	1.997.655.918	1.322.360.743
Cash inflows /(outflows) from borrowing transactions	7	(128.527.958)	(136.265.044)	(728.856.345)	(655.911.790)
Cash outflows for financial lease liabilities		(715.305)	-	(4.056.349)	-
Dividend paid	20	(12.006.274)	(13.895.280)	(68.085.177)	(66.884.932)
Interest paid		(16.703.332)	(15.019.312)	(94.721.257)	(72.295.456)
Cash outflow for dividend paid to non-controlling interest and other financial instruments		(8.252.406)	(10.436.654)	(46.797.746)	(50.236.835)
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>105.599.724</b>	<b>23.940.954</b>	<b>598.834.914</b>	<b>115.239.780</b>
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5	<b>23.065.822</b>	<b>3.232.966</b>	<b>130.801.662</b>	<b>15.561.882</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)</b>	5	<b>128.665.546</b>	<b>27.173.920</b>	<b>729.636.576</b>	<b>130.801.662</b>

(\*) USD amounts presented above have been translated from TL for convenience purposes only, at the official USD average CBRT bid rates for the year ended 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP**

Kordsa Teknik Tekstil Anonim Şirketi (“Kordsa” or the “Group”) was established in 1973 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş. (“Sabancı Holding”) in İzmit district of Kocaeli city and is registered in Turkey. The Company operates under the Turkish Commercial Code.

The Group is mainly engaged in production of carcass and industrial fabrics included in the structure of vehicle tires, manufacture of industrial fabrics included in the structure of rubber and plastic materials such as transmission belts, V belts, rubber hoses etc., production of heavy denier fibre and connection fabrics, conversion of any type of yarn into cord fabric, fabric for mechanical rubber goods and other rubber reinforcement materials and the marketing thereof, production of Nylon 6, Nylon 6.6 and PET (Polyethylene-terephthalate) HMLS (High Modulus Low Shrinkage) polyester, and rayon heavy decitex yarn for use in tires and mechanical rubber goods; participating in capitals and management of every domestic and foreign company that is founded for mainly marketing, sales, import and export along with commercial and industrial infrastructure services, transportation services, mining, tourism and construction while providing these companies with the same management and behavioural principles to operate more efficiently, rationally and profitably, in accordance with and responding to the current conditions, creating competition conditions in favour of these companies.

Kordsa changed its name which was “Kordsa Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret Anonim Şirketi”, to “Kordsa Teknik Tekstil Anonim Şirketi” in accordance with the decision made at the General Assembly for the year 2016 dated 27 March 2017. The change of the title has been registered by the Registry of Commerce of Kocaeli on 10 April 2017.

Kordsa is registered with the Capital Markets Board of Turkey (“CMB”) and its shares have been traded in Borsa İstanbul (“BIST”) since 1986. As of 31 December 2019, 28,89% of the Group’s shares are listed on BIST. As of the same date, the shareholders owning the Group’s shares and the percentage of the shares are as follows:

Shareholder Structure	Shareholding %	
	31 December 2019	31 December 2018
Hacı Ömer Sabancı Holding A.Ş.	71,11	71,11
Other	28,89	28,89
	<b>100,00</b>	<b>100,00</b>

Group’s main shareholder and the ultimate controlling party is Hacı Ömer Sabancı Holding A.Ş.

Average number of employees within the Group is 4.497 (31 December 2018: 4.415).

The address of the registered office is as follows:

Kordsa Teknik Tekstil A.Ş.  
Alikahya Fatih Mah.  
Sanayici Cad.No:90  
41310 İzmit  
Kocaeli



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (continued)**

**Subsidiaries**

Geographical divisions in which the subsidiaries that are consolidated in the consolidated financial statements as at 31 December 2019 and 31 December 2018 in accordance with the operating country and segment reporting purpose are as follows:

**31 December 2019**

Company name	Country	Geographical division	Area of activity
Nile Kordsa Company SAE (**)	Egypt	Europe, Middle East and Africa	Cord fabric manufacture and trade
Kordsa Inc.	United States of America	North America	Industrial yarn and cord fabric manufacture and trade
Fabric Development Inc.	United States of America	North America	Advanced composite manufacture to civil aviation sector
Textile Products Inc.	United States of America	North America	Advanced composite manufacture to civil aviation sector
Advanced Honeycomb Technologies Corporation	United States of America	North America	Advanced composite manufacture to civil aviation sector
Axiom Materials Acquisition LLC (***)	United States of America	North America	Advanced composite manufacture to civil aviation sector
Kordsa Brasil S.A.	United States of America	South America	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Tbk (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Polyester (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
Thai Indo Kordsa Co., Ltd.	Thailand	Asia	Cord fabric manufacture and trade

**31 December 2018**

Company name	Country	Geographical division	Area of activity
Nile Kordsa Company SAE (**)	Egypt	Europe, Middle East and Africa	Cord fabric manufacture and trade
Kordsa Inc.	United States of America	North America	Industrial yarn and cord fabric manufacture and trade
Fabric Development Inc.	United States of America	North America	Advanced composite manufacture to civil aviation sector
Textile Products. Inc.	United States of America	North America	Advanced composite manufacture to civil aviation sector
Advanced Honeycomb Technologies Corporation	United States of America	North America	Advanced composite manufacture to civil aviation sector
Kordsa Brasil S.A.	United States of America	South America	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Tbk (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Polyester (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
Thai Indo Kordsa Co., Ltd.	Thailand	Asia	Cord fabric manufacture and trade

(\*) The Company's shares are traded in Indonesia Stock Exchange ("IDX").

(\*\*) According to The Group's Board of Directors decision numbered 2015/29 dated 31 December 2015, Group's shares amounting to %51 of shares, Nile Kordsa Company for Industrial Fabrics S.A.E. %51 of rates, has been be classified as "Assets Held for sale" in the consolidated statement of financial position as of 31 December 2015.

(\*\*\*) Affiliated company Kordsa Inc. has acquired 95.86% shares of Axiom Materials Acquisition LLC which provides advanced composite materials to the aerospace industry as well as the next generation transportation vehicles that had been owned by Axiom Materials Holdings LLC in exchange of a total purchase price of USD 178.323.365 including cash and working capital adjustments amounting to USD 3.493.365.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

**2.1 Basis of Presentation**

Statement of Compliance with TAS

The accompanying consolidated financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations (“TAS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

The consolidated financial statements of the Group are presented in compliance with “Announcement on Financial Statements and Disclosure Formats” announced by POA and TFRS taxonomy announced by POA.

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries.

Approval of the Financial Statements

These consolidated financial statements have been approved to be issued during the meeting of the Board of Directors held on 20 February 2020, and have been signed by the General Manager Ali Çalışkan and Chief Financial Officer Volkan Özkan on behalf of the Board of Directors. General Assembly and related regulatory authorities have the right to make changes in these consolidated financial statements.

Functional and Presentation Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

Preparation of Financial Statements in Hyperinflationary Periods

Based on CMB’s resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey and preparing their financial statements in accordance with the POA Accounting Standards are not subject to inflation accounting effective from 1 January 2005. Therefore, starting from January 2005, TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied in the accompanying financial statements.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.1 Basis of Presentation (continued)**

Basis of Consolidation

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2019:

<b>Subsidiaries</b>	<b>Direct and indirect ownership interest by the Group and its subsidiaries (%)</b>	<b>Proportion of effective interest (%)</b>
Nile Kordsa Company SAE	51,00	51,00
Kordsa Inc.	100,00	100,00
Fabric Development Inc.	100,00	100,00
Textile Products Inc.	100,00	100,00
Advanced Honeycomb Technologies Corporation	100,00	100,00
Axiom Materials Acquisition LLC(*)	95,86	95,86
Kordsa Brasil S.A.	97,31	97,31
PT Indo Kordsa Tbk	61,58	61,58
PT Indo Kordsa Polyester	99,97	61,56
Thai Indo Kordsa Co., Ltd.	64,19	39,53

(\*) As a result of the acquisition made on 23 July 2019, shares of Axiom Materials Acquisition LLC has been acquired by Kordsa Inc.

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2018:

<b>Subsidiaries</b>	<b>Direct and indirect ownership interest by the Group and its subsidiaries (%)</b>	<b>Proportion of effective interest (%)</b>
Nile Kordsa Company SAE	51,00	51,00
Kordsa Inc.	100,00	100,00
Fabric Development Inc.	100,00	100,00
Textile Products Inc.	100,00	100,00
Advanced Honeycomb Technologies Corporation	100,00	100,00
Kordsa Brasil S.A.	97,31	97,31
PT Indo Kordsa Tbk	61,58	61,58
PT Indo Kordsa Polyester	99,97	61,56
Thai Indo Kordsa Co., Ltd.	64,19	39,53

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect the amount of the investor's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.1 Basis of Presentation (continued)**

Basis of Consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to the control power, including:

- The comparison of voting rights held by the Group to those held by the other shareholders;
- Potential voting rights held by the Group and other shareholders;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

*Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 ("Financial Instruments"), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.



**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.1 Basis of Presentation (continued)**

USD Amount Presented in the consolidated financial statements

USD amount shown in the consolidated statement of financial position prepared in accordance with TAS/TFRS has been translated from TL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 December 2019 of TL 5,9402= USD 1 and USD amount shown in the consolidated statement of profit or loss, consolidated statement of other comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, at the average USD bid rates calculated from the official daily bid rates announced by the CBRT for the year ended 31 December 2019 of TL 5,6708= USD 1 and do not form part of these consolidated financial statements.

**2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements (continued)**

The Group has adopted "TFRS 16 Leases" as at 1 January 2019 for the first time, in line with the transition provisions of the standard.

Impacts of the first time adoption of TFRS 16 on the consolidated financial statements of the Group are as below:

**2.2.1 TFRS 16 Leases**

*The Group – as a lessee*

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
  - i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
  - ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

The Group books a right of use and a lease obligation to the financial statements at the date that the lease is commenced.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements (continued)**

**2.2.1 TFRS 16 Leases (continued)**

*The Group – as a lessee (continued)*

*Right of use asset*

The right of use asset is initially recognized at cost comprising of:

- a) amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Group; and

To apply a cost model, the Group measure the right-of-use asset at cost:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability.

The Group applies TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment. In the event that the Supplier transfers the ownership of the underlying asset to the Group at the end of the lease term or if the cost of the right to use property indicates that the Group will use a purchase option, the Group depreciates the right to use the right to the end of the useful life of the underlying asset from the effective date of the lease. In other cases, the Group depreciates the right of use by the shorter than the useful life of the asset or the lease term, starting from the date on which the lease actually commences.

The Group apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

*Lease Liability*

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- b) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- c) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements (continued)**

**2.2.1 TFRS 16 Leases (continued)**

***The Group – as a lessee (continued)***

***Lease Liability (continued)***

After the commencement date, the Group measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, The Group remeasure the lease liability to reflect changes to the lease payments. The Group recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- a) There is a change in the lease term. The Group determine the revised lease payments on the basis of the revised lease term; or
- b) There is a change in the assessment of an option to purchase the underlying asset. The Group determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

The Group remeasure the lease liability by discounting the revised lease payments, if either:

- a) There is a change in the amounts expected to be payable under a residual value guarantee. The Group determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- b) There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The Group remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows

The Group determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. In that case, the Group use an unchanged discount rate.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods’ Financial Statements (continued)**

**2.2.1 TFRS 16 Leases (continued)**

***The Group – as a lessee (continued)***

The Group account for a lease modification as a separate lease if both:

- a) The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets, and
- b) The lease payment amount increases as much as the appropriate adjustments to the price mentioned individually so that the increase in scope reflects the individual price and the terms of the relevant agreement.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets which have equal to or less than 12 months maturity. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. TL 4.362.368 of rent payment was made in the related period.

***The Group – as a lessor***

All the leasings of the Group as lessor are operational leasings. For operational leasings, leased assets are classified under investment properties, tangible assets or other current assets in the consolidated balance sheet and rental income is accounted in the consolidated income statement in equal amounts for the leasing period. Rental income is accounted in the consolidated income statement for the leasing period on a straight-line basis.

The Group distributes an amount that takes place in an agreement which includes an item that has or has not one or more extra leasing qualities along with a leasing item through applying the TFRS 15 “Revenue arising from agreements made with customers” standard.

**First time adoption of TFRS 16**

The Group has initially adopted TFRS 16 Leases replacing “TAS 17 Leases” from 1 January 2019. The Group elected simplified approach and has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach. With this method, use of rights are measured based on the leasing debts (which are adjusted according to leasing costs paid in cash or accrued) in the transition period.

During the initial application, the Group recognized a lease obligation for leases previously classified as operational leases in accordance with TAS 17. The Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate for lease contracts applied in Turkish Lira is 24%, Euro is 7%, US Dollar is 5,63% and other is 4,1%.



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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements (continued)**

**2.2.1 TFRS 16 Leases (continued)**

**First time adoption of TFRS 16 (continued)**

The right of use assets and liabilities of the leases previously classified as finance leases is measured from the carrying value of the assets before the transition.

	<b>31 December 2019</b>	<b>1 January 2019</b>
Operational leases	85.690.942	22.442.671
- Short term or low-value leases(-)	(707.429)	(626.444)
<b>Lease liabilities discounted with alternative borrowing rate</b>	<b>84.983.513</b>	<b>21.816.227</b>
- Short term lease liabilities	9.592.693	3.966.252
- Long term lease liabilities	75.390.820	17.849.975

The details of the right of use lease assets on the basis of asset are as follows:

	<b>31 December 2019</b>	<b>1 January 2019</b>
Buildings	74.783.447	8.255.810
Fixtures	594.307	407.038
Vehicles	7.207.216	2.821.629
Others	10.682.397	8.986.542
<b>Total right of use asset</b>	<b>93.267.367</b>	<b>20.471.019</b>

Additions of the right of lease assets on the basis of asset are as follows:

	<b>31 December 2019</b>	<b>1 January 2019</b>
Buildings	5.155.363	-
Fixtures	161.698	-
Vehicles	3.944.598	-
Others	1.283.963	-
<b>Total right of use asset additions</b>	<b>10.545.622</b>	-

Depreciation expense of the right of lease assets in current year on the basis of asset are as follows:

	<b>31 December 2019</b>	<b>1 January 2019</b>
Buildings	(4.521.388)	-
Fixtures	(178.383)	-
Vehicles	(2.325.243)	-
Others	(1.987.192)	-
<b>Total depreciation expense of right of use assets</b>	<b>(9.012.206)</b>	-

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements (continued)**

**2.2.1 TFRS 16 Leases (continued)**

**First time adoption of TFRS 16 (continued)**

*Extension and termination options*

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

*The effect of new standart to description of "Segment Reporting" and "Earnings per Share"*

As at 31 December 2019, effect of change in accounting policy basis of segment are as follows:

<b>1 January – 31 December 2019</b>	<b>Europe, Middle East and Africa</b>	<b>North America</b>	<b>South America</b>	<b>Asia</b>	<b>Total</b>
Operating profit	(503.408)	(449.634)	-	(99.112)	(1.052.154)
Deprciation and amortization expense	(3.062.401)	(5.021.614)	-	(928.191)	(9.012.206)
Interest expense	(1.195.653)	(1.678.942)	-	(77.873)	(2.952.468)

For the year ended 31 December 2019, earning per share decreased by 0,3% due to application of TFRS 16. Income amounting to TL 109.532 has been generated for the sub-leases of lease assets.

**2.3 Changes in Accounting Estimates and Errors**

Changes in the accounting estimates should be accounted in financial statements prospectively; if the change is related to only one period, it should be accounted at the current year that the change is performed, but if it is related to more than one period it should be accounted at both the current and future periods. There are no significant changes in the accounting estimates for the current period.

**2.4 New and Revised Turkish Accounting Standards**

*Standards issued but not yet effective and not early adopted as at 31 December 2019*

A number of new standards, interpretations of 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.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.4 New and Revised Turkish Accounting Standards (continued)**

*Standards issued but not yet effective and not early adopted as at 31 December 2019 (continued)*

**The Revised Conceptual Framework**

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

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

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

The Group does not expect that application of these amendments to TAS 1 and TAS 8 will have significant impact on its consolidated financial statements.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.4 New and Revised Turkish Accounting Standards (continued)**

*Standards issued but not yet effective and not early adopted as at 31 December 2019 (continued)*

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

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to TFRS 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 does not expect that application of these amendments to TFRS 3 will have significant impact on its consolidated financial statements.

**Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)**

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in September 2019 by IASB and thereon POA issued on 14 December 2018 added Section 6.8 and amended paragraph 7.2.26 of TFRS 9. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:

- pre-replacement issues—issues affecting financial reporting in the period before the reform; and
- replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- (a) The highly probable requirement;
- (b) Prospective assessments;
- (c) TAS 39 retrospective assessment; and
- (d) Separately identifiable risk components.



**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.4 New and Revised Turkish Accounting Standards (continued)**

*Standards issued but not yet effective and not early adopted as at 31 December 2019 (continued)*

**Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7) (continued)**

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

**2.5 Summary of Significant Accounting Policies**

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

**a) Revenue**

General model for accounting of revenue

In accordance with TFRS 15, a five-step model is followed in recognizing revenue for all contracts with customers.

*Step 1: Identify the contract*

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*

The Group defines the "performance obligations" as a unit of account for revenue recognition. The company assesses the goods or services it has committed in a contract with the customer and determines each commitment to the customer as one of the performance obligations as a performance obligation:

- (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.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**a) Revenue (continued)**

General model for accounting of revenue (continued)

*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 Group 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 Group with a significant benefit of financing the transfer of goods or services to the customer. The Group does not have a sales transaction with a significant financing component.

*Step 4: Allocate the transaction price*

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*

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

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or
- Group'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, Group 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, Group selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

If a performance obligation is not fulfilled in time, then the Group recognizes revenue when the control of goods or services is transferred to the customer.

The Group generates revenue by producing and selling products such as cord fabric, polyester and nylon yarn and composite materials. Revenue is recognized in accordance with delivery terms agreed with the customer when the products are transferred to the customer.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**b) Revenue (continued)**

General model for accounting of revenue (continued)

*Step 5: Recognize revenue (continued)*

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

Contract modifications

The Group recognizes a contract modifications as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns and commissions, and exclude sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the "effective yield" on the asset.

The Group transfers revenue to a customer and recognizes the revenue in its consolidated financial statements as per it fulfills or when it fulfills the performans obligation. When the control of an asset is checked (or passed to) by the customer, the assets is transferred.

The Group recognizes the revenue in the financial statements in accordance with the following basic principles:

- a) Identify the contracts with customer
- b) Identify the performance obligations in contracts
- c) Determine the transaction price in contracts
- d) Transaction price allocation to performance obligations
- e) Revenue recognition when each performance obligations are met.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**b) Inventories**

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 10). Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down. In line with the purpose of their use spare-parts are reclassified under other non-current assets.

**c) Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any (Note 12). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<b>Years</b>
Land improvements	15
Buildings	20-40
Machinery and equipment	2-30
Motor vehicles	3-5
Furniture and fixtures	3-7

Useful lives and residual values are reviewed at each reporting date and adjusted if necessary. Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

Expenses for the repair of property, plant and equipment are normally charged against income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets. Spare parts changes and labour costs, included in the large comprehensive maintenance and repair expenses are capitalised and depreciated on average useful lives until the next-largest comprehensive maintenance period.

**d) Intangible assets**

Intangible assets include rights, software and other identifiable rights. Intangible assets are carried at cost less accumulated amortisation. Intangible assets are recognized at acquisition cost and amortisation is calculated using the straight-line method over a period (Note 13). The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The fair value of intangible assets, which includes customer relationships and brand name acquired through business combinations, is determined on basis of the expected cash flow from the use or disposal of the related assets. Indefinite life has been determined for trademarks.



**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**d) Intangible assets (continued)**

Estimated useful lives of these assets are as follows:

	<b>Useful Lives</b>
Customer relationship	21
Other intangible assets	5-10

*Internally generated intangible assets – research and development expenses*

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- The intention to complete the intangible asset and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

*Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**e) Financial instruments**

*i) Recognition and measurement*

Trade receivables and debt securities 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 for an item not at FVTPL is initially measured at fair value plus, 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.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments (continued)**

*ii) Classification and subsequent measurement*

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

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 amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at amortized cost if it meets both of the following conditions and is not designated as at FVOCI:

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

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

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments (continued)**

*ii) Classification and subsequent measurement (continued)*

*Financial assets- 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. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales. Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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).

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments (continued)**

*ii) Classification and subsequent measurement (continued)*

*Financial assets- Assessment whether contractual cash flows are solely payments of principal and interest (continued)*

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.

Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Since the principal is the present value of expected cash flows, trade receivables and other receivables meets the solely payments of principal and interest criteria. It is managed in accordance with the business model based on collection of these receivables.

*Financial assets- Subsequent measurement and gains and losses*

Accounting policies at below is applicable for following measurement of financial assets.

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses.  Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments (continued)**

*iii) Derecognition*

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group continues to recognize the financial asset in the statement of financial position if it retains substantially all the risks and benefits arising from the ownership of a financial asset.

Financial liability

The Group derecognises a financial liability from the statement of financial position only and only when the liability for the related liability is eliminated or canceled. In addition, the Group derecognises a financial liability from the statement of financial position in the event of a significant change in the conditions or cash flows of an existing financial liability. Instead, it requires recognition of a new financial liability at fair value based on the modified conditions.

In derecognizing the financial liability from its records, the difference between the carrying amount and the amount paid (including any transferred non-cash assets or any liabilities assumed) is included in the financial statements as profit or loss.

*iv) Offsetting*

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

*v) Derivative financial instruments and hedge accounting*

The Group uses derivative financial instruments for the purpose of hedging foreign currency and interest risk rate. Embedded derivative instruments are separated from the main contract and recognized separately when the underlying contract is not a financial asset and meets certain criteria.

Derivatives are initially recognized at fair value. Subsequent to initial recognition of derivative instruments, changes in fair value are recognized in profit or loss.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments (continued)**

*v) Derivative financial instruments and hedge accounting (continued)*

The Group defines certain derivatives as hedging instruments in order to maintain the variability in the cash flows related to the high probability of realization arising from the changes in exchange rates and interest rates. The Group defines certain derivatives and non-derivative financial liabilities as hedging instruments for net investment in foreign operations.

At the beginning of the hedge relationship, the Group makes a certification regarding the risk management purpose and strategy that causes the protection relationship and the operation of the enterprise.

The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the protection means are expected to offset each other.

*Hedge accounting- cash flow hedge*

If a derivative instrument is designed as a cash flow hedge hedging instrument, the effective portion of the change in the fair value of the derivative instrument is recognized in other comprehensive income and presented under equity in the hedging reserve. The ineffective portion of the change in the fair value of the derivative is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the beginning of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument.

In the cash flow hedge relationship, the Group defines only the change in the spot item of the forward contract as a means of hedging instrument.

The change in the fair value of (forward value) forward foreign exchange contracts is recognized as hedging reserve in equity as a hedging cost.

In the event that a non-financial asset or liability is subsequently recognized in the financial statements, the amount accumulated in the hedge reserve and the cost of hedging are included directly in the initial cost of the non-financial asset or liability.

For all other hedge transactions, the hedging reserve and the hedging cost are classified in profit or loss in the period or periods when the estimated future cash flows of the hedged item are affected by profit or loss.

The hedge accounting is discontinued in case the hedging relationship (or part of it) no longer meets the required criteria, the hedging instrument is expired or sold, terminated or used. In case of discontinuation of cash flow hedge accounting, the retained amount in the hedge reserve shall continue to be classified under equity until the hedged estimate of the non-financial item is recorded; hedging cost is classified as profit or loss in the period or periods in which the estimated future cash flows are affected by profit or loss.

If the expected future cash flows are no longer expected to materialize, the amount accumulated in the hedge fund and the cost of that fund are immediately classified in profit or loss.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments (continued)**

*v) Derivative financial instruments and hedge accounting (continued)*

*Net investment hedge*

When derivative instruments or non-derivative financial liabilities are designated as hedging instruments in the net investment hedge transactions, the effective portion of the change in the fair value of the derivative instruments or foreign currency gains and losses on the non-derivative financial liability is recognized as other comprehensive income and is recognized under translation reserve in equity. The ineffective portion of the change in the fair value of the derivative or the foreign currency gains and losses arising from the financial liability are immediately recognized in profit or loss. The amount recognized in other comprehensive income is reclassified to profit or loss at the time of disposal of the entity abroad.

**f) Impairment of assets**

*i. Non-derivative financial assets*

*Financial instruments and contract assets*

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk has not increased significantly since initial recognition.

The Group applied lifetime ECL for calculation of loss allowances for trade receivables.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

*Measurement of ECL*

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

The cash deficit is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in anticipated credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract. Expected credit loss are discounted over the effective interest rate of the financial asset.



**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**f) Impairment of assets**

*i. Non-derivative financial assets*

*Credit-impaired financial assets*

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of impairment in the statement of financial position*

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

The loss provision for the debt instruments measured at fair value through other comprehensive income is reflected in the other comprehensive income instead of decreasing the carrying amount of the financial asset in the statement of financial position.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**g) 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. All other borrowing costs are classified on income statement in the period. Since the Group has no borrowing costs related to qualifying assets, all borrowing costs are classified on income statement in the period.

**h) Business combinations**

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TFRS.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**h) Business combinations (continued)**

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TFRS 9, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets or other relevant TFRSs, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

**i) Goodwill**

Goodwill arising from acquisition of subsidiaries is shown in intangible assets.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**j) Due date income / (charges)**

Due date income / (charges) represents the income / (charges) that are resulting from credit purchase or sales. These kind of income / (charges) are accepted as financial income and expenses which result from credit purchase or sales come true during the accounting period and included in the other operating income and expense within the maturity period.

**k) Provisions, contingent assets and liabilities**

Provisions are recognised when the Group has a present legal 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.

Possible assets or obligations that arise 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 Group are treated as contingent assets or liabilities and not included in financial statements (Note 17).

**l) Impairment of non-financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 (if any). When 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives such as goodwill are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**m) Financial 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. Principal payments are disclosed as liabilities and decreased according to payments made. The interest element of the finance cost is charged to the income statement over the lease period. Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment and depreciated over the useful life.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**n) Provision for post-employment benefits**

Provision for post-employment benefits is the present value of the defined benefit obligations arising from current and past services of the employees, net of the fair value of plan assets at the reporting date. Independent actuarial assumptions and 'projected unit credit method' are used to determine the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost.

In determining the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the Group attributes benefit on a straight-line basis from the date when service by the employee first leads to benefits under the plan until the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases (Note 18).

**o) Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**p) Equity items**

Ordinary shares are classified as equity. Dividends payable are recognised in the financial statements as a result of profit distribution in the period in which they are declared.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Group's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

In the restatement of shareholders' equity items, the addition of funds formed due to inflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders.

In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 20).

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**r) Taxes on income**

Taxes on income for the period comprise of current tax and the change in deferred income taxes. Current year tax liability consists of the taxes calculated over the taxable portion of the current year income by reference to corporate income tax rates enacted as of the reporting date and adjustments provided for the previous years' income tax liabilities.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets or liability are reflected to the consolidated financial statements to the extent that they will decrease or increase the tax payable amount when the temporary differences will disappear. Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred income 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 difference can be utilised. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority and are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities (Note 26).

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

**s) Effect of changes in foreign exchange rates**

**Foreign Currency Transactions and Balances**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**s) Effect of changes in foreign exchange rates (continued)**

Foreign Currency Transactions and Balances (continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings,
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies),
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Financial Statements of Foreign Subsidiaries, Joint Ventures and Affiliates

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified in other comprehensive income and transferred to the Group's translation reserve.

**t) Related parties**

Related parties are individuals or entities that are related to the entity that is preparing its financial statements ("reporting entity").

- a) An individual or a close family member is considered related party of the reporting entity when the following criteria are met: If a certain individual,
  - (i) Has control or joint control over the reporting entity,
  - (ii) Has significant influence over the reporting entity,
  - (iii) Is a key management personnel of the reporting entity or a parent company of the reporting entity.



**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**t) Related parties (continued)**

- b) An entity is considered related party of the reporting entity when the following criteria are met:
- (i) If the entity and the reporting entity is within the same group. (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others).
  - (ii) If the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).
  - (iii) If both of the entities are a joint venture of a third party.
  - (iv) If one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.
  - (v) If entity has plans of post employment benefits for employees of reporting entity or a related party of a reporting entity. If the reporting entity has its own plans, sponsor employers are also considered as related parties.
  - (vi) If the entity is controlled or jointly controlled by an individual defined in the article (a).
  - (vii) If an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity).

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration. For the purpose of these consolidated financial statements, shareholders of Hacı Ömer Sabancı Holding A.Ş. Group Companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. The Group determined its top management as board of directors, the president (CEO) and vice presidents, and the general managers of the subsidiaries (Note 28).

**u) Earnings per share**

Earnings per share are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retrospective effect to the issuances of the shares without consideration (Note 27).

**v) Statement of cash flows**

Consolidated statements of cash flows are reported by presenting cash flows from operating, investing and financing activities separately.

Cash flows from operating activities are the cash flows from Group's principal revenue-producing activities.

Cash flows from investing activities are the cash flows from Group's acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Cash flows from financing activities are the cash flows from Group's changes in the size and composition of the contributed equity and borrowings.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.5 Summary of Significant Accounting Policies (continued)**

**y) Share premium**

Share premium represents the difference between the nominal value of the Group's shares and the net proceeds from the offering of the Group's share to the public (Note 20).

**z) Investment property**

Investment properties are properties held to earn rentals and/or for capital appreciation and are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made when there is a change in the use of the investment properties. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, Plant and Equipment" up to the date of change in use (Note 15).

**aa) Segment reporting**

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on four operating segments. These operating segments are affected by different economical conditions and geographical positions in terms of risks and rewards. The Company management has determined the Operating Profit as the most appropriate method for the evaluation of the performance of the operating segments (Note 4).

**ab) Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**ac) Events after reporting period**

The Group corrects the amounts received in the consolidated financial statements in accordance with this new situation in the case of events that need to be corrected after the reporting date. Those matters that do not require adjustment after the reporting date are disclosed in the notes to the financial statements in the event those matters affect the financial decisions of users of the financial statements.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.6 Critical accounting estimates and assumptions**

Preparation of the consolidated financial statements in accordance with Turkish Financial Reporting Standards necessitates the usage of estimations and assumptions that can affect amounts of reported assets and liabilities as of reporting date, the explanation for the contingent assets and liabilities and income and expenses reported during the accounting period. Although these estimations and assumptions are based on the best judgement of the Group management related with the current conditions and transactions, actual results may differ from these estimations. Estimations are revised on a regular basis; necessary adjustments and corrections are made; and they are included in the income statement when they accrue. Estimations and assumptions subject to the risk of leading to corrections in the registered value of the assets and liabilities in the next financial period are given below.

**a) Impairment test of goodwill**

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in Note 2.5. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by Kordsa Management covering a five-year period. Cash flows beyond three years are extrapolated by taking into consideration the shut-down periods recurring once a year. The USD fair value is converted into TL by using the related foreign exchange rate on the date of the reporting date. Therefore, the values used in the calculations are affected by the fluctuations in the foreign exchange market. The discount rate used in the calculations for FDI, TPI and AHT are 8,37% and the risk premium is 5,96%; discount rate used for the Dusa manufacturing line is 8,41% and the risk premium is 7,05% (31 December 2018: discount rate 9,88% and the risk premium 7,05%). The discount rates used are after tax and reflect specific risks relating to the company. As of 31 December 2019, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions.

**b) Net realisable value**

Inventories are valued at the lower of cost or net realisable value as described in the accounting policy in Note 2.5. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

**c) Useful lives of tangible and intangible assets**

In accordance with the accounting policy given in the Note 2.5, tangible and intangible assets are stated at historical cost less depreciation and net of any impairment. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Useful lives depend on best estimates of management, are reviewed in each financial period and necessary corrections are made.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**2.6 Critical accounting estimates and assumptions (continued)**

**d) Provisions**

In accordance with the accounting policy given in the Note 2.5, 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.

**e) Deferred tax**

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences at Kordsa Brazil, a subsidiary of Kordsa Global, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized. The Group has not recognized deferred tax assets for Kordsa Brazil's operating loss carry-forwards because it is not apparent that taxable profit will be available sufficient to recognize deferred tax assets. According to Brazilian tax legislation, there is not time limit for carrying forward of operating losses. However, maximum deductible balance is limited to 30% of total taxable income for the related year. If future results of operations exceed the Group's current expectations, the existing unrecognized deferred tax assets may be recognized, resulting in future tax benefits.

**f) Internally-generated intangible assets**

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated. The technical feasibility of completing the intangible asset so that it will be available for use or sale, the intention to complete the intangible asset and use or sell it, the ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development. The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

In the current year, the Group management re-examined the probable economic benefits of the internally generated intangible assets. The Group management expects the projects to continue as expected and relying on the analysis performed, expects them to create similar economic benefits. The management is sure about being able to recover the book values of the assets even though their economic benefits decrease. The aforementioned situation is followed up closely by the Group management who will make the necessary adjustments if required by the future market transactions.

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**NOTE 3 – BUSINESS COMBINATIONS**

The business combinations below sets out all combination at 2019:

**3.1 Acquisition of Axiom Materials Acquisition LLC**

Group's subsidiary Kordsa Inc. has acquired 95.86% shares of "Axiom Materials Acquisition LLC" which provides advanced composite materials for the aerospace industry as well as the next generation transportation vehicles that had been owned by Axiom Materials Holdings LLC in exchange of a total purchase price of USD 178.323.365 including cash and working capital adjustments amounting to USD 3.493.365.

In accordance with TFRS 3 "Business Combinations", the fair value determination has been completed by Houlihan Lokey Financial Advisory, Inc. as a third party independent valuation company for the aim of this report is to determine the fair value of identifiable assets and liabilities that are required to be realized by the acquisition method ("Purchase Price Allocation Method"). As at reporting date, the fair values of identifiable assets, liabilities and contingent liabilities of the company which is prepared in accordance with TFRS has been recognized in the consolidated financial statements (Note 16).

Fair value of assets and liabilities recognized as a result of the acquisition date are as follows:

	<b>Axiom Materials</b>
<b>Identifiable assets acquired and liabilities assumed</b>	<b>Fair value as at 23 July 2019</b>
Cash and cash equivalents	11.881.991
Trade receivables	37.103.068
Inventories	29.328.846
Prepayments	1.567.262
Other current assets	2.957.477
Property, plant and equipment	47.756.979
Trade payables	(19.405.235)
Other short-term liabilities	(11.640.564)
Other intangible assets	408.124.800
<b>Total identifiable net assets</b>	<b>507.674.624</b>
Cash consideration	1.010.827.634
<b>Goodwill</b>	<b>503.153.010</b>
Cash consideration paid	1.010.827.634
Cash and cash equivalents acquired	(11.881.991)
<b>Net cash outflow on acquisition</b>	<b>998.945.643</b>

According to the shareholding agreement regarding the purchase of shares, the Group has the option to purchase the shares of Axiom that hits the remaining 4.14% non-controlling interests (Kordsa Inc.'s obligation to purchase). The put option will expire on 31 December 2021. The aforementioned put option is accounted under other long term liabilities in the consolidated financial statements of the Group on the basis of the amortized value (31 December 2019: TL 33.681.278) and as put option valuation fund under the shareholder's equity. The basis for the goodwill on the acquisition arises from the the strong position of Axiom in the composite industry offering high quality composite production in the market which will add value to the Group's growth target in the composite sector.

On the conditions that, acquisition transactions of Axiom had been realized on 1 January 2019, Axiom would have contributed by TL 158.982.480 on the consolidated revenue and by TL (50.967.596) on the consolidated profit or loss.

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**NOTE 3 – BUSINESS COMBINATIONS (continued)**

The business combinations below sets out all combination at 2018:

**3.1 Acquisition of Fabric Development, Inc.**

In accordance with the share transfer agreement dated 13 July 2018, the subsidiary company Kordsa Inc. located in United States of America purchased 100 percent of shares of Fabric Development Inc ("FDI") providing advanced composite materials to civil aviation sector with cash and advance payment for a total acquisition fee of USD 40.587.000. By the final protocol signed by the parties, all the transactions related to transfer all the shares to Kordsa Inc. were completed on 13 July 2018.

In accordance with TFRS 3 "Business Combinations", the fair value determination has been completed by Houlihan Lokey Financial Advisory, Inc. as a third party independent valuation company for the aim of this report is to determine the fair value of identifiable assets and liabilities that are required to be realized by the acquisition method ("Purchase Price Allocation Method"). As at reporting date, the fair values of identifiable assets, liabilities and contingent liabilities of the company which is prepared in accordance with TFRS has been recognized in the consolidated financial statements (Note 16).

Fair value of assets and liabilities recognized as a result of the acquisition date are as follows:

	<b>FDI</b>
<b>Identifiable assets acquired and liabilities assumed</b>	<b>Fair value as at 13 July 2018</b>
Cash and cash equivalents	6.373.688
Trade receivables	16.870.387
Inventories	28.972.634
Prepayments	383.197
Other current assets	1.949.941
Property, plant and equipment	6.781.139
Other long-term assets	48.506
Trade payables	(3.739.813)
Other short-term liabilities	(2.711.590)
Other intangible assets	94.101.640
<b>Total identifiable net assets</b>	<b>149.029.729</b>
Cash consideration	202.197.261
<b>Goodwill</b>	<b>53.167.532</b>
Cash consideration paid	202.197.261
Cash and cash equivalents acquired	(6.373.688)
<b>Net cash outflow on acquisition</b>	<b>195.823.573</b>

The goodwill is mainly attributable to the deal rationale of the Group's ambitions to penetrate a promising composite sector and acquire strong brand names which are engaged in offering high quality composites produce.

On the conditions that, acquisition transactions of FDI had been realized on 1 January 2018, FDI would have contributed by TL 96.906.357 on the consolidated revenue and by TL 5.986.921 on the consolidated profit or loss.

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**NOTE 3 – BUSINESS COMBINATIONS (continued)**

**3.2 Acquisition of Textile Products, Inc.**

In accordance with the share transfer agreement dated 13 July 2018, the subsidiary company Kordsa Inc. located in United States of America purchased 100 percent of shares of Textile Products, Inc. ("TPI") providing advanced composite materials to civil aviation sector with cash and advance payment for a total acquisition fee of USD 49.271.000. By the final protocol signed by the parties, all the transactions related to transfer all the said shares to Kordsa Inc. were completed on 13 July 2018.

In accordance with TFRS 3 "Business Combinations", the fair value determination has been completed by Houlihan Lokey Financial Advisory, Inc. as a third party independent valuation company for the aim of this report is to determine the fair value of identifiable assets and liabilities that are required to be realized by the acquisition method ("Price Purchase Allocation Method"). As at reporting date, the fair values of identifiable assets, liabilities and contingent liabilities of the company which is prepared in accordance with TFRS has been recognized in the consolidated financial statements (Note 15).

Fair value of assets and liabilities recognized as a result of the acquisition date are as follows:

	<b>TPI</b>
<b>Identifiable assets acquired and liabilities assumed</b>	<b>Fair value as at 13 July 2018</b>
Cash and cash equivalents	7.402.016
Trade receivables	31.771.430
Inventories	34.584.778
Prepayments	407.450
Property, plant and equipment	6.553.161
Other long-term assets	48.506
Trade payables	(23.952.263)
Deferred revenue	(1.532.790)
Other short-term liabilities	(904.889)
Other intangible assets	122.235.120
<b>Total identifiable net assets</b>	<b>176.612.519</b>
Cash consideration	270.600.422
<b>Goodwill</b>	<b>93.987.903</b>
Cash consideration paid	270.600.422
Cash and cash equivalents acquired	(7.402.016)
<b>Net cash outflow on acquisition</b>	<b>263.198.406</b>

The goodwill is mainly attributable to the deal rationale of the Group's ambitions to penetrate a promising composite sector and acquire strong brand names which are engaged in offering high quality composites produce.

On the conditions that, acquisition transactions of TPI had been realized on 1 January 2018, TPI would have contributed by TL 118.720.471 on the consolidated revenue and by TL 9.447.166 on the consolidated profit.



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**NOTE 3 – BUSINESS COMBINATIONS (continued)**

**3.3 Acquisition of Advanced Honeycomb Technologies, Inc.**

In accordance with the share transfer agreement dated 1 October 2018, the subsidiary company Kordsa Inc. located in United States of America purchased 100 percent of shares of Advanced Honeycomb Technologies, Inc. ("AHT") providing advanced composite materials to civil aviation sector with cash and advance payment for a total acquisition fee of USD 3.000.000. By the final protocol signed by the parties, all the transactions related to transfer all the said shares to Kordsa Inc. were completed on 1 October 2018.

In accordance with TFRS 3 "Business Combinations", the fair value determination has been completed by Houlihan Lokey Financial Advisory, Inc. as a third party independent valuation company for the aim of this report is to determine the fair value of identifiable assets and liabilities that are required to be realized by the acquisition method ("Price Purchase Allocation Method"). As at reporting date, the fair values of identifiable assets, liabilities and contingent liabilities of the company which is prepared in accordance with TFRS has been recognized in the consolidated financial statements (Note 16).

Fair value of assets and liabilities recognized as a result of the acquisition date are as follows:

	<b>AHT</b>
<b>Identifiable assets acquired and liabilities assumed</b>	<b>Fair value as at 1 October 2018</b>
Cash and cash equivalents	--
Trade receivables	1.299.873
Inventories	1.809.040
Prepayments	--
Other current assets	706.844
Property, plant and equipment	1.042.295
Other long-term assets	101.833
Trade payables	--
Deferred revenue	--
Other short-term liabilities	(1.587.403)
Other intangible assets	7.787.260
<b>Total identifiable net assets</b>	<b>11.159.742</b>
Cash consideration	15.441.211
<b>Goodwill</b>	<b>4.281.469</b>
Cash consideration paid	15.441.211
Cash and cash equivalents acquired	--
<b>Net cash outflow on acquisition</b>	<b>15.441.211</b>

On the conditions that, acquisition transactions of AHT had been realized on 1 January 2018, AHT would have contributed by TL 19.253.800 on the consolidated revenue and by TL 1.925.380 on the consolidated profit.

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**NOTE 4 - SEGMENT REPORTING**

The reportable geographical segments for segment reporting are as follows:

**a) External revenue**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Europe, Middle East and Africa	1.561.362.472	1.365.787.402
North America	1.707.341.688	957.731.724
South America	563.612.272	490.540.703
Asia	1.305.044.962	1.132.664.359
	<b>5.137.361.394</b>	<b>3.946.724.188</b>

**b) Segment assets**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Europe, Middle East and Africa	2.232.011.259	1.532.569.043
Asia	1.671.194.896	1.556.127.347
South America	450.697.653	378.050.455
North America	2.820.253.939	1.302.642.874
<b>Segment assets (*)</b>	<b>7.174.157.747</b>	<b>4.769.389.719</b>
Unallocated assets	399.441.630	430.295.533
Less: Intersegment elimination	(402.975.044)	(369.498.735)
<b>Total assets per consolidated financial statements</b>	<b>7.170.624.333</b>	<b>4.830.186.517</b>

**c) Segment liabilities**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Europe, Middle East and Africa	2.075.386.841	1.454.585.742
North America	1.441.857.205	362.919.519
South America	264.156.417	248.447.483
Asia	309.107.472	362.946.349
<b>Segment liabilities (**)</b>	<b>4.090.507.935</b>	<b>2.428.899.093</b>
Unallocated liabilities	311.564.146	174.407.151
Less: Intersegment elimination	(51.006.355)	(112.033.695)
<b>Total liabilities per consolidated financial statements</b>	<b>4.351.065.726</b>	<b>2.491.272.549</b>

(\*) Segment assets mainly comprised of assets regarding to operations. Deferred tax assets, time deposit and financial investments have not been associated to segments.

(\*\*) Segment liabilities mainly comprised of liabilities regarding to operations. Income tax liabilities, other financial liabilities and loans and borrowings have not been associated to segments.

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**NOTE 4 - SEGMENT REPORTING (continued)**

**d) Segment analysis for the period 1 January – 31 December 2019**

	Europe, Middle East and Africa (**)	North America	South America	Asia	Elimination <sup>(*)</sup>	Total
External revenue	1.561.362.472	1.707.341.688	563.612.272	1.305.044.962	-	5.137.361.394
Intersegment revenue	139.904.473	516.214.641	-	67.313.822	(723.432.936)	-
Revenue	1.701.266.945	2.223.556.329	563.612.272	1.372.358.784	(723.432.936)	5.137.361.394
Segment operating expenses	(1.368.220.598)	(1.978.946.853)	(522.580.705)	(1.203.897.201)	550.540.638	(4.523.104.719)
Segment operating results	333.046.347	244.609.476	41.031.567	168.461.583	(172.892.298)	614.256.675
Operating profit	333.046.347	244.609.476	41.031.567	168.461.583	(172.892.298)	614.256.675
Income/(expense) from investing activities, net	2.460.999	92.388	1.503.983	9.048.042	(37.428)	13.067.984
Operating profit before financial expense	335.507.346	244.701.864	42.535.550	177.509.625	(172.929.726)	627.324.659
Finance income/(expense), net	(197.533.013)	(32.506.503)	(8.102.868)	(7.012.377)	82.171.233	(162.983.528)
Net income before tax from continuing operations	137.974.333	212.195.361	34.432.682	170.497.248	(90.758.493)	464.341.131
Tax income/(expense), net	(152.057)	(30.318.308)	-	(40.351.250)	(14.879.531)	(85.701.146)
Net income for the period from continuing operations	137.822.276	181.877.053	34.432.682	130.145.998	(105.638.024)	378.639.985
Net income/(loss) after tax from discontinued operations	(152.057)	-	-	-	-	(152.057)
Profit for the period	137.670.219	181.877.053	34.432.682	130.145.998	(105.638.024)	378.487.928

**e) Segment analysis for the period 1 January – 31 December 2018**

	Europe, Middle East and Africa (**)	North America	South America	Asia	Elimination <sup>(*)</sup>	Total
External revenue	1.365.787.402	957.731.724	490.540.703	1.132.664.359	-	3.946.724.188
Intersegment revenue	90.730.232	270.361.211	4.502.864	100.833.918	(466.428.225)	-
Revenue	1.456.517.634	1.228.092.935	495.043.567	1.233.498.277	(466.428.225)	3.946.724.188
Segment operating expenses	(1.085.465.317)	(1.153.831.100)	(452.779.298)	(1.058.418.373)	329.299.852	(3.421.194.236)
Segment operating results	371.052.317	74.261.835	42.264.269	175.079.904	(137.128.373)	525.529.952
Operating profit	371.052.317	74.261.835	42.264.269	175.079.904	(137.128.373)	525.529.952
Income/(expense) from investing activities, net	1.505.102	3.100.681	407.472	9.162.131	(1.373.758)	12.801.628
Operating profit before financial expense	372.458.020	77.362.516	42.671.741	184.242.035	(138.502.131)	538.232.181
Finance income/(expense), net	(221.707.860)	(6.735.644)	(10.248.808)	(9.976.366)	122.223.841	(126.444.837)
Net income before tax from continuing operations	150.750.160	70.626.872	32.422.933	174.265.669	(16.278.290)	411.787.344
Tax income/(expense), net	(2.616.830)	(7.230.950)	-	(40.152.918)	(23.264.779)	(73.265.477)
Net income for the period from continuing operations	148.133.330	63.395.922	32.422.933	134.112.751	(39.543.069)	338.521.867
Net income/(loss) after tax from discontinued operations	22.778	-	-	-	-	22.778
Profit for the period	148.156.108	63.395.922	32.422.933	134.112.751	(39.543.069)	338.544.645

<sup>(\*)</sup> Unallocated consolidation adjustments are included in this line.

<sup>(\*\*)</sup> Kordsa Teknik Tekstil A.Ş. has been included in Europe, Middle East and Africa Segment.

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**NOTE 4 - SEGMENT REPORTING (continued)**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>f) Capital expenditure</b>		
Europe, Middle East and Africa	108.710.580	181.296.730
North America	58.370.469	73.665.286
South America	9.888.315	14.680.883
Asia	26.192.900	30.715.253
	<b>203.162.264</b>	<b>300.358.152</b>
<b>g) Depreciation and amortization expense</b>		
Europe, Middle East and Africa	52.953.080	37.180.892
North America	76.408.230	39.821.589
South America	14.422.482	13.139.786
Asia	62.411.285	49.453.318
	<b>206.195.077</b>	<b>139.595.585</b>
<b>h) Provision for doubtful receivables</b>		
South America	20.976	99.399
Europe, Middle East and Africa	197.815	-
	<b>218.791</b>	<b>99.399</b>
<b>i) Provision/ (reversal) for inventory obsolescence</b>		
Europe, Middle East and Africa	4.065.137	1.330.277
North America	194.171	(1.373.484)
South America	(676.226)	1.421.319
Asia	(165.065)	2.528.854
	<b>3.418.017</b>	<b>3.906.966</b>
<b>j) Gain on fair value of investment properties</b>		
Asia	8.278.336	5.950.915
	<b>8.278.336</b>	<b>5.950.915</b>

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**NOTE 4 - SEGMENT REPORTING (continued)**

The segment reporting in the basis of industry groups of reportable segments is as follows:

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>a) External revenue</b>		
Industrial yarn and cord fabric	4.204.765.942	3.560.123.787
Advanced composite materials	760.425.235	268.588.741
Other	172.170.217	118.011.660
	<b>5.137.361.394</b>	<b>3.946.724.188</b>
<b>b) Capital expenditures</b>		
Industrial yarn and cord fabric	153.087.416	254.141.367
Advanced composite materials	29.133.616	7.100.955
Other	20.941.232	39.115.830
	<b>203.162.264</b>	<b>300.358.152</b>

**NOTE 5 – CASH AND CASH EQUIVALENTS**

The details of cash and cash equivalents as at 31 December 2019 and 2018 are as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Cash	52.073	2.338.581
Bank-demand deposit	129.148.181	67.999.024
Bank-time deposit	600.436.322	60.464.057
	<b>729.636.576</b>	<b>130.801.662</b>

Time deposit have less than 3 months maturity. Average annual interest rate for time deposits are 0,5% for Euro (31 December 2018: 1,25%). Average annual interest rate for time deposits are 0,75% for US Dollars (31 December 2018: Nil).

There is no time deposits denominated in Thai Baht as at 31 December 2019 (2018: Nil).

The Group's related party balance related to cash and cash equivalents are disclosed in Note 28.

There is no restricted cash and cash equivalents of Group as at 31 December 2019 and 2018.

Foreign currency, interest rate and sensitivity risks for the financial assets and liabilities of the Group is presented under Note 30.

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**NOTE 6 – FINANCIAL INVESTMENTS**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Common Stocks	585.981	528.396
	<b>585.981</b>	<b>528.396</b>

Detail of the common stocks are as follows:

	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>Percentage of shareholding %</b>	<b>Amount</b>	<b>Percentage of shareholding %</b>	<b>Amount</b>
Investimentos Lei 8200	<0,01	269.363	<0,01	182.775
Desenbanco	<0,01	123.084	<0,01	129.297
Investivos Fiscais Finor	<0,01	11.263	<0,01	11.833
Other	--	182.271	--	204.491
		<b>585.981</b>		<b>528.396</b>

**NOTE 7 – BORROWINGS**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Short-term borrowings	1.699.341.631	952.562.339
Short-term portion of long term borrowings	96.925.852	41.932.689
<b>Total short-term financial borrowings</b>	<b>1.796.267.483</b>	<b>994.495.028</b>
Long-term borrowings	1.232.858.578	524.785.306
<b>Total long-term financial borrowings</b>	<b>1.232.858.578</b>	<b>524.785.306</b>
<b>Total borrowings</b>	<b>3.029.126.061</b>	<b>1.519.280.334</b>

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**NOTE 7 – BORROWINGS (continued)**

The details of long and short term borrowings as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
<b>Short-term borrowings</b>				
TL borrowings	12,01	735.324.326	26,27	167.341.038
USD borrowings	3,05	220.949.956	4,04	88.829.524
EUR borrowings	0,82	743.051.737	0,83	655.781.404
Other borrowings(*)	10,50	15.612	10,50	40.610.373
		<b>1.699.341.631</b>		<b>952.562.339</b>

	31 December 2019		31 December 2018	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
<b>Short-term portion of long term borrowings</b>				
USD borrowings	4,97	96.925.852	5,08	41.932.689
		<b>96.925.852</b>		<b>41.932.689</b>
<b>Total short-term borrowings</b>		<b>1.796.267.483</b>		<b>994.495.048</b>
<b>Long-term borrowings</b>				
USD borrowings	4,97	1.225.210.236	5,08	517.200.260
Other borrowings(*)	10,50	7.648.342	10,50	7.585.046
		<b>1.232.858.578</b>		<b>524.785.306</b>

	31 December 2019		31 December 2018	
	Fair Value	Carrying Value	Fair Value	Carrying Value
USD borrowings	1.543.086.044	1.543.086.044	606.029.784	606.029.784
TL borrowings	735.324.326	735.324.326	167.341.038	167.341.038
EUR borrowings	743.051.737	743.051.737	697.714.093	697.714.093
Other borrowings(*)	7.663.954	7.663.954	48.195.419	48.195.419
	<b>3.029.126.061</b>	<b>3.029.126.061</b>	<b>1.519.280.334</b>	<b>1.519.280.334</b>

(\*) Other borrowings comprise borrowings in Indonesian Rupiah.

Due to the investment loans of Group's subsidiaries Indo Kordsa and Indo Kordsa Polyester located in Indonesia, there are pledges on their property, plant and equipment amounting to TL 271.162.467 (USD 45.648.710), inventory amounting to TL 59.402.000 (USD 10.000.000) and trade receivables amounting to TL 35.641.200 (USD 6.000.000) as at 31 December 2019 (31 December 2018: TL 240.153.298).



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**NOTE 7 – BORROWINGS (continued)**

As at 31 December 2019 and 31 December 2018, the redemption schedules of borrowings are summarized below:

	<b>31 December 2019</b>	<b>31 December 2018</b>
1 to 2 years	354.594.832	125.631.193
2 to 3 years	328.842.508	149.155.953
3 to 4 years	315.781.514	134.273.448
4 to 5 years	224.825.918	107.826.188
Over 5 years	8.813.806	7.898.524
	<b>1.232.858.578</b>	<b>524.785.306</b>

The affiliated company Kordsa Inc. located in United State of America has purchased 100% shares of each "Fabric Development Inc." and "Textile Products, Inc." providing advanced composite materials to civil aviation sector amounting to USD 98.181.859. According to financing of the purchase transaction, Kordsa Teknik Tekstil A.Ş. and its subsidiary Kordsa Inc. used borrowings amounting to USD 65.000.000 equivalents TL 305.415.500 and USD 35.000.000 equivalents TL 164.454.500 respectively at 5 July 2018 at an interest rate of 2,70%+libor and one-year no repayment and once in six months, nine repayments were used to repay the principal.

The affiliated company Kordsa Inc. located in United State of America has purchased 95,86% shares of "Axiom Materials Acquisition LLC" providing advanced composite materials to civil aviation sector amounting to USD 178.323.365. According to financing of the purchase transaction, Kordsa Inc. used borrowings amounting to USD 140.000.000 equivalent to TL 793.576.000 at 23 July 2019 at the interest rate of 3,00%+libor and one-year no repayment and once in six months, nine repayments were used to repay the principal.

The Group has financial covenants regarding the borrowing has been used from abroad.

The reconciliation of the Group's obligations arising from its financial activities is as follows:

	<b>2019</b>	<b>2018</b>
<b>1 January financial liabilities</b>	<b>1.519.280.334</b>	<b>632.304.026</b>
Proceed from borrowings	1.997.655.918	1.322.360.743
Repayment of borrowings	(728.856.345)	(655.911.790)
Interest accrual	28.026.387	3.033.694
TFRS 16 operational lease effect	89.039.862	-
Finacial lease liability repayments	(4.056.349)	-
Effects of currency translation	213.019.767	217.493.661
<b>31 December financial liabilities</b>	<b>3.114.109.574</b>	<b>1.519.280.334</b>

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**NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES**

<b>Trade receivables</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Trade receivables	891.749.048	760.775.239
Cheques received	7.795.383	10.694.574
Due from related parties (Note 28)	77.461.866	68.899.704
	<b>977.006.297</b>	<b>840.369.517</b>
Less: Provision for doubtful receivables	(3.976.486)	(1.678.429)
Less: Unearned credit finance income	(3.818.897)	(9.016.145)
	<b>969.210.914</b>	<b>829.674.943</b>

As at 31 December 2019, annual interest rates for discount of TL, US Dollar and Euro trade receivables and payables are 12,00%, 4,75% and 3,5% respectively (2018: 30,00%, 5,5% and 4,00%). The average maturities of the trade receivables as at 31 December 2019 is 66 days and average duration of trade payables is 69 days (31 December 2018: 65 days, 55 days).

As at 31 December 2019, trade receivables amounting to TL 84.669.620 (31 December 2018: TL 47.560.085) were past due but not impaired. The aging of these receivables as at 31 December 2019 and 2018 are as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Up to 1 month	56.222.363	35.358.192
1 to 3 months	22.770.619	10.198.485
3 to 12 months	3.649.013	2.003.408
1 to 5 years	2.027.625	-
<b>Balance at 31 December</b>	<b>84.669.620</b>	<b>47.560.085</b>

As at 31 December 2019, trade receivables amounting to TL 3.976.486 (31 December 2018: TL 1.678.429) are past due and provided for. As at 31 December 2019 and 31 December 2018, the aging schedule of the related receivables is as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Up to 1 month	-	-
1 to 3 months	-	-
3 to 12 months	-	-
1 to 5 years	3.976.486	1.678.429
	<b>3.976.486</b>	<b>1.678.429</b>

Movement schedules of provision for doubtful receivables for the years ended 2019 and 2018 are as follows:

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Balance at 1 January	1.678.429	1.729.330
Additions	218.791	99.399
Subsidiary opening balance effect (*)	1.952.679	-
Collections	-	(206.856)
Currency translation differences	126.587	56.556
<b>Balance at 31 December</b>	<b>3.976.486</b>	<b>1.678.429</b>

(\*) TL 1.952.679 from the acquisition of Axiom on 23 July 2019 has been shown as the opening effect of the subsidiary.

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**NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES (continued)**

<b>Trade payables</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Trade payables	609.110.839	563.898.994
Due to related parties (Note 28)	12.103.105	8.542.272
	<b>621.213.944</b>	<b>572.441.266</b>
Less: Unrealised credit finance expense on purchases	(826.653)	(72.752)
	<b>620.387.291</b>	<b>572.368.514</b>

**NOTE 9 – OTHER RECEIVABLES AND OTHER PAYABLES**

<b>Other short-term receivables</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Taxes and other duties (*)	15.506.798	9.989.552
Other	10.278.912	5.376.302
	<b>25.785.710</b>	<b>15.365.854</b>

<b>Other long-term receivables</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Litigation guarantee receivables (**)	22.870.002	19.727.319
Other	18.571.507	11.816.583
	<b>41.441.509</b>	<b>31.543.902</b>

(\*) Prepaid taxes and other withholding taxes mainly comprise VAT receivables of Kordsa Brazil arising from production incentives related to state regulations.

(\*\*) Litigation guarantee receivables comprise guarantees given to courts by Kordsa Brazil.

<b>Other short-term payables</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Taxes and duties payable	34.011.987	18.886.670
Other	8.271.232	3.966.673
	<b>42.283.219</b>	<b>22.853.343</b>

<b>Other long-term payables</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Taxes and duties payable (***)	14.244.118	20.122.592
	<b>14.244.118</b>	<b>20.122.592</b>

(\*\*\*) Taxes and duties payable mainly comprise of the employee and tax related law suits against Kordsa Brazil.

**NOTE 10 – INVENTORIES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Finished Goods	532.007.762	423.685.299
Raw materials and suppliers	460.247.419	400.818.761
Semi-finished goods	120.411.647	114.795.068
Spare parts	63.760.053	48.341.455
Intermediate goods	43.341.519	34.444.711
Other inventories	38.629.955	46.964.312
	<b>1.258.398.355</b>	<b>1.069.049.606</b>
Less: Provision for obsolescence	(27.347.532)	(21.467.744)
	<b>1.231.050.823</b>	<b>1.047.581.862</b>

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**NOTE 10 – INVENTORIES (continued)**

The allocation of the impairment of inventories for the years ended 31 December 2019 and 2018 are as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Finished goods	10.476.352	4.053.544
Spare parts	14.527.133	15.941.097
Semi-finished and intermediate goods	1.251.366	76.928
Other inventories	964.686	552.630
Raw materials and suppliers	127.995	843.545
<b>Balance at 31 December</b>	<b>27.347.532</b>	<b>21.467.744</b>

Movement schedules for impairment of inventories for the years ended 31 December 2019 and 2018 are as follows:

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Balance at 1 January	21.467.744	13.824.690
Additions	6.237.747	14.649.929
Reversals	(2.819.730)	(10.742.963)
Currency translation differences	2.461.771	3.736.088
<b>Balance at 31 December</b>	<b>27.347.532</b>	<b>21.467.744</b>

The amount of provision for impairment of inventory charged to cost of goods sold for the year 2019 is TL 3.418.017 (2018: TL 3.906.966).

The cost of inventories recognised as expense and included in cost of sales amounted to TL 2.781.909.076 for the period 1 January - 31 December 2019 (2018: TL 2.158.586.539).

**NOTE 11 – PREPAYMENTS AND DEFERRED INCOME**

<b>Short-term prepaid expenses</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Advances given	11.462.940	4.453.499
Prepaid expenses	25.364.115	10.425.979
Deposits and guarantees	-	229.143
Other prepaid expenses	4.724.407	-
	<b>41.551.462</b>	<b>15.108.621</b>

<b>Long-term prepaid expenses</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Advances given	8.095.777	-
Other prepaid expenses	956.000	2.255.759
	<b>9.051.777</b>	<b>2.255.759</b>

<b>Deferred revenue</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Deferred revenue (*)	9.641.055	9.186.767
	<b>9.641.055</b>	<b>9.186.767</b>

(\*) Deferred revenue comprises advances taken from customers.

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**NOTE 12 – PROPERTY, PLANT AND EQUIPMENT**

The movement of property, plant and equipment for the year ended 31 December 2019 is as follows:

	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Acquisition of subsidiary (**)</b>	<b>Currency translation differences</b>	<b>Useful Life Correction (*)</b>	<b>31 December 2019</b>
<b>Cost:</b>								
Land and land improvements	93.420.818	1.500.805	(77.983)	5.483.182	-	8.994.619	-	109.321.441
Buildings	578.239.869	1.009.578	(1.452.879)	44.387.696	17.840.925	52.656.140	-	692.681.329
Machinery and equipment	2.871.991.197	30.143.282	(12.806.428)	170.322.698	24.421.556	292.754.717	-	3.376.827.022
Motor vehicles	5.189.934	-	(1.358.641)	58.860	-	522.579	-	4.412.732
Furniture and fixtures	109.761.332	501.671	(2.317.522)	10.023.620	-	9.589.913	-	127.559.014
Construction in progress	210.942.506	149.169.293	-	(230.276.056)	3.225.631	3.750.193	-	136.811.567
	<b>3.869.545.656</b>	<b>182.324.629</b>	<b>(18.013.453)</b>	<b>-</b>	<b>45.488.112</b>	<b>368.268.161</b>	<b>-</b>	<b>4.447.613.105</b>
<b>Accumulated depreciation:</b>								
Land improvements	29.591.640	554.320	(77.838)	-	-	1.526.103	(7.280.028)	24.314.197
Buildings	276.242.373	15.989.733	(113.235)	-	7.410.582	17.637.066	-	317.166.519
Machinery and equipment	1.544.588.670	141.909.455	(8.046.768)	-	10.143.978	152.182.475	-	1.840.777.810
Motor vehicles	3.176.097	15.127	(1.305.016)	-	-	274.692	-	2.160.900
Furniture and fixtures	76.374.695	7.467.842	(2.210.257)	-	-	7.264.278	-	88.896.558
	<b>1.929.973.475</b>	<b>165.936.477</b>	<b>(11.753.114)</b>	<b>-</b>	<b>17.554.560</b>	<b>178.884.614</b>	<b>(7.280.028)</b>	<b>2.273.315.984</b>
<b>Net book value</b>	<b>1.939.572.181</b>							<b>2.174.297.121</b>

(\*) Management in Group's subsidiaries Indo Kordsa ve Indo Kordsa Polyester reviewed the useful lives of the land improvement in 2019 and revised the accounting estimate prospectively.

(\*\*) Effect of acquisition of subsidiary which is Axiom Materials Acquisition LLC amounting to TL 27.933.552

TL 172.561.089 (2018: TL 122.089.567) of current period depreciation and amortisation expenses are included in cost of sales, TL 1.641.784 (2018: 953.313 TL) is included in research and development expenses and TL 31.992.204 (2018: TL 16.552.705) is included in general administrative expenses.

As at 31 December 2019, there are mortgages on property, plant and equipment amounting to TL 271.162.467 (31 December 2018: TL 240.153.298 ).

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**NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)**

The movement of property, plant and equipment for the year ended 31 December 2018 is as follows:

	<b>1 January 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfer to investment property (*)</b>	<b>Transfers (***)</b>	<b>Acquisition of subsidiary (**)</b>	<b>Currency translation differences</b>	<b>31 December 2018</b>
<b>Cost:</b>								
Land and land improvements	76.929.971	111.631	(1.218.177)	(9.418.120)	10.616.413	2.944.835	13.454.265	93.420.818
Buildings	441.901.137	37.317.595	(69.795)	-	9.706.900	-	89.384.032	578.239.869
Machinery and equipment	2.175.261.051	34.283.745	(4.178.821)	-	154.928.165	10.885.486	500.811.571	2.871.991.197
Motor vehicles	3.900.115	198.300	(931.787)	-	-	805.785	1.217.521	5.189.934
Furniture and fixtures	81.130.628	3.365.805	(1.875.893)	-	8.917.656	227.155	17.995.981	109.761.332
Construction in progress	181.633.491	224.625.226	(10.105.572)	-	(209.863.086)	-	24.652.447	210.942.506
	<b>2.960.756.393</b>	<b>299.902.302</b>	<b>(18.380.045)</b>	<b>(9.418.120)</b>	<b>(25.693.952)</b>	<b>14.863.261</b>	<b>647.515.817</b>	<b>3.869.545.656</b>
<b>Accumulated depreciation:</b>								
Land improvements	33.218.604	788.244	(641.921)	(8.480.016)	-	-	4.706.729	29.591.640
Buildings	220.727.755	14.382.159	(4.091)	-	-	-	41.136.550	276.242.373
Machinery and equipment	1.220.070.237	102.888.185	(3.210.650)	-	-	3.850.760	220.990.138	1.544.588.670
Motor vehicles	2.724.981	596.134	(931.787)	-	-	-	786.769	3.176.097
Furniture and fixtures	57.280.223	6.448.619	(1.021.139)	-	-	-	13.666.992	76.374.695
	<b>1.534.021.800</b>	<b>125.103.341</b>	<b>(5.809.588)</b>	<b>(8.480.016)</b>	<b>-</b>	<b>3.850.760</b>	<b>281.287.178</b>	<b>1.929.973.475</b>
<b>Net book value</b>	<b>1.426.734.593</b>							<b>1.939.572.181</b>

(\*) Please refer to Note 15

(\*\*) Effect of acquisition of subsidiaries Fabric Development Inc., Textile Products Inc. and Advanced Honeycomb Technologies Corporation amounting to TL 14.863.261.

(\*\*\*) Please refer to Note 13

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**NOTE 13 – INTANGIBLE ASSETS**

	<b>1 January 2019</b>	<b>Additions (*)</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Currency translation differences</b>	<b>31 December 2019</b>
<b>Cost:</b>						
Rights	33.659.625	-	-	-	-	33.659.625
Technology licences	26.353.453	68.020.800	-	-	5.733.467	100.107.720
Capitalized development costs	12.737.753	-	-	-	-	12.737.753
Computer software	64.599.720	17.886.039	(2.572.748)	-	5.243.245	85.156.256
Customer relationships	193.524.075	232.404.400	-	-	36.046.938	461.975.413
Trademarks	38.088.916	96.362.800	-	-	9.538.732	143.990.448
Other intangible assets	14.731.967	14.288.396	(3.287.688)	-	2.158.635	27.891.310
	<b>383.695.509</b>	<b>428.962.435</b>	<b>(5.860.436)</b>	-	<b>58.721.017</b>	<b>865.518.525</b>
<b>Accumulated Depreciation</b>						
Rights	11.919.157	2.275.731	-	-	-	14.194.888
Technology licences	22.427.661	3.910.367	-	-	2.389.852	28.727.880
Capitalized development costs	9.615.351	720.496	-	-	-	10.335.847
Computer software	36.842.259	12.230.052	(1.542.488)	-	4.077.719	51.607.542
Customer relationships	4.939.986	15.046.438	-	-	1.126.680	21.113.104
Other intangible assets	5.007.799	4.343.338	(3.287.688)	-	25.653	6.089.102
	<b>90.752.213</b>	<b>38.526.422</b>	<b>(4.830.176)</b>	-	<b>7.619.904</b>	<b>132.068.363</b>
<b>Net book value</b>	<b>292.943.296</b>					<b>733.450.162</b>

(\*) The portion of the additions amounting to TL 417.029.856 arise from the acquisition of Axiom Materials Acquisition LLC. Please refer to Note 16 for further details on additions on customer relationships, technology licences, trademarks and other intangible assets.

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**NOTE 13 – INTANGIBLE ASSETS (continued)**

	<b>1 January 2018</b>	<b>Addition (*)</b>	<b>Disposals</b>	<b>Transfers(**)</b>	<b>Acquisition of subsidiary</b>	<b>Currency translation differences</b>	<b>31 December 2018</b>
<b>Cost:</b>							
Rights	26.333.383	-	-	7.326.242	-	-	33.659.625
Technology licences	21.494.788	-	-	-	481.345	4.377.320	26.353.453
Capitalized development costs	12.737.753	-	-	-	-	-	12.737.753
Computer software	37.215.288	455.850	(1.397)	18.367.710	31.515	8.530.754	64.599.720
Customer relationships	659.479	176.461.077	-	-	-	16.403.519	193.524.075
Trademarks	-	34.849.378	-	-	-	3.239.538	38.088.916
Other intangible assets	4.210.167	9.626.900	-	-	-	894.900	14.731.967
	<b>102.650.858</b>	<b>221.393.205</b>	<b>(1.397)</b>	<b>25.693.952</b>	<b>512.860</b>	<b>33.446.031</b>	<b>383.695.509</b>
<b>Accumulated Depreciation</b>							
Rights	9.541.888	2.377.269	-	-	-	-	11.919.157
Technology licences	18.357.926	37.622	-	-	-	4.032.113	22.427.661
Capitalized development costs	8.998.654	616.697	-	-	-	-	9.615.351
Computer software	24.593.645	6.165.291	(1.252)	-	-	6.084.575	36.842.259
Customer relationships	-	4.519.830	-	-	-	420.156	4.939.986
Other intangible assets	4.232.264	775.535	-	-	-	-	5.007.799
	<b>65.724.377</b>	<b>14.492.244</b>	<b>(1.252)</b>	<b>-</b>	<b>-</b>	<b>10.536.884</b>	<b>90.752.213</b>
<b>Net book value</b>	<b>36.926.481</b>						<b>292.943.296</b>

(\*) The portion of the additions amounting to TL 220.937.355 arise from the acquisition of FDI, TPI and AHT. Please refer to Note 16 for further details on additions on customer relationships, technology licences, trademarks and other intangible assets.

(\*\*) The amount comprises transfers from property, plant and equipment.



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**NOTE 14 – RIGHT OF USE ASSETS**

	<b>TFRS 16 Adoption</b>	<b>Addition</b>	<b>Acquisition of subsidiary</b>	<b>Currency translation differences</b>	<b>31 December 2019</b>
<b>Cost</b>					
Buildings	8.255.810	5.155.363	58.488.765	2.883.509	74.783.447
Fixtures	407.038	161.698	-	25.571	594.307
Vehicles	2.821.629	3.944.598	165.748	275.241	7.207.216
Other	8.986.542	1.283.963	-	411.893	10.682.397
	<b>20.471.019</b>	<b>10.545.622</b>	<b>58.654.513</b>	<b>3.596.214</b>	<b>93.267.367</b>
<b>Accumulated depreciation</b>					
Buildings	-	(4.521.388)	-	(214.770)	(4.736.158)
Fixtures	-	(178.383)	-	(8.473)	(186.857)
Vehicles	-	(2.325.243)	-	(110.451)	(2.435.694)
Other	-	(1.987.192)	-	(119.122)	(2.106.312)
	-	<b>(9.012.206)</b>	-	<b>(452.816)</b>	<b>(9.465.021)</b>
<b>Net book value</b>	<b>20.471.019</b>				<b>83.802.346</b>

**NOTE 15 – INVESTMENT PROPERTY**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Balance at the beginning of the year	114.874.106	47.041.172
Disposals	-	(2.109.692)
Gain / (loss) from fair value adjustments (*)	8.278.336	45.978.012
Currency translation differences	15.018.750	23.026.510
Transfers (Note 12)	-	938.104
<b>Balance at 31 December</b>	<b>138.171.192</b>	<b>114.874.106</b>

(\*) As at 31 December 2019 and 2018 the fair value of the Group’s investment property in PT Indo Kordsa Company in Asia Pasific Region has been revalued by independent experts who are not related with the Group and have appropriate qualifications and recent experience in the valuation of properties. The estimated fair values of lands owned have been determined by taking reference of the market transaction prices of similar properties. When determining the fair values of the lands the highest of the value in use has been considered. In the current period no different valuation methodology is performed.

As at 31 December 2019 TL 40.027.097 (2018: TL 40.027.097) of the gain on change of fair value is due to the land PT Indo Kordsa in the Asia Pacific Region transferred from property, plant and equipment to investment properties. This amount has been accounted for as “other revaluation and remeasurement gain” under equity and other comprehensive income. Additionally TL 8.278.336 has been accounted as “fair value gain from investment property” under profit or loss.

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**NOTE 16 – GOODWILL**

The goodwill by amount of TL 798.034.611 (2018: TL 171.912.390) as of 31 December 2019 consisted of TL 42.570.007 (2017: TL 42.570.007 ), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş on 30 September 1999, TL 3.025.160 (2018: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006, TL 47.470.345 and TL 61.951.759 which accrued in consequence of the acquisition of the Fabric Development Inc. ("FDI") and Textile Products, Inc. ("TPI") on 13 July 2018, respectively and TL 6.103.455 which accrued in consequence of the acquisition of the Advanced Honeycomb Technologies Corporation ("AHT") on 1 October 2018 and TL 503.153.010 which accrued in consequence of the acquisition of the Axiom Materials Acquisition ("Axiom") on 23 July 2019.

As at 31 December, the movements in goodwill were as follow;

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Balance at the beginning of the year</b>	<b>171.912.390</b>	<b>45.595.167</b>
Acquisition during the year	959.754.677	336.462.913
<i>FDI</i>	-	140.851.275
<i>TPI(*)</i>	40.897.916	183.250.699
<i>AHT</i>	-	12.360.940
<i>Axiom</i>	918.856.761	-
Transfer to tangible and intangible assets(**)	(415.703.751)	(220.937.355)
<i>FDI</i>	-	(93.380.930)
<i>TPI</i>	-	(121.298.940)
<i>AHT</i>	-	(6.257.485)
<i>Axiom</i>	(415.703.751)	-
Currency translation difference	82.071.295	10.791.665
<b>Balance at the end of the year</b>	<b>798.034.611</b>	<b>171.912.390</b>

(\*) Kordsa Inc., a subsidiary of the Group, has a tax incentive ("338 (h) / 10") as per the US treasury legislation for the acquisitions of FDI and TPI in 2018. Related to aforementioned legislation, the purchase can be defined as the purchase of assets instead of a share purchase and the purchase value of the recognized identifiable assets can be depreciated instead of acquired book values of assets. Kordsa Inc. has completed its assessment of the incentives within the legal deadline and decided to apply only for FDI on 11 April 2019 and to exclude TPI from the process. The amount recognized as a result of differences arising from adjustment of tax base of identifiable assets accounted for at purchase has recognized under goodwill amounting to TL 40.897.916 (USD 7.209.603), deferred tax liability amounting to TL 52.368.393 (USD 9.231.652) and other current assets amounting to TL 11.470.477 (USD 2.022.049).

(\*\*) Pre-acquisition carrying amount of Axiom was determined based on applicable TFRSs immediately before the acquisition. As at 31 December 2019, upon the completion of the fair value allocation of the identifiable assets, liabilities and contingent liabilities recognized on acquisition, total net identifiable has been changed. Under TFRS 3, TL 311.762.000 (USD 55.000.000) has been transferred to customer relationships and other intangible assets, TL 96.362.800 (USD 17.000.000) has been transferred to trademarks after acquisition transaction of Axiom and recognized amortization over determined useful lives. Additionally, TL 8.905.056 (USD 1.571.000) has been accounted for under property, plant and equipment as an addition due to fair value increase assets after the acquisition.

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**NOTE 16 – GOODWILL (continued)**

Under TFRS 3, TL 186.087.977 has been recognised under customer relationships and other intangible assets and amortised over determined useful lives for all three acquisitions made in 2018. Additionally, TL 34.849.378 has been accounted for as trademarks under intangible assets as a result of these acquisitions.

As disclosed in Note 2.6 in detail, there is no change in the book value of the goodwill after assessment for the impairment, which are TL 798.034.611 and TL 171.912.390 for the year ended as of 31 December 2019 and 2018 respectively.

The cash generating unit value, has been tested for the sensitivity of cash flows to the weighted average cost of capital ("WACC") of +1%/-1% (31 December 2018: +1%/-1%). As a result of the impairment test, it has been determined that there is no impairment in the cash generating unit value.

**NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES**

Commitments and contingencies, from which the Group management does not anticipate any significant losses or liabilities are summarized below:

<b>a) Guarantees given</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Pledges given to banks	380.551.336	337.007.048
Security (*)	1.016.434.222	209.657.000
Letter of credits	69.073.708	93.164.382
Letter of guarantees	176.760.700	75.933.268
Commitments	-	1.391.816
	<b>1.642.819.966</b>	<b>717.153.514</b>

(\*) Kordsa Teknik Tekstil A.Ş. has participated in Kordsa Inc.'s loans amounting to USD 31.111.111 (TL 184.806.222) as of 13 July 2018 and USD 140.000.000 (TL 831.628.000) as of 17 July 2019 as joint guarantor.

<b>b) Guarantees received</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Letter of guarantees	8.825.629	8.620.427
Cheques and notes received as collateral	15.000	315.000
	<b>8.840.629</b>	<b>8.935.427</b>

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**NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (continued)**

<b>31 December 2019</b>	<b>TL Equivalent</b>	<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>Thai Baht</b>
A. Total amount of GPMs given in the name of its own legal entity	626.385.744	29.911.724	76.555.272	21.303.491	200.000
B. Total amount of GPMs given behalf of subsidiaries consolidated in full	1.016.434.222	-	171.111.111	-	-
C. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-
i. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	-	-	-	-	-
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	-	-	-	-	-
	<b>1.642.819.966</b>	<b>29.911.724</b>	<b>247.666.383</b>	<b>21.303.491</b>	<b>200.000</b>
<b>31 December 2018</b>	<b>TL Equivalent</b>	<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>Thai Baht</b>
A. Total amount of GPMs given in the name of its own legal entity	507.496.514	10.342.561	79.741.475	12.643.959	8.784.873
B. Total amount of GPMs given behalf of subsidiaries consolidated in full	209.657.000	-	35.000.000	-	-
C. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-
i. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	-	-	-	-	-
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	-	-	-	-	-
	<b>717.153.514</b>	<b>10.342.561</b>	<b>114.741.475</b>	<b>12.643.959</b>	<b>8.784.873</b>

(\*) Group equity ratio to other GPM given by the Group is 0 % as of 31 December 2019 (31 December 2018: 0%).

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**NOTE 18 – EMPLOYEE BENEFITS**

<b>Short-term provisions for employee benefits</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Provision for unused vacation	15.164.895	13.901.403
Provision for bonus accrual	26.814.192	13.306.218
Provision for capital contribution plan (*)	6.961.200	3.945.660
	<b>48.940.287</b>	<b>31.153.281</b>

(\*) The Group applies a contribution-based (premium pay) profit-sharing programme called "Capital Contribution Plan" for North America region workers, where 5% of the total premiums earned is paid annually to employees' account, which is reimbursable after fulfilling three years of work experience within the Group.

In addition to this benefit, another plan called 401(k) is applied to the employees that work in North America. According to this plan, employees can contribute up to 5% of their salaries to the plan and the Group contributes the same amount as the employees' contribution.

Movements in the provision for unused vacation during the year are as follows:

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Balance at 1 January	13.901.403	9.468.393
Increase during the year	12.832.254	10.706.330
Decrease during the year	(8.236.758)	(4.750.933)
Currency translation differences	(3.332.004)	(1.522.387)
	<b>15.164.895</b>	<b>13.901.403</b>

<b>Long-term provisions for employee benefits</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Provision for employment termination benefits (*)	50.392.579	43.447.834
Accruals for employee retirement benefit plans (**)	35.724.022	24.848.813
	<b>86.116.601</b>	<b>68.296.647</b>

**(\*) Provision for employment termination benefits**

Under Turkish Labour Law, the Group 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 and achieves the retirement (age 60 for men 58 for women).

Also, possibility of saving severance payment for employees whose insurance-entry dates went back earlier than 8 September 1999 and before, and who had completed their 15<sup>th</sup> year in the company has been calculated as % 100.

As at 31 December 2019 the amount payable consists of one month's salary limited to a maximum of TL 6.379,86 (31 December 2018: TL 5.432,42) for each year of service.

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**NOTE 18 – EMPLOYEE BENEFITS (continued)**

The liability is not funded, as 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. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	<b>2019</b>	<b>2018</b>
Discount rate (%)	4,26	4,26
The probability of retirement (%)	97,58	97,90

The principal assumption is that 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. As the maximum liability is revised semi-annually, the maximum amount of TL 6.370,15 (1 January 2019: TL 6.017,60), which is effective from 1 January 2020, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

Movements in the provision for employment termination benefits during the year are as follows:

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Balance at 1 January</b>	<b>43.447.834</b>	<b>38.353.012</b>
Increase during the year	12.299.320	17.559.849
Payment during the year	(5.354.575)	(4.810.728)
Actuarial (gain)/loss	-	(7.654.299)
<b>Balance at 31 December</b>	<b>50.392.579</b>	<b>43.447.834</b>

**(\*\*) Provision for employment retirement benefits plans:**

Provision for post-employment benefits is the present value of the defined benefit obligations of the Subsidiaries in Indonesia and Thailand, arising from current and past services of the employees, net of the fair value of plan assets at the reporting date. Independent actuarial assumptions and 'projected unit credit method' are used to determine the present value of defined benefit obligations.

Provision for employment retirement benefit plans are to be calculated in accordance with the laws in the country the subsidiaries operate in and in proportion to work hours of the employees. Work hours and salary provisions those should be paid are listed in the table below:

<b>Duration of Employment/Service</b>	<b>Payable salary provision</b>
Within 120 days - 1 year	30 days
Within 1 year - 3 years	90 days
Within 3 years - 6 years	180 days
Within 6 years - 10 years	240 days
Over 10 years	300 days

Provision of employee termination benefit is calculated by an independent firm with considering the variables such as employee ages, working period, retirement age, turnover rate, salary increase rate and inflation rate. The calculation is renewed every year and the provision amount is adjusted in consolidated profit or loss statement as income or expense with considering the expected working period of employees.

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**NOTE 18 – EMPLOYEE BENEFITS (continued)**

Movement schedule of provision for employment retirement benefit plans is as follows:

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Balance at 1 January</b>	24.848.813	21.480.152
Addition during the year	7.899.720	489.518
Payment during the year	(2.511.921)	(3.174.150)
Actuarial (gain)/loss	1.367.698	959.011
Currency translation differences	4.119.712	5.094.282
<b>Balance at 31 December</b>	<b>35.724.022</b>	<b>24.848.813</b>

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Employee benefit obligations</b>		
Wage accruals	3.825.533	5.184.119
Due to personnel	6.713.888	5.628.476
	<b>10.539.421</b>	<b>10.812.595</b>

**NOTE 19 – OTHER ASSETS AND LIABILITIES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other current assets</b>		
Deferred VAT	26.676.481	42.159.927
Deductible VAT	23.256.206	42.145.829
Prepaid taxes and funds	7.867.306	7.919.936
Receivables from insurance company	12	419.106
Advances given to personnel	-	351.338
Other	407.876	--
	<b>58.207.881</b>	<b>92.996.136</b>

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other non-current assets</b>		
Long-term spare parts	68.970.609	55.088.735
Long-term deposits	3.284.007	293.284
	<b>72.254.616</b>	<b>55.382.019</b>

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other current liabilities</b>		
Expense accruals	23.148.659	11.015.585
Sales discounts and commission accruals (*)	8.221.983	9.766.109
Other tax accruals (**)	5.763.587	5.028.589
Other personel expense accruals	693.815	614.473
Other	15.880.598	9.269.908
	<b>53.708.642</b>	<b>35.694.664</b>

(\*) Sales discount and commission accruals consist of the accrued intermediary commissions as of the reporting date.

(\*\*) Other tax accruals mainly comprise foreign Subsidiaries' export, environmental, security and other tax liabilities.

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**NOTE 20 – EQUITY**

**Paid-in share capital**

The Group's authorized and issued capital consists of 19.452.907.600 shares at 1 shares of Kr1 nominal value (2018: 19.452.907.600 shares). All shares are paid and there is no preferred stock. The Group's shareholders and their share at 31 December 2019 and 2018 are as follows:

	2019	Ownership interest %	2018	Ownership interest %
Hacı Ömer Sabancı Holding A.Ş.	138.327.614	71,11	138.327.614	71,11
Other	56.201.462	28,89	56.201.462	28,89
	<b>194.529.076</b>	<b>100,00</b>	<b>194.529.076</b>	<b>100,00</b>

Group has adopted the registered capital system in accordance with the provisions of the Capital Market Law No.6362 numbered 594 dated 21.09.1989 and has passed to this system with the permission of the Capital Market Board. The registered capital ceiling of the Company is TL 500.000.000 and consist of 50.000.000.000 shares each with a nominal value of Kr 1.

**Revaluation and hedging reserves**

	31 December 2019	31 December 2018
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	(2.727)	(454.977)
	<b>(272.878)</b>	<b>(725.128)</b>

**Financial Assets Fair Value Reserve:**

The Financial Assets Fair Value Reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

**Hedging Reserve:**

The Hedging Reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.



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**NOTE 20 – EQUITY (continued)**

**Movements of Hedging Reserve:**

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
<b>Balance at 1 January</b>	<b>(454.977)</b>	<b>11.635</b>
Increases/decreases	6.365.438	12.417.392
Income tax related to gains /losses recognized in other comprehensive income	(122.557)	131.534
Amounts reclassified to profit or loss	(5.790.631)	(13.015.538)
<b>Balance at 31 December</b>	<b>(2.727)</b>	<b>(454.977)</b>

**Share Premiums**

Share premiums presented in the consolidated financial statements represent the proceeds obtained by issuing shares above the nominal values in the amount of TL 102.684.000 and TL 4.551.000 during the capital increases in May 2006 and June 2006, respectively following the establishment of the Company.

After the decision of Kordsa Global and Kordsa Turkey's merger through acquisition of Kordsa Global by Kordsa Turkey as a whole with its assets and liabilities as of 30 June 2006 in the Extraordinary General Assembly Meeting of Kordsa Turkey on 29 November 2006, the share premium of TL 57.856 was accounted as addition to share premium.

As of 23 January 2007, founding partners' redeemed shares are acquired in return for TL 45.240.000 and this amount is accounted for as a deduction from additional paid-in capital.

**Restricted Reserves**

Reserves reserve for specific purposes other than profit from previous period, due to law or contractual obligations or other profit distributions. These reserves are shown in the amounts in the statutory records of the Group and difference arising in preparing the consolidated financials statements in accordance with TFRS are associated with prior years' profit/loss.

As at 31 December 2019 restricted reserves comprised of legal reserves amounting to TL 122.455.409 (31 December 2018: TL 69.754.663).

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

**Other comprehensive income that will not be reclassified to profit or loss**

*Revaluation gain on property, plant and equipment*

The amount of property, plant and equipment that is not recognized in profit or loss is recognized as other comprehensive income. As at 31 December 2018, the gains arising from the fair value changes arise from the parcels and lands transferred from lands of PT Indo Kordsa in the Asia Pacific Region to the investment properties.

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**NOTE 20 – EQUITY (continued)**

**Other comprehensive income that will not be reclassified to profit or loss (continued)**

*Revaluation gain on property, plant and equipment (continued)*

For the years ended 31 December, movement of revaluation gains on tangible assets were as follows;

	<b>2019</b>	<b>2018</b>
Balance at beginning of the period	40.027.097	--
Gain from change of fair value	-	40.027.097
<b>Balance at closing of the period</b>	<b>40.027.097</b>	<b>40.027.097</b>

*Defined Benefit Plans Remeasurement Fund*

As at 31 December 2019, TL 3.907.502 (31 December 2018: TL 2.881.729) consists of actuarial gain or loss of long term employee benefits and retirement plan provision (Indonesia and Thailand) recognized as other comprehensive income.

**Other accumulated comprehensive income or expenses that will be reclassified in profit or loss**

*Currency translation difference*

Currency translation difference is consist of foreign currency difference arising from translating to reporting currency from functional currency of financial statements of Group's subsidiaries in the foreign country and exchange difference arising from net investment hedge. There is currencey translation difference amounting to TL 742.290.484 (31 December 2018: 576.104.345) in the Group's accompanying consolidated financial statements.

**Dividend Payments**

Public companies distribute profit in accordance with Profit Share Communiqué no II-19.1 issued by CMB effective from 1 February 2014. Ventures distribute their profit due to profit distribution policies set by the general assembly in accordance with the related legislation verdicts with a general assembly minute. Within the extent of the icommunique mentioned above a minimal distribution rate is not designated. Companies distribute their profits in accordance with their main agreements of profit distribution policies.

**Retained Earnings**

Accumulated gain and loss is shown in retaining earnings as net-off except net income for the period. Extraordinary reserves that are accumulated as profit/loss by their nature are also recognized as retained earnings shown.

Retained earnings in the Group's consolidated financial statements were as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Accumulated profit or loss	735.584.943	603.432.512
Extraordinary reserve	39.672.493	143.139
<b>Total retaining earnings</b>	<b>775.257.436</b>	<b>603.575.651</b>

**Net Profit for the Period**

Distribution of net profit for the year of 2018 has been approved with the decision of Ordinary General Assembly Meeting which is held on 20 March 2019. According to decision, net period of TL 68.085.177 in accordance with the decision taken first and second dividends, to the shareholders of the Company as of 25 March 2019.

Net profit for the period of the Group amounting to TL 378.487.928 (2018: TL 338.544.645).

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**NOTE 20 – EQUITY (continued)**

**Non-controlling Interest**

The portion of the net assets of the subsidiaries that are not directly or indirectly controlled by the parent company is classified as a non-controlling interest in the Group's consolidated financials statements.

For the year ended 31 December, the movements of non-controlling interests were as follows:

	<b>2019</b>	<b>2018</b>
<b>Balance at the beginning of the period</b>	<b>504.019.429</b>	<b>371.020.900</b>
The portion of total comprehensive income attributed to non-controlling interest	115.420.833	183.235.364
Dividend paid to non-controlling interest	(46.797.746)	(50.236.835)
<b>Closing at the beginning of the period</b>	<b>572.642.516</b>	<b>504.019.429</b>

**NOTE 21 - REVENUE AND COST OF SALES**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Sales income (gross)	5.219.160.078	4.019.612.631
Sales returns (-)	(14.520.519)	(9.002.128)
Sales discounts (-)	(24.442.992)	(22.907.268)
Other sales discounts (-)	(42.835.173)	(40.979.047)
<b>Sales income (net)</b>	<b>5.137.361.394</b>	<b>3.946.724.188</b>
Cost of sales (-)	(4.150.352.186)	(3.153.040.828)
<b>Gross Profit</b>	<b>987.009.208</b>	<b>793.683.360</b>

**NOTE 22 - EXPENSES BY NATURE**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Raw materials and consumables used	2.781.909.076	2.158.586.539
Personnel expenses	636.172.158	463.502.160
Energy expenses	456.744.559	337.623.878
Depreciation and amortization expenses	206.195.077	139.595.585
Distribution expenses	114.657.687	92.613.998
Packaging expenses	98.093.919	76.845.660
Consultancy expenses	55.755.136	37.860.463
Idle mill expenses	40.258.328	10.764.782
Maintenance expenses	5.363.312	4.026.885
Rent expenses	4.362.368	3.847.678
Other	196.685.858	139.566.353
	<b>4.596.197.478</b>	<b>3.464.833.981</b>

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**NOTE 23 - OTHER OPERATING INCOME AND EXPENSES**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Other operating income</b>		
Finance income on trade receivables	52.992.162	37.618.794
Domestic production incentive income (*)	39.158.298	34.063.299
Foreign exchange gain/loss on trade receivables/payables - net	30.409.189	15.901.872
Rent income	1.353.429	2.763.456
Export incentive income	1.757.055	1.574.026
Income from insurance claims	18.209	48.212
Other	22.396.263	7.053.946
	<b>148.084.605</b>	<b>99.023.605</b>

(\*) Domestic production incentive income refers to the Brazilian Subsidiary's sales tax return income on finished goods produced and sold in its own country.

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Other operating expenses</b>		
Finance expense on credit purchases	28.257.268	19.419.462
Donations	20.103.212	24.221.808
Taxes and duties	8.756.413	7.010.969
Expenses of defective goods	2.812.702	664.877
Other	15.062.251	4.066.744
	<b>74.991.846</b>	<b>55.483.259</b>

**NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Gains from investing activities</b>		
Gain from fair value of investment properties (Note 15)	8.278.336	5.950.915
Gain from sale of investment properties	-	2.109.692
Gain on sale of property, plant and equipment	437.674	2.284.480
Interest income	4.841.201	3.622.252
	<b>13.557.211</b>	<b>13.967.339</b>

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Losses from investing activities</b>		
Loss on sale of property, plant and equipment	489.227	1.165.711
	<b>489.227</b>	<b>1.165.711</b>

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**NOTE 25 - FINANCIAL INCOME AND EXPENSES**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Finance income</b>		
Gain on derivative instruments	-	11.248.610
Foreign exchange gain	5.720.757	-
Other	-	181.747
	<b>5.720.757</b>	<b>11.430.357</b>
<b>Finance expense</b>		
Interest expenses	122.747.643	72.295.456
Foreign exchange losses	33.718.368	38.740.221
Losses on derivative instruments	9.833.006	24.264.148
Other	2.405.268	2.575.369
	<b>168.704.285</b>	<b>137.875.194</b>

**NOTE 26 – TAXATION ON INCOME**

**Corporate Tax**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Corporate tax payable	-	9.459.018
Less: Prepaid taxes	(4.312.390)	(6.649.729)
<b>Current tax (asset)/ liability, net</b>	<b>(4.312.390)</b>	<b>2.809.289</b>

Kordsa is subject to Turkish corporate taxes. Provision is made in the accompanying condensed consolidated financial statements for the estimated charge based on the Group's results for the years and periods. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the condensed consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Corporate income tax is calculated on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes (carryforward losses, if any, and if utilized exemptions for investment incentives).

In Turkey, corporate tax rate is 22% as at 31 December 2019 (2018: 22%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2018: 22%) to be calculated and paid based on earnings generated for each quarter for the three month period ended 31 December 2019. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

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**NOTE 26 – TAXATION ON INCOME (continued)**

**Corporate Tax (continued)**

The taxes on income reflected to consolidated income statements for the years ended 31 December 2019 and 2018 are summarized as follows:

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Current period corporate tax expense	(54.355.565)	(47.887.560)
Deferred tax income /(expense)	(31.345.581)	(25.377.917)
	<b>(85.701.146)</b>	<b>(73.265.477)</b>

The reconciliation of tax on the consolidated profit or loss tables for the years ended 31 December 2019 and 2018 is as follows:

	<b>%</b>	<b>1 January- 31 December 2019</b>	<b>%</b>	<b>1 January- 31 December 2018</b>
Profit before tax in the consolidated financial statements		464.341.131		411.787.344
Tax charge according to parent company's tax rate 22%	22	(102.155.049)	22	(90.593.216)
Tax rate differences of subsidiaries	(2)	(17.415.848)	(2)	6.746.556
<b>Expected tax charge of the Group</b>		<b>(119.570.897)</b>		<b>(83.846.660)</b>
Disallowable expenses	(1)	(1.425.063)	(1)	(5.572.180)
Other exempt income	<1	4.814.698	1	6.092.472
Exemption of real estate sales	<1	2.069.584	-	-
Lump-sum expense provision	<1	1.370.240	<1	1.153.458
Research and development incentive allowance	2	8.205.223		5.716.728
Use of losses from previous years for which no deferred tax has been calculated	4	16.692.095	-	-
Consolidation eliminations without tax effect	1	2.142.974	1	3.190.705
<b>Current period tax expense</b>	<b>18</b>	<b>(85.701.146)</b>	<b>18</b>	<b>(73.265.477)</b>

The Group recognised deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS and their statutory tax financial statements.

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**NOTE 26 – TAXATION ON INCOME (continued)**

**Corporate Tax (continued)**

Tax rates used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method are mentioned below:

<b>Country</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Turkey	% 20 - % 22	% 20 - % 22
Egypt	% 30	% 30
United States of America	% 25	% 25
Brazil	% 34	% 21,5
Indonesia	% 25	% 25
Thailand	% 20	% 20

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2019 and 31 December 2018 using the enacted tax rates are as follows:

	<b>Deferred tax assets/(liabilities)</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
Provision for employment termination benefits	10.060.161	52.128.558
Consignment sales adjustment	14.828.779	18.042.683
Finance income	1.010.005	1.936.018
Other, net	18.385.692	552.729
<b>Deferred tax assets</b>	<b>44.284.637</b>	<b>72.659.988</b>
Property, plant and equipment	(155.194.191)	(105.365.941)
Inventories	-	(34.051.622)
Other, net	(137.786.936)	(50.966.805)
<b>Deferred tax liabilities</b>	<b>(292.981.127)</b>	<b>(190.384.368)</b>
<b>Net deferred tax liabilities</b>	<b>(248.696.490)</b>	<b>(117.724.380)</b>

**Deferred Taxes**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Balance at 1 January</b>	<b>(117.724.380)</b>	<b>(71.414.135)</b>
Current year deferred tax income – net	(31.345.581)	(25.377.917)
Charges to equity	214.368	(1.552.412)
Impact of other changes (*)	(60.788.713)	-
Currency translation differences	(39.052.184)	(19.379.916)
<b>Balance at 31 December</b>	<b>(248.696.490)</b>	<b>(117.724.380)</b>

(\*) Other changes arise from differences due to from the adjustment of the indentified intangibles accounted for during TPI's acquisition based on its tax return (Note 15) and also the put option revaluation funds for Axiom's 4,14% non-controlling interest (Note 3).

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**NOTE 27 – EARNINGS PER SHARE**

Earnings per share for each class of share disclosed in the consolidated income statements is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class outstanding during the year.

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Net income attributable to equity holders of the parent	339.755.071	292.457.708
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	17,47	15,03
 Earning per share from continuing operations		
Net income attributable to equity holders of the parent	339.832.620	292.446.091
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	17,74	15,03
 Earning per share from discontinued operations		
Net income/(loss) attributable to equity holders of the parent	(77.549)	11.617
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	-	--

Nominal values of ordinary shares for the years ended 31 December 2019 and 2018 are assumed to be Kr 1 each.

**NOTE 28 – RELATED PARTY DISCLOSURES**

<b>Bank balances:</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Akbank T.A.Ş. – time deposit	98.871.580	60.464.057
Akbank T.A.Ş. – demand deposit	982.153	203.916
	<b>99.853.733</b>	<b>60.667.973</b>

	<b>31 December 2019</b>	<b>31 December 2018</b>
Akbank T.A.Ş. – bank borrowings	635.324.326	-
	<b>635.324.326</b>	<b>-</b>

<b>Due from related party:</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	75.270.703	68.387.355
Akçansa	1.631.518	-
Enejisa Enerji Üretim A.Ş.	82.601	-
Other	477.044	512.349
	<b>77.461.866</b>	<b>68.899.704</b>

<b>Due to related party:</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Enejisa Enerji Üretim A.Ş.	8.162.434	4.415.884
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	2.935.505	3.656.500
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	265.391	183.197
Aksigorta	612.052	-
Other	127.723	286.691
	<b>12.103.105</b>	<b>8.542.272</b>



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**NOTE 28 – RELATED PARTY DISCLOSURES (continued)**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Product sales:</b>		
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	135.863.930	108.293.005
Other	1.932.986	259.628
	<b>137.796.916</b>	<b>108.552.633</b>

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Service sales:</b>		
Enerjisa Enerji Üretim A.Ş.	358.766	1.167.937
Hacı Ömer Sabancı Holding A.Ş.	63.490	9.307
	<b>422.256</b>	<b>1.177.244</b>

Service sales arise from invoicing of common services incurred for the above companies which operate in the same area.

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Product purchase:</b>		
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	494.130	454.819
	<b>494.130</b>	<b>454.819</b>

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Service received:</b>		
Enerjisa Enerji Üretim A.Ş.	95.541.968	60.685.395
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	9.581.539	3.191.697
Aksigorta	1.807.040	384.452
Other	245.697	1.484.248
	<b>107.176.244</b>	<b>65.745.792</b>

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Property, plant and equipment purchases:</b>		
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	1.098.701	2.884.157
Other	-	49.807
	<b>1.098.701</b>	<b>2.933.964</b>

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Interest income:</b>		
Akbank T.A.Ş.	1.613.049	1.441.297
	<b>1.613.049</b>	<b>1.441.297</b>

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Interest expense:</b>		
Akbank T.A.Ş.	20.467.341	5.192.236
	<b>20.467.341</b>	<b>5.192.236</b>

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Foreign exchange gain /(losses), net</b>		
Akbank T.A.Ş.	(3.368.133)	(7.276.937)
	<b>(3.368.133)</b>	<b>(7.276.937)</b>

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**NOTE 28 – RELATED PARTY DISCLOSURES (continued)**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>Rent income</b>		
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	82.246	67.893
	<b>82.246</b>	<b>67.893</b>

**Transactions with key management personnel:**

The Group defined its top management as board of directors, the president (CEO) and vice presidents, and the general managers of the subsidiaries.

Details of the remunerations provided which is consist of per diem payment, salary and other additional remunerations by the Group for 2019 and 2018 are as follows:

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Short-term employee benefits	18.637.658	14.290.986
Post-employment benefits	334.238	273.885
	<b>18.971.896</b>	<b>14.564.871</b>

**Security and guarantee letters given:**

**31 December 2019**

None.

**31 December 2018**

None.

**NOTE 29 - INTERESTS IN OTHER ENTITIES**

Financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below:

<b>31 December 2019</b>				
<b>Subsidiaries</b>	<b>Non-controlling interest %</b>	<b>Net profit/loss attributable to non- controlling interest</b>	<b>Accumulated profit/(loss) allocated to non- controlling interests</b>	<b>Dividend distributed to non- controlling interests</b>
PT Indo Kordsa Tbk (*)	38,42%	36.174.220	583.473.659	46.797.746
Other		2.558.639	(10.831.143)	
<b>Total</b>		<b>38.732.859</b>	<b>572.642.516</b>	

  

<b>31 December 2018</b>				
<b>Subsidiaries</b>	<b>Non-controlling interest %</b>	<b>Net profit/loss attributable to non- controlling interest</b>	<b>Accumulated profit/(loss) allocated to non- controlling interests</b>	<b>Dividend distributed to non- controlling interests</b>
PT Indo Kordsa Tbk (*)	%38,42	51.144.095	354.559.562	50.236.835
Other		(5.057.158)	149.459.867	
<b>Total</b>		<b>46.086.937</b>	<b>504.019.429</b>	

(\*) Consists of consolidated financial statements of PT Indo Kordsa Tbk, PT Indo Kordsa Polyester and Thai Indo Kordsa Co., Ltd.

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**NOTE 29 - INTERESTS IN OTHER ENTITIES (continued)**

The financial information of PT Indo Kordsa Tbk before the Group's consolidation adjustments and eliminations is as follows:

<b>Summary statement of financial position</b>	<b>PT Indo Kordsa Tbk</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
Cash and cash equivalents	84.448.974	30.714.394
Other current assets	460.869.272	501.116.992
Non-current assets	1.173.862.934	1.048.974.617
<b>Total assets</b>	<b>1.719.181.180</b>	<b>1.580.806.003</b>
Short-term borrowings	11.861.846	40.157.023
Other short-term liabilities	184.972.442	217.366.289
Long-term borrowings	76.949.377	77.684.313
Other long-term liabilities	93.527.254	76.179.906
<b>Total liabilities</b>	<b>367.310.919</b>	<b>411.387.531</b>
<b>Total equity</b>	<b>1.351.870.261</b>	<b>1.169.418.472</b>
<b>Total equity attributable to owners of the Company</b>	<b>1.247.802.212</b>	<b>1.077.687.953</b>
<b>Non-controlling interest (*)</b>	<b>104.068.049</b>	<b>91.730.519</b>

**Summary statement of profit and loss:**

	<b>PT Indo Kordsa Tbk</b>	
	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Revenue	1.371.653.027	1.235.149.633
Cost of sales	(1.116.749.112)	(978.301.661)
Depreciation and amortization expense	(61.878.325)	(52.584.040)
Operating income	130.478.158	141.942.461
Finance income /(expense), net	106.546	(8.824.048)
Profit before tax	130.584.704	133.118.414
Tax expenses	(36.430.046)	(39.640.415)
Non-controlling interests (*)	(39.198.825)	(42.211.500)
Profit for the year	54.955.833	51.266.499

(\*) Arises from the consolidation of Thai Indo Kordsa Co., Ltd. under PT Indo Kordsa Tbk.

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**NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**

**Financial risk management**

***Financial risk factors***

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by Finance department of Kordsa Global under policies approved by the board of directors. Finance department identifies, evaluates and hedges financial risks in close co-operation with the group's operating units.

**(a) *Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below depicts the cash outflows the Group will pay for the financial liabilities in the balance sheet in accordance with the remaining maturities. The amounts in the table are contractual and non-discounted. The Group performs its liquidity risk management by considering expected non-discounted cash flows.

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2019 and 2018 is as follows:

***Non-derivative financial liabilities* <sup>(1)(2)</sup>:**

<b>31 December 2019</b>	<b>Carrying value</b>	<b>Contractual cash flow</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Borrowings	3.029.126.061	3.609.223.321	1.199.836.613	1.099.539.039	1.309.847.669	-
Lease liabilities	84.983.513	84.983.513	-	9.592.693	75.390.820	-
Trade payables	620.387.291	621.213.944	621.213.944	-	-	-
Other payables	8.271.232	18.058.981	18.058.981	-	-	-
	<b>3.742.768.097</b>	<b>4.333.479.759</b>	<b>1.839.109.538</b>	<b>1.109.131.732</b>	<b>1.385.238.489</b>	<b>-</b>

  

<b>31 December 2018</b>	<b>Carrying value</b>	<b>Contractual cash flow</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Borrowings	1.519.280.334	1.721.230.095	70.120.280	1.078.426.003	572.683.812	-
Trade payables	572.368.514	572.441.266	572.441.266	-	-	-
Other payables	3.966.673	13.053.953	13.053.953	-	-	-
	<b>2.095.615.521</b>	<b>2.306.725.314</b>	<b>655.615.499</b>	<b>1.078.426.003</b>	<b>572.683.812</b>	<b>-</b>

- (1) Maturity analyses have been applied solely to financial instruments and exclude legal liabilities.
- (2) The aforementioned cash flows are contractual and non-discounted amounts. Since the discount amounts for the balances with a maturity of less than 3 months are immaterial, the discounted amounts are equal to the carrying value.

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**NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**

**Financial risk management (continued)**

**(b) Market risk**

**Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Group utilises its cash by making time deposits and by purchasing company bonds. To keep these exposures at a minimum level, the Group tries to borrow at the most suitable rates.

The interest rate profile of the Group interest-bearing financial instruments is as follows:

<b>Variable interest financial instruments</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Financial liabilities	1.359.645.778	680.553.332

Various scenarios are simulated by the Group for floating rate borrowings taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. According to these scenarios:

At 31 December 2019, if interest rates on US Dollar denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 4.208.078 (2018: TL 918.048 ), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2019, there is no variable interest rate borrowings in EUR (2018: there is no variable interest rate borrowings in EUR).

**Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Turkish Lira. Foreign Exchange risk is monitored with an analysis of foreign exchange positions.

**Derivative financial instruments**

The derivative financial instruments of the Group comprise foreign currency forward contracts. The Group entered into foreign currency forward transactions with due date 2020 in order to manage the risks emerging from the sales transactions which are expected to occur within 12 months following the reporting date. The carrying values of the items hedged against the non-financial risk will be adjusted once the expected sales will take place. The Group also entered into foreign currency forward transactions with due date 2020 in order to hedge its trade receivables and payables from the effects of the changes in foreign currency exchange rates.

The Group also uses fair value hedge with its derivative portfolio to hedge its trade receivables and payables from the effects of the exchange rate differences in the markets. According to this, the net-off figures of the exchange rate change in the balance sheet and the exchange rate change of the derivative portfolio are presented in the income statement and the effectiveness of the hedge accounting is evaluated at each balance sheet date.

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**NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**

***Derivative financial instruments (continued)***

On 27 December 2019, Group has executed a EUR/TL foreign currency swap for the borrowings with principal and interest repayment amounting to TL 265.440.000 and TL 199.080.000 with maturity 9 months and 12 months and interest rates of 10% and 10.70% respectively. In this context, principal repayments to be made on 30 September 2020 and 24 December 2020 are fixed at EUR 40.154.173 and EUR 30.196.612; interest rates are fixed at 0,50% and 0,65% and EUR/TRY rates are fixed at 7,1210 and 7,3041 respectively. The fair value of this transaction is TL (8.051.110) loss as at 31 December 2019.

**Hedges of net investments in foreign operations:**

In case there are derivative financial instruments or non-derivative financial liabilities designated to hedge against the financial risks resulting from net investments in foreign operations;

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation.

The Company subjected the net investment in its foreign subsidiaries and the US Dollar and Euro borrowings in other subsidiaries to the hedge of a net investment in foreign operations. The Company accounted for the foreign exchange losses arising from the related borrowings amounting to TL 77.143.406 (31 December 2018: TL 121.243.000) under Currency Translation Reserves in Equity in accordance with TFRS 9 and TFRS Interpretation 16.

***Foreign currency position***

Group's assets and liabilities denominated in foreign currencies at 31 December 2019 and 2018 are as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Assets	1.450.790.809	1.196.949.265
Liabilities	(1.394.350.199)	(1.184.343.960)
<b>Net foreign currency position</b>	<b>56.440.610</b>	<b>12.605.305</b>

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**NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**

**31 December 2019**

<b>Assets:</b>	<b>Total TL equivalent</b>	<b>US Dollars (*)</b>	<b>Euro (*)</b>	<b>Indonesian Rupiah (‘000) (*)</b>	<b>Other TL equivalent</b>
Trade receivables	409.157.118	17.119.965	40.439.945	90.122.265	-
Cash and cash equivalent	600.297.075	11.080.186	80.172.019	2.963.680	20.077
Other monetary receivables and assets	-	-	-	-	-
Other non- monetary receivables and assets	24.775.170	-	8.970	57.838.184	-
<b>Current assets</b>	<b>1.034.229.363</b>	<b>28.200.151</b>	<b>120.620.934</b>	<b>150.924.129</b>	<b>20.077</b>
Non-current asset held for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
<b>Non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets (a)</b>	<b>1.034.229.363</b>	<b>28.200.151</b>	<b>120.620.934</b>	<b>150.924.129</b>	<b>20.077</b>
<b>Liabilities:</b>					
Trade payables	293.657.624	32.610.245	12.026.579	30.357.148	6.990.015
Financial liabilities	823.783.971	15.838.930	109.525.073	3.019.043	-
Other monetary payable and liabilities	11.852.994	-	4.000	27.358.458	135.527
<b>Current liabilities</b>	<b>1.129.294.589</b>	<b>48.449.175</b>	<b>121.555.652</b>	<b>60.734.649</b>	<b>7.125.542</b>
Financial liabilities	265.055.610	43.333.333	-	17.895.045	-
Other monetary receivables and assets	-	-	-	-	-
<b>Non-current liabilities</b>	<b>265.055.610</b>	<b>43.333.333</b>	<b>-</b>	<b>17.895.045</b>	<b>-</b>
<b>Total liabilities (b)</b>	<b>1.394.350.199</b>	<b>91.782.508</b>	<b>121.555.652</b>	<b>78.629.695</b>	<b>7.125.542</b>
Off-balance sheet derivative assets (c)	416.561.446	81.126.615	(9.825.711)	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
<b>Net foreign currency asset /(liability) position</b>	<b>56.440.610</b>	<b>17.544.258</b>	<b>(10.760.429)</b>	<b>72.294.434</b>	<b>(7.105.465)</b>
<b>Fair value of financial instruments used for foreign exchange hedge</b>	<b>(6.682.174)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Hedges amount of foreign currency assets	-	-	-	-	-
Hedges amount of foreign currency liabilities	<b>416.561.446</b>	<b>81.126.615</b>	<b>(9.825.711)</b>	<b>-</b>	<b>-</b>

(\*) The amounts are denominated in the related currency.

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**NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**

**31 December 2018**

<b>Assets:</b>	<b>Total TL equivalent</b>	<b>US Dollars (*)</b>	<b>Euro (*)</b>	<b>Indonesian Rupiah (‘000) (*)</b>	<b>Other TL equivalent</b>
Trade receivables	354.474.654	11.958.251	39.506.350	147.130.912	-
Cash and cash equivalent	68.683.929	620.168	10.028.129	13.675.911	3.313
Other monetary receivables and assets	446.005	-	-	1.227.660	-
Other non- monetary receivables and assets	38.524.326	-	1.189	106.021.206	-
<b>Current assets</b>	<b>462.128.914</b>	<b>12.578.419</b>	<b>49.535.668</b>	<b>268.055.689</b>	<b>3.313</b>
Non-current asset held for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
<b>Non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets (a)</b>	<b>462.128.914</b>	<b>12.578.419</b>	<b>49.535.668</b>	<b>268.055.689</b>	<b>3.313</b>
<b>Liabilities:</b>					
Trade payables	98.069.916	6.988.548	6.715.150	42.484.920	5.659.507
Financial liabilities	768.791.823	13.761.912	108.789.218	111.782.930	-
Other monetary payable and liabilities	5.933.061	(4.922)	-	16.402.462	-
<b>Current liabilities</b>	<b>872.794.800</b>	<b>20.745.538</b>	<b>115.504.368</b>	<b>170.670.312</b>	<b>5.659.507</b>
Financial liabilities	311.549.161	57.778.025	-	20.877.554	-
Other monetary receivables and assets	-	-	-	-	-
<b>Non-current liabilities</b>	<b>311.549.161</b>	<b>57.778.025</b>	<b>-</b>	<b>20.877.554</b>	<b>-</b>
<b>Total liabilities (b)</b>	<b>1.184.343.960</b>	<b>78.523.563</b>	<b>115.504.367</b>	<b>191.547.866</b>	<b>5.659.507</b>
Off-balance sheet derivative assets (c)	734.820.350	71.500.000	59.500.000	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
<b>Net foreign currency asset /(liability) position</b>	<b>12.605.305</b>	<b>5.554.856</b>	<b>(6.468.700)</b>	<b>76.507.824</b>	<b>(5.656.194)</b>
<b>Fair value of financial instruments used for foreign Exchange hedge</b>	<b>3.089.485</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Hedges amount of foreign currency assets	-	-	-	-	-
Hedges amount of foreign currency liabilities	734.820.350	71.500.000	59.500.000	-	-

(\*) The amounts are denominated in the related currency.



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**NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**

TL conversion rates of the foreign currencies where the Group operates are as follows:

<b>Closing rates</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
US Dollars	5,9402	5,2609
Euro	6,6506	6,0280
Indonesian Rupiah (1000 units)	0,4273	0,3633
Brazilian Real	1,4737	1,3577
Thai Baht	0,1970	0,1621
Egyptian Pound	0,3711	0,2941

  

<b>Average rates</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
US Dollars	5,6708	4,8135
Euro	6,3477	5,6627
Indonesian Rupiah (1000 units)	0,4009	0,3381
Brazilian Real	1,4373	1,3172
Thai Baht	0,1826	0,1490
Egyptian Pound	0,3394	0,2705

Foreign currency position as at 31 December 2019 and 2018 in regard to the 10% changes in foreign currency rates is depicted in the table below:

	<b>Profit / (Loss)</b>		<b>Equity</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>31 December 2019</b>				
<b>Increase/(decrease) 10% of USD parity</b>				
1-US Dollar net asset / liability	10.421.640	(10.421.640)	120.933.325	(120.933.325)
2-Hedged portion of US Dollar amounts(-)	-	-	-	-
<b>3-Net effect of US Dollar (1+2)</b>	<b>10.421.640</b>	<b>(10.421.640)</b>	<b>120.933.325</b>	<b>(120.933.325)</b>
<b>Increase/(decrease) 10% of EUR parity</b>				
4-EUR net asset / liability	(7.156.331)	7.156.331	-	-
5-Hedged portion of EUR amounts(-)	-	-	-	-
<b>6-Net effect of EUR (4+5)</b>	<b>(7.156.331)</b>	<b>7.156.331</b>	<b>-</b>	<b>-</b>
<b>Increase/(decrease) 10% of other parities</b>				
7-Other foreign currency net asset / liability	2.378.752	(2.378.752)	-	-
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
<b>9-Net effect of other foreign currencies (7+8)</b>	<b>2.378.752</b>	<b>(2.378.752)</b>	<b>-</b>	<b>-</b>
<b>TOTAL (3+6+9)</b>	<b>5.644.061</b>	<b>(5.644.061)</b>	<b>120.933.325</b>	<b>(120.933.325)</b>

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	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>31 December 2018</b>				
<b>Increase/(decrease) 10% of USD parity</b>				
1-US Dollar net asset / liability	2.922.254	(2.922.254)	93.131.085	(93.131.085)
2-Hedged portion of US Dollar amounts(-)	-	-	-	-
<b>3-Net effect of US Dollar (1+2)</b>	<b>2.922.254</b>	<b>(2.922.254)</b>	<b>93.131.085</b>	<b>(93.131.085)</b>
<b>Increase/(decrease) 10% of EUR parity</b>				
4-EUR net asset / liability	(3.899.332)	3.899.332	-	-
5-Hedged portion of EUR amounts(-)	-	-	-	-
<b>6-Net effect of EUR (4+5)</b>	<b>(3.899.332)</b>	<b>3.899.332</b>	<b>-</b>	<b>-</b>
<b>Increase/(decrease) 10% of other parities</b>				
7-Other foreign currency net asset / liability	2.237.508	(2.237.508)	-	-
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
<b>9-Net effect of other foreign currencies (7+8)</b>	<b>2.237.508</b>	<b>(2.237.508)</b>	<b>-</b>	<b>-</b>
<b>TOTAL (3+6+9)</b>	<b>1.260.530</b>	<b>(1.260.530)</b>	<b>93.131.085</b>	<b>(93.131.085)</b>

	31 December 2019		31 December 2018	
	Original Amount	TL Equivalent	Original Amount	TL Equivalent
Euro	138.467.958	878.954.440	139.903.998	792.230.175
US Dollars	77.866.051	441.565.137	72.875.912	350.784.558
TL	-	-	8.976.860	8.976.860
<b>Total export</b>		<b>1.320.519.577</b>		<b>1.151.991.593</b>

Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. Group management covers these risks by limiting the aggregate risk from any individual counter party and if necessary by obtaining guarantee.

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**NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**

**(d) Credit risk (continued)**

Group uses internal credit control procedure, credit rating system and internal control policy for the credit risk management of receivables from customers. According to these procedures, Group approves, increases or decreases individual customer credit limits for high balanced customers (excluding related parties). The credit limits are set by taking into account the financial position, past payment performance, the position of trade relations, growth potential and management style of the customers. These limits are annually revised and letter of guarantees, mortgages and other guarantees are received for the high risk customers.

Disclosures on the credit quality of financial assets

As at 31 December 2019 and 2018, banks, where the cash and cash equivalents within the financial assets that are neither past due nor impaired are kept; mainly have high credit and parties in the trade receivables comprise of the customers/ related parties that are worked with for a long time and without significant collection problems.

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**NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**

31 December 2019	Receivables					Bank Deposits	
	Trade Receivables		Other Receivables		Derivatives	Bank Deposits	
	Related Party	Third Party	Related Party	Third Party		Related Party	Third Party
<b>As of reporting date, credit risk exposure (A+B+C+D) (**)</b>	<b>77.461.866</b>	<b>891.749.048</b>	-	-	<b>8.146.818</b>	<b>99.853.733</b>	<b>629.730.770</b>
- The part of maximum risk under guarantee with collateral	-	-	-	-	-	-	-
<b>A.</b> Net book value of financial assets that are neither past due nor impaired	77.461.866	803.102.942	-	-	-	99.853.733	629.730.770
<b>B.</b> Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	84.669.620	-	-	-	-	-
<b>C.</b> Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	3.976.486	-	-	-	-	-
- Impairment(-)	-	(3.976.486)	-	-	-	-	-
- The part under guarantee with collateral	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part under guarantee with collateral	-	-	-	-	-	-	-
<b>D.</b> Off-balance sheet items with credit risk	-	-	-	-	-	-	-

The Grup's credit risk has been shown at below:

(\*) Excludes taxes and other similar receivables.

(\*\*) Amounts are determined by excluding received guarantees during the assessment of credibility.

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**NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**

	Receivables					Bank Deposits	
	Trade Receivables		Other Receivables		Derivatives	Related Party	Third Party
31 December 2018	Related Party	Third Party	Related Party	Third Party			
<b>As of reporting date, credit risk exposure (A+B+C+D) (**)</b>	<b>68.899.704</b>	<b>760.775.239</b>	-	-	<b>2.678.327</b>	<b>60.667.973</b>	<b>67.795.108</b>
- The part of maximum risk under guarantee with collateral	-	-	-	-	-		
<b>A.</b> Net book value of financial assets that are neither past due nor impaired	68.899.704	711.536.725	-	-	-	60.667.973	67.795.108
<b>B.</b> Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	47.560.085	-	-	-	-	-
<b>C.</b> Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	1.678.429	-	-	-	-	-
- Impairment(-)	-	(1.678.429)	-	-	-	-	-
- The part under guarantee with collateral	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part under guarantee with collateral	-	-	-	-	-	-	-
<b>D.</b> Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(\*) Excludes taxes and other similar receivables.

(\*\*) Amounts are determined by excluding received guarantees during the assessment of credibility.

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**NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**

**(d) Credit risk (continued)**

The Group assumes that its receivables from the related parties including the ones which are overdue bear no risk of collection since it takes into account that such receivables are to be collected from the Group companies and that all of such receivables had been collected in the previous periods.

The Group did not make any provisions for doubtful receivables since the overdue receivables are to be collected from the corporate customers who did not delay any collections in the previous periods, and even if they delayed, eventually managed to pay their debts. In addition, when the maturity composition of the receivables which are not impaired are analyzed, it is seen that a little time longer than three months has passed since the maturity date of most of them.

The aging table of the Group's overdue but not impaired trade receivables including the due from related parties which takes into account the overdue terms is as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Less than 1 month	56.222.363	35.358.192
Between 1-3 months	22.770.619	10.198.485
Between 3-12 months	3.649.013	2.003.408
Up to 5 years	2.027.625	-
	<b>84.669.620</b>	<b>47.560.085</b>

**(e) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders 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.

Consistent with others in the industry, the group monitors capital on the basis of the debt/(total capital+net debt+non-controlling interest) ratio. Net debt is calculated as total borrowings (including borrowings as shown in the balance sheet) less cash and cash equivalents.

As at 31 December 2019 and 2018 net debt/(equity+net debt+non-controlling interest) ratio is:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Total financial liabilities	3.114.109.574	1.519.280.334
Cash and cash equivalents	(729.636.576)	(130.801.662)
Net debt	2.384.472.998	1.388.478.672
Equity	2.246.916.091	1.834.894.539
Non-controlling interest	572.642.516	504.019.429
Equity+net debt+non-controlling interest	5.204.031.605	3.727.392.640
Net debt/(Equity+non-controlling interest) ratio	46%	37%

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**NOTE 31 - FINANCIAL INSTRUMENTS**

***Fair value of financial instruments***

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Methodology and assumptions used for determining fair value of the financial instruments are as follows:

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group can realize in a current market exchange.

<b>31 December 2019</b>	<b>Financial assets at amortised cost</b>	<b>FVOCI</b>	<b>Financial liabilities at amortized cost</b>	<b>Derivative financial instruments</b>	<b>Carrying value (*)</b>	<b>Note</b>
<b>Financial assets</b>						
Cash and cash equivalents	729.636.576	-	-	-	729.636.576	5
Trade receivables	891.749.048	-	-	-	891.749.048	8
Receivables from related parties	77.461.866	-	-	-	77.461.866	28
Finansal yatırımlar	-	585.981	-	-	585.981	6
Derivative financial instruments	-	-	-	8.146.818	8.146.818	30
<b>Finansal yükümlülükler</b>						
Borrowings	-	-	3.029.126.061	-	3.029.126.061	7
Lease Liabilities	-	-	84.983.513	-	84.983.513	
Trade payables	-	-	608.284.186	-	608.284.186	8
Payables to related parties	-	-	12.103.105	-	12.103.105	28
Other financial liabilities (**)	-	-	42.283.219	-	42.283.219	9
Derivative financial instruments	-	-	-	14.828.992	14.828.992	30
<b>31 December 2018</b>						
<b>Financial assets</b>						
Cash and cash equivalents	130.801.662	-	-	-	130.801.662	5
Trade receivables	760.775.239	-	-	-	760.775.239	8
Receivables from related parties	68.899.704	-	-	-	68.899.704	28
Financial investments	-	528.396	-	-	528.396	6
Derivative financial instruments	-	-	-	2.678.327	2.678.327	30
<b>Financial liabilities</b>						
Borrowings	-	-	1.519.280.354	-	1.519.280.354	7
Trade payables	-	-	563.826.242	-	563.826.242	8
Payables to related parties	-	-	8.542.272	-	8.542.272	28
Other financial liabilities (**)	-	-	22.853.343	-	22.853.343	9

(\*) The Group believes that the carrying values of the financial instruments approximate their fair values.

(\*\*) Excludes tax and other legal receivables and payables.

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**NOTE 31 - FINANCIAL INSTRUMENTS (continued)**

***Monetary assets***

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates to TL, are considered to approximate carrying values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

***Monetary liabilities***

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Since, long term foreign currency loans generally have floating rate, fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 7).

***Fair value estimation***

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- First level: The fair value of financial assets and financial liabilities with quoted market prices.
- Second level: The fair value of financial assets and financial liabilities are determined with direct or indirect observable inputs for the assets or liabilities other than quoted prices in market.
- Third level: The fair value of financial assets and financial liabilities are determined with inputs for the assets and liabilities where observable market data cannot be determined.

Fair value hierarchy of financial assets and liabilities:

Certain financial assets and liabilities of the Group are accounted for their fair values on each balance sheet date in the financial statements. The table below is the detail on how the fair value of the financial assets and liabilities aforementioned are determined:

Financial assets / Financial liabilities	Fair Value		Fair value hierarchy	Valuation technique
	31 December 2019	31 December 2018		
Foreign currency forward/swap contracts	(6.682.174)	2.678.327	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties' credit risk.



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**NOTE 32 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

According to The Group's Board of Management decision numbered 2015/29 dated 31 December 2016, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. %51 of rates, would be classified as "Assets Held for Sale" in the balance sheet as of 31 December 2016. Hence, these companies were classified as "Assets Held for Sale" in preparation for financial tables in 31 December 2019 and 31 December 2018.

For the year ended 1 January- 31 December 2019 and 1 January- 31 December 2018, the result of the operating activities shown at below:

	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2019</b>
<b>Nile Kordsa</b>		
Revenue	-	-
Cost of sales	-	-
<b>Gross profit</b>	-	-
General and administrative expenses	-	-
Selling, marketing and distribution expenses	-	-
Research and development expenses	-	-
Other income from operating activities	-	22.778
Other expense from operating activities (*)	(152.057)	-
<b>Operating profit</b>	<b>(152.057)</b>	<b>22.778</b>
Gain from investing activities	-	-
Loss from investing activities	-	-
<b>Operating profit before finance costs</b>	<b>-</b>	<b>-</b>
Finance income	-	-
Finance costs	-	-
<b>Profit before tax from continuing operations</b>	<b>(152.057)</b>	<b>22.778</b>
Tax expense/income from continuing operations	-	-
<i>Current tax expense</i>	-	-
<i>Deferred tax benefit</i>	-	-
<b>Profit/ (Loss) for the period</b>	<b>(152.057)</b>	<b>22.778</b>

(\*) Refers to provision expenses which are related to impairment of property, plant and equipment of Nile Kordsa.

**NOTE 33 – EVENTS AFTER THE REPORTING PERIOD**

None.