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Our website has been renewed.



Kordsa corporate website:

www.kordsa.com



Kordsa blog: www.reinforcer.com

INSPIRED FROM LIFE WE REINFORCE LIFE

People are as rich as our happy moments and as strong as they can hold those moments together.

Knowing the value of those moments, we are trying to make them permanent.

In doing so, we are inspired by those unique moments in life.

With reinforcement technologies that we developed, we aim to create a better future for all our loved ones.

With innovative tire, construction and composite technologies, we imagine a sustainable future by reinforcing the vehicles and structures that carry to those unique moments.

We believe that we add value to life as we increase and share our competency.

That is why we are reinforcing life all over the world.

About Kordsa

KORDSA AT A GLANCE

FINANSAL PERFORMANCE

TL 3.95 BILLION ETURNOVER



58.8%
INCREASE IN TURNOVER

TL 621 MILLION EBITDA





83.1% INCREASE IN EBITDA

TL 339 MILLION NET PROFIT



DIGITALTRANSFORMATION

IN THE CONTEXT OF TÜSİAD'S DIGITAL TRANSFORMATION ACCELERATOR PROGRAM IN THE INDUSTRY, WE ARE WORKING WITH A START-UP COMPANY ON A PROJECT THAT AIMS TO PREVENT QUALITY ERRORS IN PRODUCTION BY EMPLOYING IMAGE PROCESSING TECHNOLOGIES.

WE AIM TO ACCELERATE PRODUCTION AND INNOVATION PROCESSES THROUGH IMPROVED PRODUCTION QUALITY, PRODUCTION WITH LESS ERROR AND SMART PRODUCTION SYSTEMS.



OCCUPATIONAL HEALTH & SAFETY AND ENVIRONMENT

PLANTS IN 4 CONTINENTS - ISO 14001: 2015 CERTIFIED

SAFETY EXPERIENCE CENTERS AIM
"ZERO WORK-RELATED ACCIDENTS",
"ZERO QUALITY DEFECTS", "ZERO
BREAKDOWNS" AND "HAPPY EMPLOYEES"



R&D

2 R&D CENTERS

729 PATENT APPLICATIONS

179 REGISTERED PATENTS

181 INVENTIONS

USD 64 MILLION
REVENUES GENERATED BY NEW
PRODUCTS

2% R&D EXPENDITURE
OF NEARLY 2% OF THE
TURNOVER





TALENT MANAGEMENT

4,500 REINFORCERS

35.6 MAN/HOUR TRAINING

3 YEARS IN A ROW
GREAT PLACE TO WORK AWARD IN
BRAZIL

2 YEARS IN A ROW
BEST EMPLOYEE AWARD IN INDONESIA



OPEN INNOVATION



- ECO-FRIENDLY DIPPING SOLUTION: KORDSA-CONTINENTAL COLLABORATION
- POLYNSPIRE PROJECT 22 PARTNERS FROM 11 COUNTRIES - TO DEMONSTRATE A SET OF INNOVATIVE, COST-EFFECTIVE AND SUSTAINABLE SOLUTIONS FOR EFFICIENT PLASTIC RECYCLING
- DICOMI PROJECT 11 PARTNERS FROM 8 COUNTRIES
 3D PRINTING OF COMPOSITE MATERIALS
- PRODUCTION OF COMPOSITES REPAIRING MATERIALS WITH THE ADDITION OF NANO-MATERIALS FOR THE AEROSPACE INDUSTRY. SUPPORTED BY GERMANY'S FEDERAL MINISTRY OF EDUCATION AND RESEARCH AND THE SCIENTIFIC AND TECHNOLOGICAL RESEARCH COUNCIL OF TURKEY (TUBITAK).

About Kordsa

KORDSA IN BRIEF

AUTOMOTIVES

INDUSTRY

TIRE-REINFORCEMENT **TECHNOLOGIES YARNS NEXT-GENERATION SINGLE-END CORD CORD FABRIC FABRICS** CONSTRUCTION **RUBBER PRODUCTS PASSENGER VEHICLES EQUIPMENT** HOSES **AVIATION HEAVY-DUTY VEHICLES BELTS**

LIGHT COMMERCIAL

VEHICLES

AGRICULTURAL

EQUIPMENT

COMPOSITE REINFORCEMENT

CONSTRUCTION REINFORCEMENT **TECHNOLOGIES**







INDUSTRIAL FABRICS



MACRO & MICRO-**FIBERS**



RUBBER PRODUCTS



AEROSPACE



INFRASTRUCTURE



HOSES



AUTOMOTIVE



SUPERSTRUCTURES



BELTS



RAIL SYSTEMS



MARITIME



TUNNELS

About Kordsa

STRATEGY HOUSE



Pillar Initiatives

Operating Excellence

- Competitive Cost
- Product and Service Quality Leadership
- Lean and Agile Processes and Teams

Growth in Tire Industry

- Profitable Growth for Tire Industry
- New Products for High Performing Tires

Growth in Adjacent Industries

- Reinforcements for Composites Industry
- Reinforcements for Construction Industry
- Fibers for Alternative/ Adjacent Industries

Foundations

Our Values

SHE

Ethics

Customer Focused Open Minded Results Driven Global Collaboration Continuous Improvement

MISSION-VISION-VALUES

VISION

MISSION

AGILE KORDSA IN HIGH VALUE
BUSINESSES FOR SUSTAINABLE GROWTH

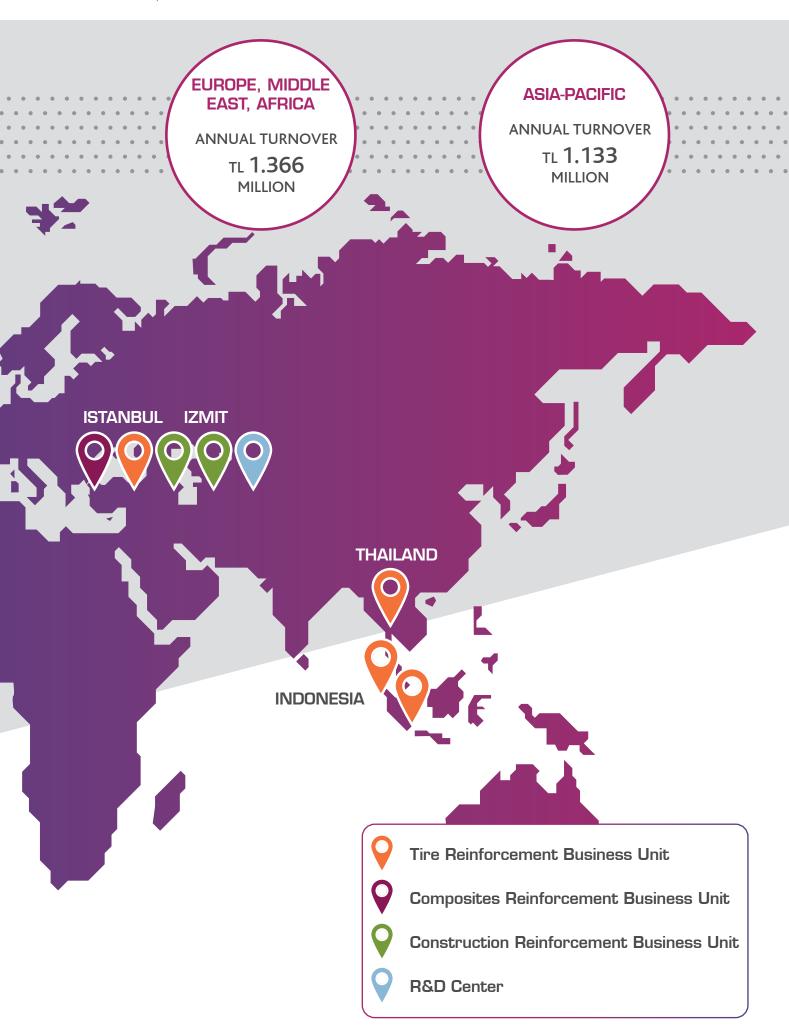
TO DELIVER HIGH VALUE-ADDED REINFORCEMENT SOLUTIONS, GLOBALLY.

VALUES

- SAFETY, HEALTH AND ENVIRONMENT: WE BELIEVE THAT ALL OCCUPATIONAL AND ENVIRONMENTAL ACCIDENTS MAY BE PREVENTED. OUR TARGET IS TO CREATE A 100% ACCIDENT-FREE AND SAFE WORK ENVIRONMENT AND TO PRODUCE 0% WASTE.
- COMMITMENT TO ETHICAL VALUES: WE
 ARE 100% COMMITTED TO OUR ETHICAL
 VALUES CONDUCTING OUR RELATIONSHIPS
 WITH OUR EMPLOYEES, SHAREHOLDERS,
 CLIENTS, SUPPLIERS, BUSINESS PARTNERS,
 COMPETITORS, ENVIRONMENT AND SOCIETY.
- CUSTOMER FOCUSED: WE GROW TOGETHER WITH OUR CUSTOMERS WHO PREFER US AS THEIR STRATEGIC TECHNOLOGY PARTNER AND WE OFFER THEM INNOVATIVE, ACCURATE AND CUSTOM MADE SOLUTIONS.
- OPEN MINDED: INNOVATION IS IN OUR GENES. WE CONTINUOUSLY DEVELOP NEW PRODUCTS, TECHNOLOGIES AND PROCESSES THROUGH OUR MORE THAN 40 YEARS OF EXPERIENCE.

- RESULTS DRIVEN: AS THE LEADER OF GLOBAL NYLON 6.6 MARKET AND A COMPANY CONTINUOUSLY CREATING VALUE FOR ITS SHAREHOLDERS, WE PROVIDE OUR CUSTOMERS WITH THE HIGHEST QUALITY SERVICES. OUR TECHNOLOGIES REINFORCE ONE CAR TIRE OUT OF EVERY THREE, ONE PLANE TIRE OUT OF EVERY TWO.
- GLOBAL COLLABORATION: WE RETRIEVE OUR POWER FROM GLOBAL COOPERATION BENEFITING FROM BENCHMARKS OF OUR FACTORIES SPANNING GLOBALLY.
- CONTINUOUS IMPROVEMENT: WE CONTINUOUSLY ENHANCE ALL OUR PROCESSES WITHIN OUR ORGANIZATION THROUGH OUR CUSTOMER FOCUSED APPROACH AND TOTAL QUALITY MANAGEMENT.





In 2018

KORDSA in 2018

Kordsa included in the "Technical Industry R&D Personnel Training Program"

In keeping with its vision of fostering an interest in technology, innovation, R&D, and engineering among young people, Kordsa gave a training to students under the Uludağ University Career Center's "Technical Industry R&D Personnel Training Program".



Kordsa embarks upon its third year in the BIST Sustainability Index with improved environmental rating

Having improved its environmental performance rating in the BIST Sustainability Index, Kordsa is once again among the top 50 companies with the best corporate sustainability performance. Publishing its fourth sustainability report of its environmental, social, and economic impact this year, Kordsa has thus also embarked upon its third year in the BIST Sustainability Index.

Kordsa shows off fast-curing resin technology that offers superior visual quality.

Kordsa, leading the industry with its innovative technologies, has developed a next-generation resin technology that reduces curing time. Known as "CM14", this new resin technology achieves superior visual quality by eliminating water spot and white-spot problems.



Kordsa takes part in yet another EU-funded Horizon 2020 project

Kordsa has been included in a new project under the European Union's "Horizon 2020" R&D and innovation program. The company is one of twenty-two project partners taking part in the PolynSPIRE project under the EU Horizon 2020 program, which was initiated in order to strengthen research and technology-development capabilities, encourage university-industry collaboration, and develop cooperation in a variety of areas. The goal of this project is to demonstrate "innovative technologies towards a more efficient and sustainable plastic recycling".



Kordsa once again is one of Indonesia's Top 100

Kordsa has been listed again among the top 100 fastest-

FastestGrowing Companies



In 2018

KORDSA in 2018



Kordsa is honored with "Best Internship Practices" award

Kordsa once again demonstrated the importance it gives to the "future reinforcers" by becoming the recipient of the "Best Internship Practices" award handed out by Brazil's Instituto Euvaldo Lodi. This was the third year in a row that the company was so honored. Believing that today's interns are tomorrow's professionals, Kordsa's internship program focuses not just on trainees' acquiring technical knowledge but also on making that process integral to a genuine career-building experience.

Kordsa picks up "Export Champion" award

Kordsa became the recipient of yet another award recognizing its contributions to Turkey's foreign trade and national economy. Kordsa received an award in the "Textiles" category at the TiM 25th General Meeting and Export Champions Award ceremony conducted by the Turkish Exporters Assembly (TiM).

League of American Communications Professional "Platinum" award for Kordsa's Sustainability Report

Kordsa's 2016 sustainability report picked up the "Platinum" award at the 2018 round of Inspire Awards handed out by the League of American Communications Professional (LACP). The LACP jury praised the initial impression given by the report as well as its overall narrative, visual design, creativity, message clarity, and perceived relevance. The Kordsa Sustainability Report earned a total of 99 points out of a maximum 100 and ranked 21st among the top-100 global corporate publications considered by LACP.

Kordsa Sustainability Report is granted Platinum Award

by League of American Communication Professionals.



Kordsa holds press conference about the company's composites investment in US

A Kordsa press conference concerning the company's composites investment in the United States was attended by representatives of industry and economics publications. Speaking at the meeting, Kordsa CEO Ali Çalışkan noted that reinforcing every 2 out of 3 aircraft tires globally, the company would now be reinforcing wings, hulls, engines and interiors of the aircrafts as well.



Kordsa Leaders reinforce the future once again

Kordsa's reinforcers have finished renovating yet another school in Kocaeli. Seeking to reinforce the local community in every country where it has operations, Kordsa continues to reinforce the future by renovating their schools.



YTU (Yıldız Technical University) Racing team competes in Formula SAE Italy with a vehicle reinforced by Kordsa

One of the university projects that Kordsa sponsors in its efforts to foster an interest in technology, innovation, R&D, and engineering among young people, the YTU Racing Team achieved great success at Formula SAE Italy, a student design competition. With composite materials provided by Kordsa, the YTU team placed among the top twenty entrants in a field of sixty.



Kordsa shows off vehicle-lightening composite technologies at Michelin Movin'On conference

Kordsa was invited to take part as a speaker, for the Movin'On conference. The conference is a continuation of the Michelin Challenge Bibendum, a sustainable mobility event that Michelin has been conducting for more than two decades. During its presentation, Kordsa stressed the importance of vehicle weight-reduction in making transportation more efficient and sustainable.



Kordsa is one of Brazil's best employer brands for the third year in a row

Adhering to a management model that encourages employee development and engagement in order to perpetuate sustainable business success, Kordsa has consistently numbered among Brazil's best employers for the last three years. In the results of the country's "Great Place To Work" survey, the company has ranked in the upper echelons for the last three years, once again demonstrating that Kordsa regards human resources as its greatest assets and views people as more than providers of labor.



In 2018

KORDSA in 2018

Tire Technology Fair Kordsa participated the Tire Technology 2018 fair held in Hannover on 20-22 February. Kordsa also took part in a technical conference during which it introduced a new eco-friendly adhesive technology with the potential to revolutionize the tire-manufacturing industry.

Kordsa composites technologies at Composites Europe

Kordsa attended the Composites Europe 2018 fair, one of the most important composites industry gatherings, which took place in Stuttgart on 6-8 November. Besides its technologies developed for automotive industry, Kordsa also took the opportunity to show off the products of Fabric Development Inc, Textile Products Inc, and Advanced Honeycomb Technologies, three companies that make goods for the aerospace industry.

Kordsa shows off its innovative synthetic fiber, KraTos at Road2Tunnel

A global player in tire and construction reinforcement as well as composites technology markets, Kordsa showed off KraTos, its innovative, high-tech concrete reinforcement synthetic fiber product, to construction industry professionals at the 3rd edition of Road2Tunnel, the International Roads, Bridges, and Tunnels Fair.



JEC World 2018

Continuing to pursue its own growth and development in composites technologies, Kordsa took part in JEC World 2018, the global industry's biggest international gathering, where it showed off the products and new technologies that are expanding its role as a reinforcement leader. As a member of the JEC Innovation Awards jury that hands out prizes for innovative ideas and products that have a meaningful impact on the sector, Kordsa CEO Ali Çalışkan took part in the judging of thirty impressive project submissions that had been made in ten different categories





Kordsa at the Global Entrepreneurship Congress

Kordsa was among sponsors of the 2018 gathering of the Global Entrepreneurship Congress, one of the global entrepreneurship ecosystem's most important summits. Taking part in the "Fourth Industrial Revolution" panel as a speaker, Kordsa underlined company's global collaborations and technologies which had been inspired by its strong commitment to innovation.



Kordsa All Stars awards for the 12th time

"Kordsa All Stars" is an award program that Kordsa has been operating at the global level since 2006 to acknowledge each year's highest-performing facilities, most effective projects, and employees who contribute the most to the company's success. The winners of the 2018 round of the program received their citations at a ceremony which took place at Kordsa's İzmit plant on April 20th and which was broadcast live to other Kordsa operations around the world.

Kordsa shows off its aerospace industry products at CAMX 2018

Kordsa attened CAMX 2018, which took place in Dallas on 16-18 October, with products for the aerospace industry. The company took part in this gathering of the world's composites and advanced materials communities through companies which it acquired in 2018 and which serve as strategic suppliers for some of the world's leading aerospaceindustry names.

FABRIC DEVELOPMENT INC.

TEXTILE PRODUCTS INC.



Kordsa and Arzu Kaprol redefine "The Good Life" at the Sustainable Brands 2018 conference

The theme of 2018's Sustainable Brands conference held at the Fairmont Quasar in İstanbul on 18-19 April was "Redefining the good life". Kordsa was represented by Murat Oğuz Arcan in the "Designing the Future with Technology" panel discussion which was held as part of the Sustainable Brands 2018 gathering. Also taking part in the discussion were Arzu Kaprol, a well-known fashion designer, and moderator Demet Cengiz, a journalist and author. Noting that the eco-friendly technologies that Kordsa creates in order to reinforce life, also redefine life and contribute to a more sustainable future for the world, Mr Arcan showed how Kordsa is redesigning mobility through the materials which it produces as a technology-advancing company.

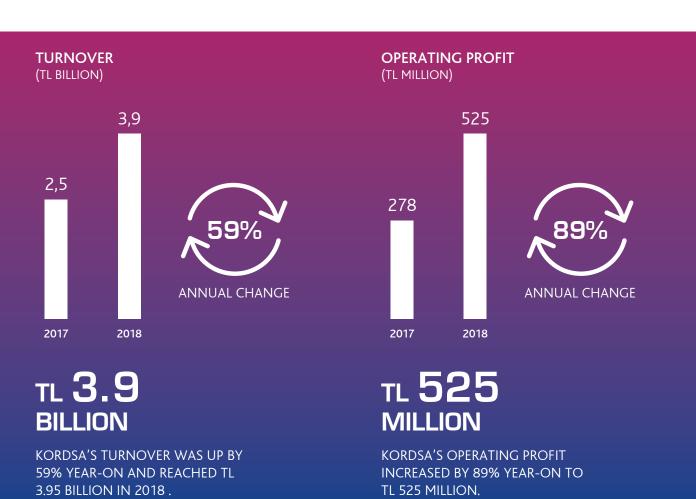


In 2018

KEY FINANCIAL HIGHLIGHTS

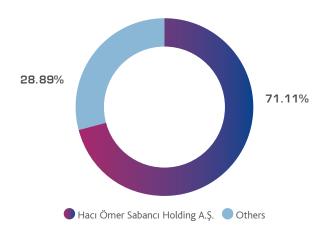
FINANCIAL INDICATORS (TL MILLION)	2017	2018
Turnover	2,485	3,947
Gross Profit	449	794
Operating Profit	278	525
Earnings per Share	8.49	15.03
Hisse Başına Temettü Oranı (Brüt) (%)	29.642	34.383
Net Debt	617	1,388
Shareholders' Equity	1.648	2.338

SUMMARY RATIOS	2017	2018
Gross Profit Margin	18.10%	20.10%
Operating Profit Margin	11.20%	13.30%
Net Profit Margin	8.50%	8.60%
Return on Assets	7.60%	8.00%



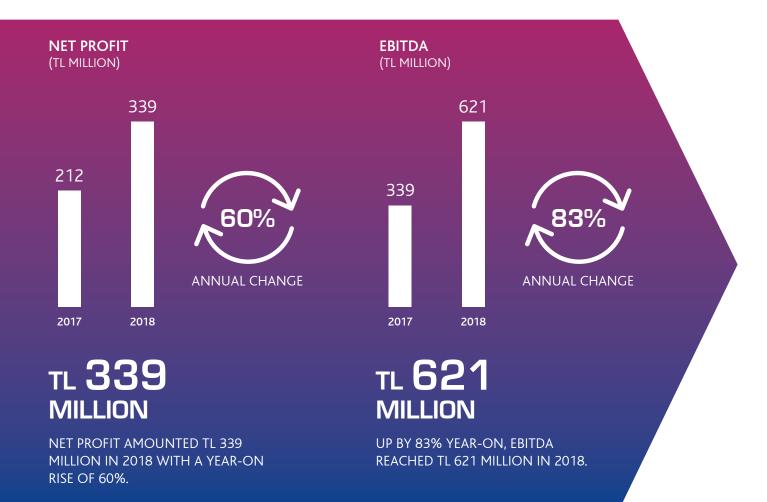
SHAREHOLDER STRUCTURE

SHAREHOLDERS	NUMBER OF SHARES	SHARE RATIO (%)	NOMINAL SHARE AMOUNT (TL) (1 SHARE 0.01 TL)
Hacı Ömer Sabancı Holding A.Ş.	13,832,761,401	71.11%	138,327,614,01
Others	5,620,146,199	28.89%	56,201,461,99
Total	19,452,907,600	100.00%	194,529,076,00



STRONG CAPITAL STRUCTURE

A SUBSIDIARY OF SABANCI HOLDING, ONE OF TURKEY'S LEADING CONGLOMERATES, KORDSA'S 28.89% SHARES ARE TRADED ON BORSA İSTANBUL UNDER THE KORDS TICKER SYMBOL.





In 2018

SABANCI GROUP IN BRIEF

Hacı Ömer Sabancı Holding A.Ş., one of Turkey's leading conglomerates, is the parent company and manages the Sabancı Group's companies with a strategic portfolio approach. Turkey's rapidly growing sectors including banking, insurance, energy, cement, retail and industrials are the main business areas of Sabancı Group. Sabancı Group companies are market leaders in their respective sectors.

Sabanci Group companies currently operate in 13 countries and market their products in regions across Europe, Middle East, Asia, North Africa, North and South America. Sabanci Group, thanks to its reputation, brand image, strong joint ventures, extensive experience and know-how about the Turkish market, has fostered its core businesses that also become an important force contributing to the development of Turkish economy.

Sabancı Holding's multinational business partners include prominent companies such as Ageas, Aviva, Bridgestone, Carrefour, E.ON, Heidelberg Cement, Marubeni and Philip Morris.

TURKEY'S RAPIDLY GROWING SECTORS INCLUDING BANKING, INSURANCE, ENERGY, CEMENT, RETAIL AND INDUSTRIALS ARE THE MAIN BUSINESS AREAS OF SABANCI GROUP.

COMPANIES OPERATING IN 13 COUNTRIES

SABANCI GROUP COMPANIES CURRENTLY OPERATE IN 13 COUNTRIES AND MARKET THEIR PRODUCTS IN REGIONS ACROSS EUROPE, MIDDLE EAST, ASIA, NORTH AFRICA, NORTH AND SOUTH AMERICA.

In 2018, the combined revenue of Sabancı Holding was TL 88 billion with consolidated net income TL 3.8 billion.

Aside from Sabancı Holding shares being listed on Borsa İstanbul (BIST), Sabancı Holding has controlling shares in 12 companies that are also listed on BIST. The number of listed companies was 11 in 2017 and rose to 12 after Enerjisa Enerji's initial public offering (IPO), a process that began during the year and was finalized in February 2018 through equal share sales of E.ON and Sabancı Holding jointly. The Enerjisa Enerji public offering, oversubscribed by 4.8 times, broke record as Turkey's largest private sector IPO ever in terms of TL.

The Sabancı Family is collectively Sabancı Holding's majority shareholder with 53.9% ownership of the share capital. 42.8% of Sabancı Holding's shares are publicly traded.

In 2018

CHAIRMAN'S MESSAGE

WHILE GEARING UP ON THE
ONE HAND TO TRANSFORM THE
TIRE INDUSTRY THROUGH THE
TECHNOLOGIES THAT WE DEVELOP,
ON THE OTHER WE ARE ALSO
STRIVING TO REINFORCE OUR
PRESENCE IN AEROSPACE INDUSTRY
WITH OUR INNOVATIVE COMPOSITE
MATERIALS.



CENK ALPER
CHAIRMAN

Esteemed investors and valued business partners and employees:

The global economy has been tested severely of late and 2018 was a particularly challenging year indeed in many respects. Noting the debilitating effects of trade disputes between two of the world's biggest economies—China and the US—the IMF and OECD both lowered their 2019 global growth projections owing to such reasons as loss of momentum among the world's leading economies.

For Kordsa, 2018 was a year in which the company leveraged itself through investments and by expanding its reinforcement areas as well as continuing to "Reinforce Life". As a member of the Sabancı Holding Industry Group, we at Kordsa strive to make Turkey an international technology base with our business core based on technology. We are aware that value-adding, sustainable growth is only possible if we create a technological difference. In our R&D centers we are working on the development of more productive and sustainable technologies that will distinguish us in our industry and redefine its standards.

Looking at the point that the digital transformation has reached in the transportation industry, which is of close concern to Kordsa, we see that the concepts of "smart cities" and "mobility" have become the most current of issues. We continue our efforts to develop reinforcement technologies that will make mobility more sustainable. Recognizing that efficient and sustainable mobility requires lighter vehicles, in tire reinforcement technologies we are making reinforcement materials that save fuel consumption by reducing rolling resistance. In composite technologies, we are seeking to reduce fuel consumption by making vehicles lighter.

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While gearing up on the one hand to transform the tire industry through the technologies that we develop, on the other we are also striving to reinforce our presence in aerospace industry with our innovative composite materials. Our goal is to double Kordsa's existing worldwide presence through our investments in composites. While pursuing organic growth through R&D and technology investments in the composite materials, we are also exploiting inorganic growth opportunities at the global level as well. Having added three companies in composite materials to our portfolio in 2018 in line with our inorganic growth targets, we recently took steps to acquire another US-based composites firm as well. In an effort to leave behind long approval processes in aircraft parts and space vehicles, we set out to acquire Axiom Materials, a licensed aerospace industry supplier. Through this acquisition we will be shaping the course of advanced composites technologies not only for the aerospace industry but also for next-generation vehicles. We will be adding new chapters to our story of success through new investments that will position us among the aerospace industry's leading players.

With 45 years now behind, Kordsa also initiates Industry 4.0 practices in keeping with Sabancı Holding's "Sabancı of New Generation" vision. For the last ten years, Kordsa has been focusing its R&D efforts especially on automation, data-collection, data-security, and sensor technologies. It has successfully launched the last through strategic business partnerships and has begun deploying them in all of its plants. While striving to bring about the factories of the future on the one hand, Kordsa is also redefining production quality through its smart manufacturing systems on the other.

I sincerely believe that, in the period ahead, we will continue to work and seek to do better with the same determination, effort, and sense of responsibility while also contributing to the communities and industries in which we operate. Engaging with all of our stakeholders we will continue to reinforce life by developing technologies that are capable of safeguarding, proliferating, and ensuring the continuity of the moments that give meaning to life.

To our business partners, to our customers, to our shareholders, and to every Kordsa reinforcer joining in our journey, I say "Thank you for having confidence in Kordsa's exciting adventure." Continuing to focus on technology and innovation with your support in the period ahead as well, I am infinitely confident of our ability to undertake and carry out many more successful and valuable projects.

CREATE A SECOND KORDSA

OUR GOAL IS TO DOUBLE KORDSA'S EXISTING WORLDWIDE PRESENCE THROUGH OUR INVESTMENTS IN COMPOSITES.

CENK ALPER

In 2018

BOARD OF DIRECTORS



CENK ALPER Chairman

Cenk Alper received his BSc and MSc degrees in Mechanical Engineering at Middle East Technical University, in 1991 and 1994 respectively and completed his MBA at Sabancı University in 2002. Starting his career as Process Engineer at Beksa in 1996, he worked Bekaert' overseas organizations at different managerial positions between 2000 and 2007. Mr. Alper, who joined Kordsa Global in 2007, worked as Global Technology Director, Vice President of Technology and Market Development and Vice President in charge of operations. On June 17th 2013, he was appointed as the CEO of Kordsa Global. Mr. Alper was appointed as the Sabancı Holding Industry Group President on April 1st 2017.



MEHMET YILDIZ Deputy Chairperson

Professor Dr. Mehmet Yildiz is the Vice President for Research and Development at Sabanci University. Born in Diyarbakir in 1972, and received his primary, secondary and high school education in Eregli/Zonguldak, Turkey, he completed his undergraduate education in 1996 with the first rank in Metallurgical and Materials Engineering Department at Yıldız Technical University and received his MSc. degree also from Metallurgical and Materials Engineering department at Istanbul Technical University in 2000. Between 1996-2000, he worked in two different companies as an R&D engineer and a project manager in the fields of welding and nondestructive testing. He obtained his Ph.D. degree in 2005 from Mechanical Engineering Department at the University of Victoria, BC, Canada in the fields of computational fluid dynamics and semiconductor single crystal growth and then worked as a research associate and lecturer in the same department until 2007. In 2007, he joined Sabancı University, Faculty of Engineering Natural Sciences as a faculty member in Materials Science and Engineering Program and since 2013, has been leading the effort of establishing Sabanci University-Integrated Manufacturing Technologies Research and Application Center and its industrial leg, Composite Technologies Center of Excellence with Kordsa. Currently, he is serving as the founding director of these centers. He sits in the R&D advisory board of Kastamonu Entegre. He contributed to the establishment of Manufacturing Engineering graduate program at Sabanci University. Dr. Yildiz's areas of expertise include advanced composite materials, nanocomposites, structural health monitoring and computational mechanics. He published more than 85 SCI indexed high impact factor journals, 8 book chapters, prepared and presented over 135 conference papers and graduated more than 28 MSc. and Ph.D. students.



HAKAN TİMUR Member

Hakan Timur graduated from Istanbul University, Department of Economics in English and holds a Masters' degree from Sabancı University's Energy and Technology Management Program. Beginning his professional career in 1997 at Marsa-Kraft Foods International, Mr. Timur continued his career in Sabancı Group as Food Group Human Resources Manager, Sabancı Holding Human Resources Manager, Global Human Resources Director at Kordsa Global, Deputy General Manager of Human Resources at Akçansa, and Mr. Timur served in managing organizational climate and culture development, change management, and strategic human resources processes as well as corporate communications management, purchasing and business excellence activities at Enerjisa. Mr. Timur participated in the development programs of Sabancı Holding "Talent Pool" between 1998 and 2000, and Sabancı Leadership Team (SALT) in 2009. Timur has been serving as the Human Resources Group President since February 1, 2018 at Hacı Ömer Sabancı Holding A.Ş. Timur also serves as Board Member of Kordsa Teknik Tekstil A.Ş., Afyon Çimento Sanayi T.A.Ş., Avivasa Emeklilik ve Hayat A.Ş., Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. and Teknosa İç ve Dış Ticaret A.Ş.



VECİH YILMAZ Member

Vecih Yılmaz graduated from Middle East Technical University, Department of Business Administration and also holds a degree in Political Science and Public Administration from the same university. He received his master degree from Galatasaray University in financial economics. Yılmaz started his career as an auditor at Deloitte in 2005. Between 2009 and 2013, he worked at Sabancı Holding in reporting, financial planning & analysis and investor relations. Between 2013 and 2015, he worked as Financial Controller and Risk Manager at Enerjisa. Joining Kibar Group in 2015 he worked as CFO at Assan Panel and as Deputy CFO at Kibar Holding. Yılmaz rejoined Sabancı Holding as Finance Director in 2017; he is also a Board member of Kordsa and Yünsa. Yılmaz has CPA certificate and also holds Capital Markets Advanced Level, Independent Auditor, Credit Rating and Corporate Governance Rating licenses.



SEMİHA YAŞAR Independent Member

Semiha Yaşar received her BSc and MSc degree and Middle East Technical University, Department of Mechanical Engineering. Starting her professional life in 1984 at Aselsan as Mechanical Design Engineer, she served as a consultant at Republic of Turkey, Ministry of State (1987-1990). Joining FNSS (FNSS Defense Systems) at 1990 as a Senior Engineer, Ms. Yaşar served as Engineering and R&D Supervisor (1994-2007), Project Manager (2007-2009), Development Programs Director (2009-2014) and Product Engineering and R&D Director (2014-2015). She held Vice President position at BMC Otomotiv between 2016-2018. Ms. Yaşar founded Sempro Consultancy and Engineering in 2015 and continues to hold her position.



MEHMET SAMİ Independent Member

Mehmet Sami, has 30 years of experience after his studies in BA (Hons) Economics from Kingston University and MSc in Business Systems & Analysis from City University, London. Within the 30 years, Mr Sami has gained deal origination and execution experience in corporate finance and capital markets areas via establishing related business divisions, strategic alliances and offices in New York and Dubai. Between 1987 - 1990 he has undertaken numerous consultancy assignments in marketing and research studies. Since 1990, he has undertaken various Turkish privatization, valuation and advisory projects, advised foreign and domestic clients in mergers & acquisitions and large international joint ventures in Turkey. Part of this work was via Ata Invest, where during 1994, he founded Investment Banking, Research and Institutional Trading divisions that became one of the largest independent firm in Turkey. (Clients served include; GE Capital, News Corp., Arcelor, Privatization Agency, JBIC, IFC, Trade Partners UK, AIG, Dubai Holding, Emirates Bank NBD). Between 1996-2012, Mr Sami has initiated and executed many Private Equity deals as an Advisor and during 2000 has raised Turkey's first Private Equity Fund with AIG Capital, during the life of the Fund, Mr. Sami was a member of the Fund's Investment Committee. After nearly 19 years at Ata Invest, moved to Deloitte Corporate Finance to become the Lead M&A and Debt Advisory Partner in 2012 and served on the Deloitte Global M&A ExCo. After 27 years of professional life, Mr Sami has founded his consulting and advisory practice in 2015 where Mr Sami advises International banks, IFIs, multinationals and local corporates. Besides serving on the Board of Turkish Corporate Governance Association, he has become the Founding Member of Board Members Association and is restructuring - establishing corporate governance standards in numerous firms while serving as an Independent Director.

In 2018

CEO'S MESSAGE

IN KEEPING WITH OUR MISSION TO "REINFORCE LIFE", WE GREW STRONGER IN OUR OPERATIONAL TERRITORIES AND WE DEEPENED OUR OPERATIONAL CAPABILITIES THROUGH NEW INVESTMENTS AND INNOVATIONS.



ALİ ÇALIŞKAN CEO

Esteemed investors and valued business partners and employees:

Kordsa continued to be one of the driving forces of the Turkish economy in 2018, a year in which we also took important steps towards developing our technology and growing our exports in order to enlarge our global market footprint thanks to your valuable support and contributions,. In keeping with our mission to "Reinforce Life", we grew stronger in our operational territories and we deepened our operational capabilities through new investments and innovations.

We completed 2018 having achieved the growth targets that we had set and we are advancing along our path of creating a second Kordsa through the investments that we undertake and the technologies that we develop.

In 2018 Kordsa's total sales revenue was up by 58.8% and reached TL 3.95 billion; its current profit grew by 59.5% and rose to TL 339 million; its operational profit increased by 89.2% and amounted to TL 525 million.

We have just completed a good year in which we grew in all three lines of business and impacted favorably on the global market through our technological developments. In composite technologies, we acquired three firms-Fabric Development, Textile Products, and Advanced Honeycomb Technologies—which number among the strategic suppliers serving the top brands in the world's commercial aviation industry, with an investment of USD 100 million. Through these acquisitions we have strengthened our position among the foremost players in the aerospace industry insofar as composites technologies are concerned. In keeping with our goal of entrenching ourselves among aerospace industry suppliers through strategic investments in composites in the US, we have signed a definitve agreement to acquire about a 96% stake in Axiom Materials, a company worth USD 181 million that supplies composite materials to the aerospace industry and for next-generation vehicles. In tire reinforcement technologies, we initiated two strategic investments in 2016 with an investment of USD 30 million in order to respond to changing market dynamics. In January 2018 we commissioned a polyester cord manufacturing line in Indonesia and we plan to commission our İzmit line in the first half of 2019, which In tire reinforcement technologies, we completed 2018 with positive growth thanks to insightful





pricing strategies and a solid market position despite higher-than-anticipated nylon and polyester raw material price increases. In both the nylon 6.6 market, which grew by 2.5% year-on, and in the polyester market, which similarly grew by 3.5%, we increased our market shares to 28% and 11% respectively, In construction reinforcement technologies, we are continuing to expand our product line with new and unique products which provide high-performance advantages. We commissioned the polypropylene monofilament line at our İzmit plant in 2018.

Our tire and composites R&D centers serve as a technology hub to our steadily-expanding patent portfolio. While our first İzmit-based R&D center continues to work on tire and construction reinforcement technologies, our R&D operations at the Composites Technologies Center of Excellence are concentrating on composites technologies. As of end-2018, we had 729 patent applications, 181 inventions and 179 patent approvals. Revenues generated by our new products amounted to USD 64 million in value last year.

We are passionate about developing technologies and about the ways in which these technologies can transform industries and enable new business models to emerge. Being positioned as a strategic technology partner by the biggest tire manufacturers, we embrace an open innovation mindset that accelerates the pace of R&D in order to access technology quickly and make it available for everyone to use. We are seeking to transform the industry with the eco-friendly adhesive technology, developed jointly with Continental, which contains neither resorcinol nor formaldehyde. We make this eco-friendly technology accessible to the entire industry under a free licensing agreement in order to replace the existing formula which have been used for over 80 years.

At the Composites Technologies Center of Excellence, which leads the way in university-industry collaboration, we are developing visual and structural composite materials for especially the automotive and aerospace industries that will allow them to build stronger and lighter vehicles. At our R&D center in this facility, we developed a resin technology that reduces curing time and increases efficiency in the automotives industry. Known as "CM14", this next-generation resin technology achieves superior visual quality by eliminating water-spot and white-spot problems. Formulated especially to achieve a high quality carbon look,

this new resin technology makes it possible to use preimpregnated composite materials in automotives industry mass production applications. Our production facilities at the Composites Technologies Center of Excellence were also awarded AS9100 certification attesting to their compliance with the Aviation, Space, and Defense Industry Quality and Risk Management Standard.

Let me take this opportunity to thank all of our employees, business partners, customers, and shareholders for their contributions towards the successful results that we achieved in 2018.

As Kordsa, the goal of our mission to "Reinforce Life" has always been to safeguard the happy and special moments in people's lives and to proliferate and make them sustainable. In 2019 we will continue to "reinforce life by being inspired from life". In all of our business lines we will continue to author value-adding innovations and technologies that make every moment of our lives safe, privileged and unique.

Alvelort,

ALİ ÇALIŞKAN CEO

STRATEGIC INVESTMENTS

IN COMPOSITE TECHNOLOGIES, WE ACQUIRED THREE FIRMS—FABRIC DEVELOPMENT, TEXTILE PRODUCTS, AND ADVANCED HONEYCOMB TECHNOLOGIES—WHICH NUMBER AMONG THE STRATEGIC SUPPLIERS SERVING THE TOP BRANDS IN THE WORLD'S COMMERCIAL AVIATION INDUSTRY, WITH AN INVESTMENT OF USD 100 MILLION.

In 2018

EXECUTIVE MANAGEMENT



ALİ ÇALIŞKAN CEO

Ali Çalışkan received his BSc degree from Middle East Technical University, Department of Mechanical Engineering in 1983. He started his professional career as project engineer in 1984. He joined Kordsa in 1986 as technical office engineer. Following the establishment of Dusa (Sabanci-Dupont joint venture) in 1987, he was transferred to Dusa as project engineer. Starting from 1989, he assumed managerial roles in polymer production, yarn production, engineering maintenance and support, project and production departments of Dusa and Kordsa Turkey. He served as Operations Director of Kordsa Turkey (2005-2009) and Operations Director of Kordsa Turkey & Nilekordsa (2009-2010). He held the position of Operations Director of Indo Kordsa and Indo Kordsa Polyester between 2010-2013. He served as the Vice President, Operations (2013-2015) and Chief Operating Officer - Europe, Middle East, Africa (2015-2017). Mr. Çalışkan has been the CEO since April 2017.



İBRAHİM ÖZGÜR YILDIRIM Chief Operating Officer - EMEA

ibrahim Özgür Yıldırım received his BSc degree from Middle East Technical University, Department of Chemical Engineering and his MBA degree from Sabancı University in 1993 and 2005 respectively. He started his professional career at Rafine Chemicals in 1994 and worked in different manufacturing companies. Between 1998 and 2007, he served in Sakosa as technical engineer and production engineer. Appointed as Technical Manager at Kordsa Turkey in 2007, Mr. Yıldırım served as New Product Development Manager (2008-2009), New Product and Process Development Director (2009-2011) and Technology Development Director (2011-2013). He was appointed as Chief Technology Officer in 2013 and worked as Chief Technology Officer and Composites Business Unit Leader from 2015 to 2017. Between 2017-2018, he was Chief Technology Officer, Chief Operating Officer – South America and Composites Business Unit Leader. Mr. Yıldırım has been Chief Operating Officer, EMEA since July 2018.



VOLKAN ÖZKAN Chief Financial Officer

Volkan Özkan graduated from Istanbul Technical University, Department of Business Engineering in 1999. Starting his professional career at JICA in 2001 as project assistant, he joined Kordsa in 2003 and served as financial affairs specialist between 2003 and 2009. He was the Finance Manager (2009-2011), Global Finance Manager (2011-2014) and Finance Director of P. IndoKordsa Tbk (2014-2017). Mr. Özkan has been the Chief Financial Officer since October 2017.



MURAT OĞUZ ARCAN

Chief Operating Officer - Composites, Construction and Business Development

He graduated from Bilkent University Business Administration Department in 1993 and completed E-MBA Program at Koç University in 2004. Starting his professional career at Tofaş as Strategic Planning and Management Development Expert in 1996, Mr. Arcan assigned as Foreign Trade and Contract Manager in 2000. As one of the Co-Founders of Hexagon Consulting Turkey, he assumed CEO role between 2005-2013 and led to establishment Of Turkish National Nanotechnology Initiative and Turkish Wind Energy Technology Platform as well. In January 2014, he assumed Senior Business Associate role in Pera EEMEA; providing consultancy to Erdemir Group as of September 2014. In 2015, he joined Kordsa as Business Development Director. Between 2015-2018, he served as Business and Market Development Director and Construction Business Unit Leader. Mr. Arcan has been Chief Operating Officer - Composites, Construction and Business Development since July 2018.



MEHMET ZEKİ KANADIKIRIK Chief Operating Officer – Asia Pacific

Mehmet Zeki Kanadıkırık received his BSc degree from Middle East Technical University, Department of Mechanical Engineering in 1986. Starting his professional life in Çukurova İthalat in 1987, he worked at Brisa between 1988-1994, at Lubrekip between 1995-1998, at Kordsa between 1998-2003 and at Tekstil Servis between 2003-2006. Following his appointment as Production Manager at Kordsa Turkey in 2006, he served as Manufacturing Director of Kordsa Turkey (2009-2010) and Operations Director, Thai Indo Kordsa (2010-2015). Mr. Kanadıkırık has been the Chief Operating Officer, Asia Pacific since July 2015.

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ABDULKADİR TOPLU

Chief Operating Officer - North & South America

Abdülkadir Toplu received his BSc degree from Middle East Technical University, Department of Mechanical Engineering in 1993. Starting his professional life at Insa in 1995, he joined Kordsa as mechanical engineer in 1996. He served as production manager in yarn production line-2 (2003-2005), production manager at yarn production line-1 (2005-2006) and production manager in PET production (2006-2009). In 2009, Mr. Toplu was appointed as Operations Director, Kordsa Brasil. He and since January 2012 he has been working as Operations Director, Interkordsa. He was the Operations Director of Interkordsa and Kordsa Turkey between 2012-2015. Serving as Global Supply Chain Director from 2015 to 2017, he was Chief Operating Officer - Europe, Middle East, Africa (EMEA) between 2017-2018. Mr. Toplu has been the Chief Operating Officer - North and South America since July 2018.



UFUK UZEL

Global Supply Chain Director

Ufuk Uzel received his BSc degree from Istanbul Technical University, Department of Mechanical Engineering in 1997. He also received his MSc degree at Istanbul Technical University, Department of Mechanical Engineering and MBA degree at Sabanci University in 2000 and 2003 respectively. Starting his professional career at Beksa in 1998 as sales engineer, Mr. Uzel joined Kordsa as sales specialist in 2003. He served as Business Development Coordinator (2005-2007), EMEA Sales Manager, Global Account Manager-Continenal, Sales Director, EMEA (2007-2015). He expatriated as PLV and Asia Pacific Sales Director between 2015-2017. Mr. Uzel has been Global Supply Chain Director since July 2017.



VAHE HANAMIRIAN

Global Accounts and Market Development Director

Vahe Hanamirian graduated from Istanbul British High School and studied Mathematics at Stuttgart University. He joined Kordsa as Marketing Specialist in 1987 and he served as Marketing Manager at Sakosa between 1999-2005. He rejoined Kordsa in 2005 as Sales Manager and was appointed as Marketing & Sales Director in 2008. He served as Sales Director, EMEA (2010-2012), Market Development Director (2012-2014), Global Marketing Director (2014-2015) and Global Accounts and Marketing Director (2015-2018). Mr. Hanamirian has been been Global Accounts and Market Development Director since July 2018.



NAZAN KESKİN

Global Human Resources and IT Director

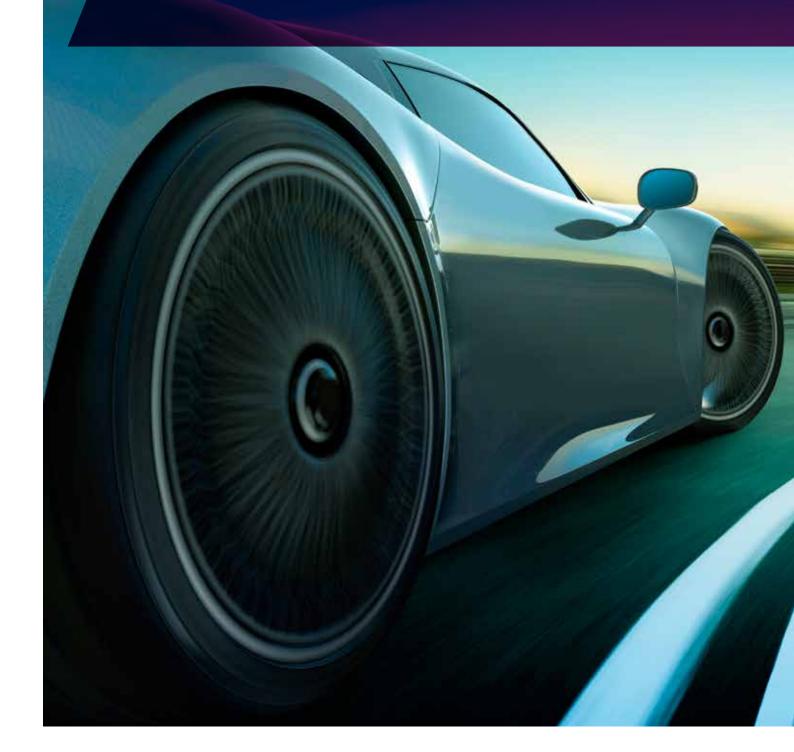
Keskin graduated from Business Administration Department from Hacettepe University. She started her professional life in 1989 at Dusa. Following the establishment of Sakosa in 1997, she was transferred to Sakosa as Human Resources Specialist. She was served as Human Resources Manager at Sakosa (2004-2005), Human Resources and Industrial Relations Manager at Kordsa (2005-2011), Human Resources and Industrial Relations Director at Kordsa (2011-2015), Human Resources and Information Technologies Director (2015-2016) and Global Human Resources Director. Mrs. Keskin has been Director of Global Human Resources and Information Technologies since October 2017.



DEVRİM ÖZYADIN Global Technology Director

Devrim Özaydın received his BSc degree from Middle East Technical University, Department of Chemical Engineering Department in 1996. He also completed Turquality Development Program in Sabancı University in 2011. Starting his professional career in Depa Pharmaceutical Active Materials as Planning Engineer in 1998, Mr. Özaydın worked in Dupont Performance Coatings from 1999 to 2000. Joining Kordsa Yarn Technical Engineer in 2000, he served as Line2 Yarn Production Manager (2005-2009), Line 1 yarn Production Manager (2009-2010), Yarn Production Plant Manager (2010-2011) and Yarn Production Director (2011-2014). He expatriated as Kordsa Brazil Manufacturing Director (2014-2015) and Thai Indo Kordsa Operations Director (2015-2018). Mr. Özaydın has been appointed as Global Technology Director since July 2018.

A STRATEGIC BUSINESS PARTNER FOR MAJOR TIREMAKERS



ITS VAST KNOWLEDGE AND EXPERIENCE IN REINFORCEMENT TECHNOLOGIES, ITS STATURE THE INDUSTRY LEADER, R&D, AN **OPEN-INNOVATION APPROACH HAVE** POSITIONED KORDSA AS A STRATEGIC BUSINESS PARTNER OF THE WORLD'S **BIGGEST TIREMAKERS.**



In 2018

TIRE REINFORCEMENT TECHNOLOGIES



SUSTAINABLE

KORDSA SEEKS TO CREATE SUSTAINABLE VALUE BY PROVIDING ITS CUSTOMERS, EMPLOYEES, SHAREHOLDERS, AND THE COMMUNITIES IN WHICH IT LIVES WITH INNOVATIVE AND HIGH ADDED-VALUE REINFORCEMENT SOLUTIONS.

In high-tech factories that come up with advanced tire reinforcement solutions, Kordsa manufactures cord fabric and single-end cord from nylon 6.6, HMLS, and polyester yarns and nylon 6.6, HMLS, and polyester rayon and aramid yarns that give vehicle tires superior flexibility and durability. R&D, an open-innovation approach, and strategic insights about the tire-reinforcement industry over the course of more than four decades of operation have positioned Kordsa as a strategic business partner of the world's biggest tiremakers.

Kordsa reinforces one out of every three motor vehicle tires and two out of every three aircraft tires globally. Thanks to its strong global footprint, its stature as a technology leader, and its reinforcement technology experience, Kordsa is known throughout the world as "The Reinforcer".

Kordsa is the leading manufacturer of nylon cord fabric and polyester cord fabric in Europe, the Middle East, and Africa and is also the second biggest manufacturer of nylon cord fabric and polyester cord fabric in the Asia-Pacific market. Besides being the only producer of polyester and cord fabric in South America, Kordsa is the leading nylon cord fabric manufacturer in North America.

In keeping both with its mission of developing tire reinforcement technology products that are better and more sustainable for future generations and with its "Reinforcer" reputation, Kordsa has been working on adhesives formulas that contain neither resorcinol nor formaldehyde since 2008. As one of the biggest proponents of the "open innovation" concept, Kordsa has combined its deep knowledge, experience, and expertise in this area with that of Continental, one of the most important players in the tire-manufacturing industry. Within the framework of this joint effort, Kordsa worked on the chemicals formula

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MARKET LEADER

KORDSA IS THE LEADING MANUFACTURER OF NYLON CORD FABRIC AND POLYESTER CORD FABRIC IN EUROPE, THE MIDDLE EAST, AND AFRICA.

used to dip tire cord fabric while Continental developed the technology needed to put this formula to practical use. The result of these efforts is an eco-friendly alternative to the resorcinol and formaldehyde-based formula which tiremakers have been using for over eighty years. In order to make this invention a new standard for the whole industry, Kordsa and Continental will be making it accessible to everyone under a free licensing agreement.

By virtue of its vast knowledge and experience in reinforcement technologies, its strong focus on R&D, its culture of open innovation, and its strategic approaches in the tire reinforcement industry, Kordsa is the industry's technology leader today. Carrying out its operations across a broad region of the world from the Americas to the Pacific, Kordsa seeks to create sustainable value by providing its customers, employees, shareholders, and the communities in which it lives with innovative and high added-value reinforcement solutions.

YARNS

One of the leaders of the nylon 6.6 and HMLS polyester yarn market, Kordsa has a portfolio of yarns that are suitable for use in such applications as cord fabrics, air cushion fabrics, heavy-duty textiles, carpets, industrial fabrics, chafer fabrics, single-end cords, safety belts, ropes, and riggings.

CORD FABRIC

At its high-tech plants, cord fabrics produced from nylon 6.6, HMLS polyester, rayon, and aramid yarns are manufactured by Kordsa according to customers' exact specifications for use in the making of high-performance vehicle tires that have superior safety and durability features.

SINGLE-END CORD

Single-end cord is used mainly in synthetic yarns such as nylon, polyester, aramid, and rayon for applications that demand quality that is higher than normal industry standards. The manufacture of products produced according to customers' exact specifications takes place under the supervision of advanced quality control systems. Kordsamade single-end cord products are supplied to the world's leading makers of high-performance tires.



SUSTAINABLE PRODUCTS

KORDSA ALSO DEMONSTRATES ITS INDUSTRY LEADERSHIP AND ENVIRONMENTAL CONCERNS THROUGH THE DEVELOPMENT OF MORE ECOFRIENDLY AND SUSTAINABLE PRODUCTS.

Capmax®

A Kordsa registered trademark, Capmax® is a ready-to-use tape designed to replace existing calendared cap ply strips in tires, thereby making it possible to use less rubber. Besides saving on manufacturing costs, Capmax®-clad tires has the lower rolling resistance; thus, consumes less fuel.

Capmax® is intended for light vehicles which are equipped with tires that currently use calendared cap ply strips.

Because Capmax® can be introduced to existing tire-manufacturing processes without the need for additional investment, Kordsa's strategic focus is on local tire-manufacturers in developing and growing markets such as those of India and China where considerable progress has already been made in positioning and commercializing the product.

Twixtra®

Hybrid cord solutions

Cords that are made from twisting two or more different fibers together are known as "hybrid cords".

Twixtra®, a registered Kordsa trademark, is the name under which a group of hybrid cord products are commercially marketed to industrial users.

While steady growth in the worldwide demand for high-speed performance tires has been nourishing interest in and demand for Twixtra® products, Kordsa has also begun supplying these products to developing-country tiremanufacturers, who are becoming increasingly more aware of the products' practical benefits.

Monolyx[®]

Robust protection

Monolyx® is a registered Kordsa trademark and the name of a protective cladding developed by the company for use in radial tires fitted to trucks that need to operate under off-road conditions. Field trials have demonstrated that Monolyx®-clad tires are 46% less prone to punctures caused by the impact of stones in truck tires. As a tire cladding, Monolyx® is also highly robust and resists corrosion. Because it has only one-seventh the weight of a steel cord with the same volume, Monolyx® also offers significant cost advantages. Steel-belted radial tires clad with Monolyx® also have longer useful lifetimes because of the way that the material protects the steel elements.



RF-FREE DIPPING TECHNOLOGY

(RF-Free Dipping Technology)

Kordsa also demonstrates its industry leadership and environmental concerns through the development of more eco-friendly and sustainable products. One example of this approach is a new dipping solution developed by the company that contains neither resorcinol (R) or formaldehyde (F). Widely regarded as a truly revolutionary advance in the tire-manufacturing industry, cord fabric products dipped in this solution are further bolstering Kordsa's reputation as an industry trailblazer.

The results of tests carried out on tires show that normally-dipped cord yarns and RF-free dipped cord yarns perform equally well. Besides the environmental and health benefits of RF-free dipping technology, by introducing this new product, Kordsa is ready to respond not only to the tire-manufacturing industry's need to comply with impending new regulations but also to customers' expectations.

Kordsa SA164 TECHNICAL NYLON

Kordsa is rapidly expanding its experience in industrial yarns into other domains of technical textiles as well. Working with some of Europe's as well as Turkey's leading carpet, fabric, protective textile, net & rope, and staple fiber & flock manufacturers on the subject of high-strength and abrasion-resistant polyamide 66 fibers with different molecular structures, the company is steadily increasing the diversity of its product portfolio.

Kordsa NYLON 6.6 PRODUCTS

Kordsa T728 Yarn: T728 Polymer: PA66 Kordsa T802

T802 cord fabric is used mainly in aircraft tire reinforcement. Kordsa is the leader in this market.

Product highlights

- Weight reduction
- · Superior workability
- · Longer life
- · Improved safety
- · Higher load capacity

Applications

- Cap ply materials for passenger and light commercial vehicles
- · Carcass. breaker materials

Kordsa T728 SEC

Kordsa T728 SEC is a specially-designed multifilament PA66 yarn suitable for advanced industrial solutions. It has superior mechanical yarn quality with advanced physical properties. Although T-728 is used mainly in the manufacture of modular tires, it may also be used in hoses, air springs, and V belts, etc.





In 2018

COMPOSITE REINFORCEMENT TECHNOLOGIES



NEW TECHNOLOGY

THE NEW RESIN TECHNOLOGY ACHIEVES SUPERIOR VISUAL QUALITY BY ELIMINATING WATER-SPOT AND "WHITE-SPOT" PROBLEMS.

Taking advantage of composites technologies, Kordsa develops innovative and unique intermediary products and applications for use in the aerospace, automotive, sport, maritime, and other industrial applications.

As a one-stop solution partner, Kordsa provides computeraided engineering and design, analysis, materials library, prototyping, and similar services to customers while also developing fabrics and resins for them. Thanks to its state-ofthe-art equipment, competent personnel, and weaving and dipping technology experience, Kordsa's short delivery times and high-quality products means that it is able to satisfy the needs of composites manufacturers.

AN OPEN INNOVATION HUB IN THE **EMEA REGION**

Kordsa's product facilities for Europe, the Middle East, and Africa are located in the Composites Technologies Center of Excellence, which is a joint undertaking of the Kordsa and Sabancı University. Manufacturing thermoset prepregs for the aerospace, automotive, sport, and maritime as well as industrial applications. Kordsa's flexible production competencies set it apart from its competitors while its ability to weave its own fabrics gives it a much broader product line. Kordsa's manufacturing facility at Composites Technologies Center of Excellence has been awarded AS9100 certification.

Serving as an open innovation base and hosting Kordsa's second R&D center, the Composites Technologies Center of Excellence brings designers, engineers, production managers, doctoral candidates, post-doctoral researchers, university faculty members, and entrepreneurs together under a single roof. This ecosystem based on the collaborative efforts of its inhabitants taking part in every stage of research and development is what allows Kordsa to provide its customers with bespoke services that embrace everything from basic research to prototyping and even mass production.



As an output of such R&D efforts, Kordsa developed a resin technology (called "CM14") for use in the automotive industry that achieves superior visual quality by eliminating water-spot and "white-spot" problems. Developed by Kordsa and formulated especially to achieve a cosmetic-grade carbon look, this new resin technology makes it possible to achieve an advanced level of visual quality in automotives industry mass production applications.

REINFORCING KORDSA'S POSITION IN NORTH AMERICA

Kordsa's progress as a business has reached a new level with brand-new investments that will make it a global player in the world's aerospace industry.

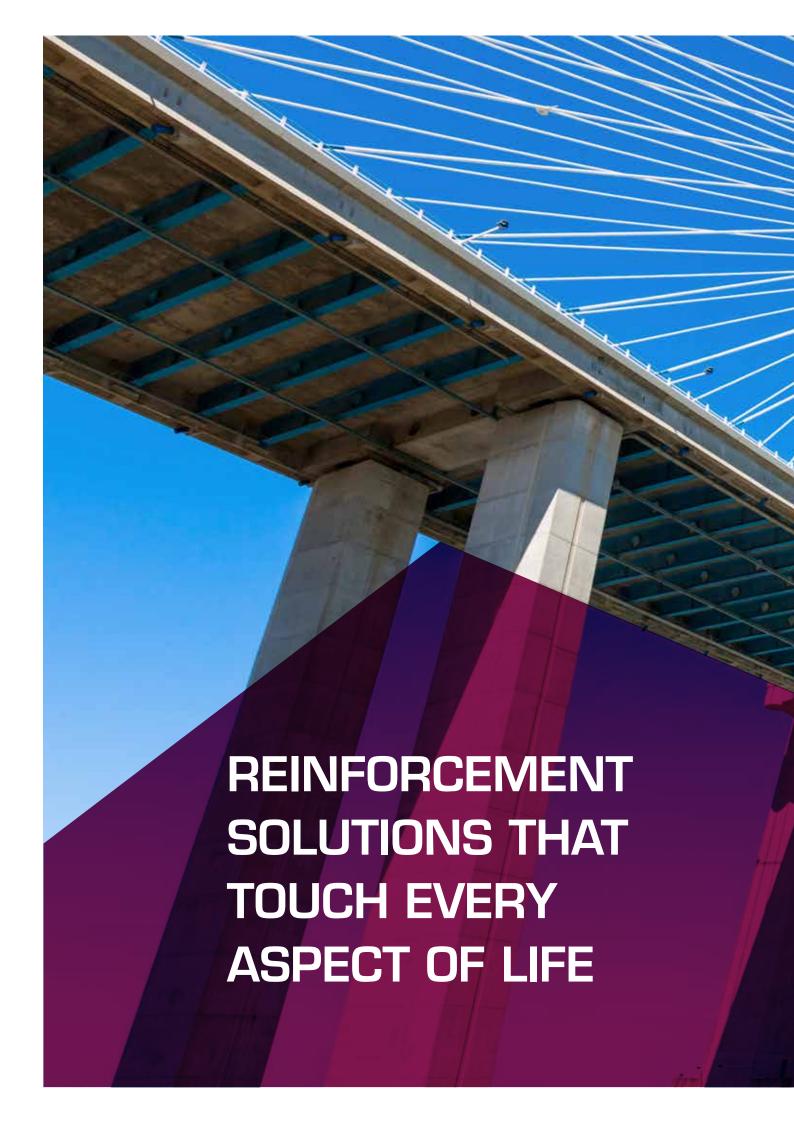
In parallel with its strategy of increasing its global market share and expanding its product line, Kordsa has acquired three major players in the world's composites industry: Textile Products, Fabric Development, and Advanced Honeycomb Technologies. Textile Products leads the industry in the development of a variety of weaving techniques including ways to manufacture fabrics from yarns that are fragile and difficult to work with. Fabric Development produces more than 2,000 varieties of fabric in a wide range of widths thicknesses, and styles. This company has extensive experience in working with high-performance fibers, creating complex multidimensional shapes, understanding sophisticated fiber systems, and producing high-performance materials. Textile Products and Fabric Development both

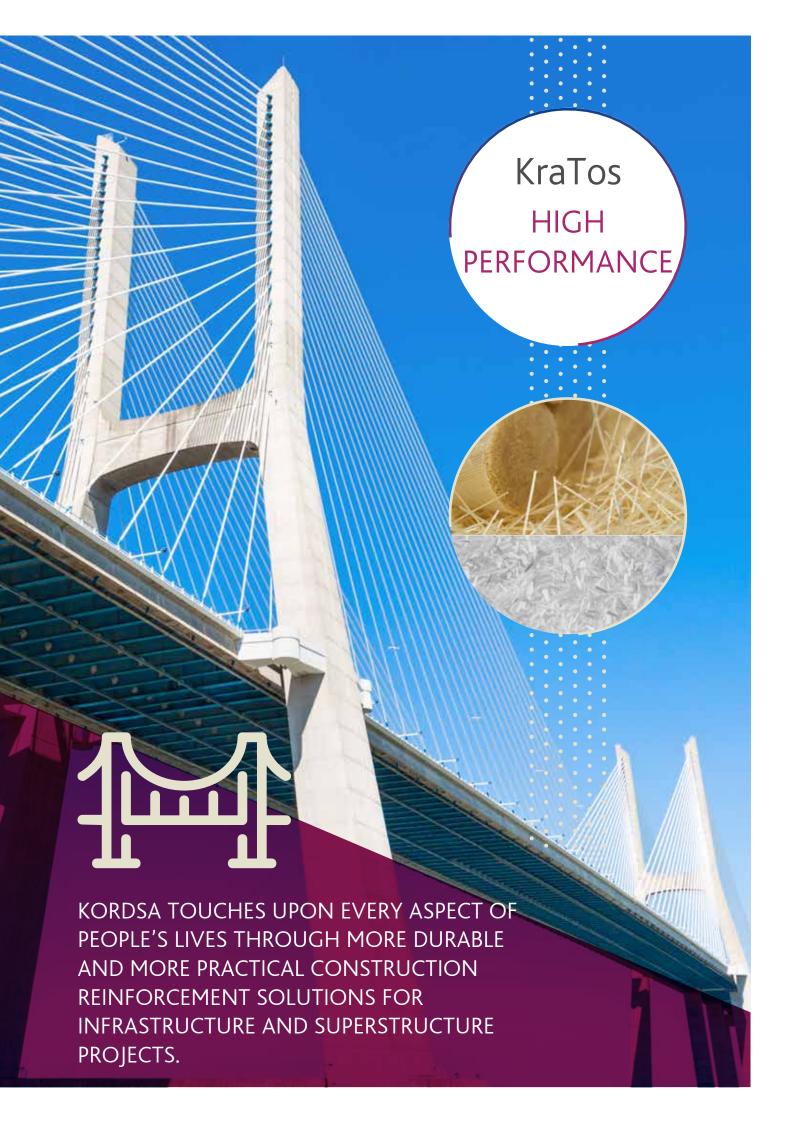
COMPETENCIES

KORDSA'S FLEXIBLE PRODUCTION COMPETENCIES SET IT APART FROM ITS COMPETITORS WHILE ITS ABILITY TO WEAVE ITS OWN FABRICS GIVES IT A MUCH BROADER PRODUCT LINE.

supply advanced composite fabrics to America's aerospace industry. The third acquisition, Advanced Honeycomb Technologies, manufactures a wide range of Nomex and Kraft honeycomb products mainly for the aerospace industry. With these new investments, Kordsa has taken a big step in strengthening its presence in the North American market.

Already reinforcing two out of every three aircraft tires and one out of every three automobile tires that are made today, Kordsa's US acquisitions mean that henceforth the company will also be reinforcing aircraft wings, hulls, engines, and interiors as well.





In 2018

CONSTRUCTION REINFORCEMENT TECHNOLOGIES



PREFERRED

KRATOS IS AN ADVANCED CONCRETE
REINFORCEMENT SYNTHETIC FIBER SOLUTION
WHOSE SUPERIOR APPLICABILITY AND
PERFORMANCE FEATURES MAKE IT THE PREFERRED
CHOICE IN NUMEROUS HIGH-PROFILE PROJECTS.

Kordsa touches upon every aspect of people's lives through more durable and more practical construction reinforcement solutions for infrastructure and superstructure projects. In keeping with its mission to reinforce life, the company seeks to create sustainable value by providing high-added-value, innovative solutions for customers, employees, stakeholders, and the community of which it is a part.

As a leading company of its industry that comes up with efficiency-enhancing, eco-friendly, and revolutionary new tire reinforcement and composites technologies, Kordsa also gives attention to innovating construction reinforcement technologies as well. Kordsa has been distinguishing itself

in the construction-industry market since 2014 with trailblazing KraTos macro- and micro-synthetic fibers for concrete-reinforcement applications for construction projects that provide ease of use, speed, labor savings, increased equipment and energy efficiency, superior concrete toughness, long-lasting durability, and low carbon emissions. KraTos is an advanced concrete reinforcement synthetic fiber solution whose superior applicability and performance features make it the preferred choice in numerous high-profile projects.

Thanks to its corrosion-resistant polymer formula, KraTos Macro is a concrete reinforcement technology that helps extend the long-term life of concrete while also providing superior performance, labor, and cost advantages. Similarly because it resists corrosion and does not conduct electricity, KraTos Macro reinforced concrete achieves sustainably higher performance and durability in projects where



electromagnetic safety and corrosion resistance are required. KraTos Micro on the other hand is an effective solution-provider whose superior performance characteristics, ease of use, homogeneous dispersion, and crack-bridging features distinguish it from other products on the market. Because of all of their convenience and performance advantages, KraTos Macro and KraTos Micro are preferred in a wide range of building industry applications from industrial concrete slabs to screed, from high-capacity rail pads to runway and portfolio applications, and from shotcrete to tunnel cladding and prefabricated building elements.

Kordsa recently commissioned a polypropylene monofilament fiber manufacturing line as well. This new line produces polypropylene monofilament fiber for use in a new version of KraTos for use as an innovative synthetic-fiber concrete reinforcement product. In addition to its superior sustainability and performance advantages, this new addition to the KraTos lineup is targeted especially for use in infrastructure projects owing to the cost benefits that its more precise admixturing makes possible.

Kordsa's innovative technologies have also won the company numerous national and international prestigious awards. Pleased to have continued to strengthen its position as "The Reinforcer", Kordsa will continue its efforts to realize its vision of making everyday life more livable, more convenient, and more secure for ourselves and our loved ones.

NEW INVESTMENT

KORDSA'S NEW POLYPROPYLENE MONOFILAMENT FIBER MANUFACTURING LINE BECAME OPERATIONAL IN 2018.

In 2018

RESEARCH AND DEVELOPMENT

Having made the concepts of "innovation" and "excellence" touchstones of its corporate culture, Kordsa engages in materials, process, and equipment research and development activities which not only make more efficient production possible but which also enable the company to offer customers more competitive and innovative products. Owing to the government investment incentives certificates that its R&D center has been awarded, Kordsa's R&D operations are annually audited by ministry-appointed experts and commissions. Since its inception, the center has passed each and every one of these audits successfully.

Kordsa has two R&D centers in the areas of tire reinforcement and composites technologies, the first oneopened in 2008. Through the research and development activities that it carries out at its center in İzmit, Kordsa develops new products, processes, and technologies for the industries in which it has operations as well as for neighboring sectors and potential markets. In addition to this first İzmit R&D center, which explores tire and construction reinforcement technologies and applications for both the Turkish and the global markets, Kordsa also has a second R&D center which has been awarded a ministry license and which investigates composite reinforcement technologies. This second R&D center is located in the Composites Technologies Center of Excellence, which combines production, innovation, and R&D operations under a single roof and which is a joint undertaking of Kordsa and Sabancı University. The Composites Technologies Center of Excellence is an integrated ecosystem in which designers, production engineers, production process managers and personnel, doctoral candidates, postdoctoral researchers, faculty members, and incubators and entrepreneurs all work together. As one of the foremost proponents of open innovation in Turkey, Kordsa is a pioneer of universityindustry collaboration.

EXPLORING TECHNOLOGIES

THE İZMIT R&D CENTER EXPLORES TIRE AND CONSTRUCTION REINFORCEMENT TECHNOLOGIES AND APPLICATIONS FOR BOTH THE TURKISH AND THE GLOBAL MARKETS.



Working together with many different universities and research organizations both in Turkey and abroad, Kordsa engages in joint projects in which specialists in their respective disciplines take part. In keeping with its mission of developing tire reinforcement technology products that are better and more sustainable for future generations as well owing to its "Reinforcer" reputation, Kordsa has been working on eco-friendly adhesive formulas that contain neither resorcinol nor formaldehyde since 2008. Likewise in keeping with its open innovation approach, Kordsa's goal is to make this eco-friendly formula the standard adhesive used by the tire-reinforcement materials industry. As an outcome of its open innovation approach, Kordsa is licensing this technology for others to use free of charge. Kordsa has been included in a new project under the European Union's "Horizon 2020" R&D and innovation program. The company is one of twenty-two partners taking part in PolynSPIRE, a four-year project which is receiving a total of EUR 8 million in funding support and whose goal is to demonstrate "innovative technologies towards a more efficient and sustainable plastic recycling".



One of the best-equipped composite materials laboratories in Turkey today, the Composites Technologies Center of Excellence's R&D center enables Kordsa not only to develop products but also to engage in the mass-production of prepregs, fabrics, and panels for the composites industry. It was also at this center that Kordsa developed a resin technology that speeds up manufacturing and improves productivity in the automotives industry. Known as "CM14", this new resin technology achieves superior visual quality by eliminating water-spot and "white-spot" problems. Formulated especially to achieve a cosmetic-grade carbon look, this new resin technology makes it possible to use preimpregnated composite materials in automotives industry mass production applications. Another endeavor that has been initiated at the Composites Technologies Excellence Center by Kordsa and Sabancı University with EU support is the Directional Composites Through Manufacturing Innovation (DiCoMi) project. This project will be exploring issues related to the development of systems, software, and materials needed to manufacture composite materials using 3D printing technology. This two-year projectwill make it possible for Turkish and international researchers and experts to interact and work together in EU-member and associate countries. Part of the EU's Horizon 2020 program, the DiCoMi project is being carried out by sixteen project partners from eleven countries.

At its two R&D centers, Kordsa employs a team of about 100 people to explore and develop the reinforcement technologies of the future. In the twelve months to end-2018, Kordsa's patent portfolio had reached 729 patent applications. Kordsa currently has 179 registered patents to its name. Kordsa's new products and more than seven hundred patents are intellectual property assets that burnish the company's reputation as a technology leader in the tire, construction, and composite materials reinforcement markets. The company's new-product sales were worth around USD 64 million in 2018.

R&D and innovation are two cornerstones of Kordsa's corporate culture. Keeping its eye on both market conditions and customer needs when making its R&D investment decisions, Kordsa will continue to strengthen its position as an R&D and innovation leader and to maintain that leadership in all of the business lines in which it is active.

THE BEST-EQUIPPED

THE COMPOSITES TECHNOLOGIES CENTER OF EXCELLENCE'S R&D CENTER IS ONE OF THE BEST-EQUIPPED COMPOSITE MATERIALS LABORATORIES IN TURKEY TODAY.

In 2018

OCCUPATIONAL HEALTH & SAFETY AND ENVIRONMENT

Occupational health and safety (OHS), by which is meant the health and safety of its employees, is foremost among Kordsa's strategic priorities. The one OHS goal that all Kordsa employees and departments share is that of zero work-related accidents and illnesses. The "Ten Golden Rules of Workplace Safety" which have been identified to prevent work-related injuries are enforced without exception at all Kordsa facilities.

Set up and missioned with safeguarding and improving the company's operational excellence, the Kordsa Reinforcement Center has three sections: a Safety Training Center, where visual and physical models are used to demonstrate potential work-related accidents to employees; a Perceptional Improvement Classroom, whose aim is to modify employees' safety-related attitudes; and an Ability Enhancement Workshop, which focuses on strengthening employees'

SAFETY TRAINING CENTER

THE SAFETY TRAINING CENTERS THAT AIM "ZERO WORK-RELATED ACCIDENTS", "ZERO QUALITY DEFECTS", "ZERO BREAKDOWNS" AND "HAPPY EMPLOYEES" HAVE BECOME OPERATIONAL IN FOUR FACILITIES.



5S, TPM, and process competencies as well as their quality consciousness through scenarios that are conducted using model machinery.

Kordsa has published the third of its sustainability reports in which it sets out in detail the company's R&D efforts in line with its "Reinforce the Future" mission and active markets; the innovative products, technologies, and processes as well as the supplier and customer relations that are the outcome of those efforts; and its environmental management operations dealing with the issues of energy conservation, emissions, waste and water management, and biodiversity. Conforming to international standards and embracing the tenets of the United Nations Global Compact that the company became a signatory to in 2014, this report is an explicit statement of Kordsa's global approach to business conduct and of its attitudes towards governance transparency and accountability.





OHS, ENVIRONMENT & CONSERVATION RULES

1. Superior performance standards & operational excellence

Kordsa conforms to the highest standards of operational safety both at its facilities and in order to protect the wellbeing of its employees and customers and of the communities and environments in which those facilities are located.

2. Zero injuries, illnesses, and accidents

Kordsa believes that all operations-related injuries, illnesses, and safety- and environment-related accidents are preventable. Its target for all such incidents therefore is zero.

Kordsa is prepared to deal with emergencies should they occur while also leading the way in efforts to help local communities where it has operations to be prepared as well.

3. Zero waste and emissions

Kordsa conducts its production operations with the aim of generating zero waste at source. Materials are to be reused or recycled so as both to minimize the need to deal with or dispose of them and to conserve resources. Waste is to be treated or disposed of where it is generated and in ways that are both safe and responsible. In its efforts to achieve zero emissions, Kordsa gives priority to combatting those emissions that pose the most serious risks to health and/or the environment.

4. Conserve energy & natural resources and protect habitats

Kordsa conforms to the highest standards applicable to the safe operation of all of its facilities and to the protection of its employees, its customers, and the environment.

SAFETY PROCEDURE AT FINISHING MACHINES

THE PROJECT THAT WAS INITIATED TO PREVENT MACHINERY-RELATED ACCIDENTS HAS BEEN APPLIED IN ALL KORDSA FACILITIES..

In 2018

HUMAN RESOURCES

Kordsa regards the global human resources that it employs on four different continents as essential components of its ability to achieve its strategic aims and therefore adheres to a global strategy in the management of its human resources practices. The company has a Global Human Resources unit whose mission is to formulate and carry out that strategy. Global Human Resources conducts strategic operations associated with human resources such as selection and placement, remuneration and fringe benefits, performance management, staffing requirements and review & backup plans, leadership training and progression, international assignments, and organizational climate in parallel with Kordsa's sustainability and business objectives.

GLOBAL HUMAN RESOURCES: VISION

To position human resources functions as a critical "business partner" of the company's other corporate functions; to provide internal customers with top-quality human resources services at world standards; to create a company that is an employer that people want to work for

GLOBAL HUMAN RESOURCES: MISSION

- To lead the way in efforts to attract talented people to the company and retain them;
- To help create a positive organizational climate;
- To support the empowerment of employees and guide their development;
- To develop, implement, and support programs and processes that ensure stakeholder satisfaction.

GLOBAL HUMAN RESOURCES: PRINCIPAL RESPONSIBILITIES

Functionally positioned as an "Expertise Center", Global Human Resources' fundamental contributions and functional expectations are dealt with as strategic-level concerns while the operational implementation of human resources practices is largely the responsibility of local-level management.

The principal responsibilities of Global Human Resources are to:

- Ensure the development and propagation of human resources policies, systems, and processes that support the company's strategies and business requirements;
- Formulate and implement global strategies that are compatible with the company's sustainability efforts;



- While working together with regional and local human resources units, design and oversee structured progression programs at different levels (such as new talent, middle management, senior management) in such a way as to support the company's corporate growth objectives;
- Create a range of experience opportunities so as to ensure the development of the best professionals at every level in line with both the company's expectations and those of its employees.

PROGRESSION PROGRAMS

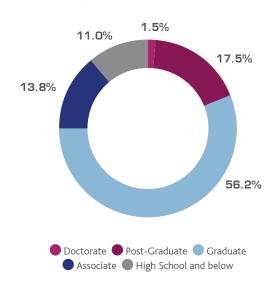
Cultural diversity and differences are the very foundation of Kordsa's corporate culture. With operations in Thailand, Indonesia, Brazil, North America, and Turkey and employing 4,500 people on four continents, Global Human Resources develops HR systems and practices with a Kordsa outlook that is mindful of both local and global trends.

With the first-year training modules ("Situational Leadership", "Presence 101", "Transition to Leadership") of Kordsa Global Human Resources' three-year Progression Program for personnel at the manager level or higher having been completed, the second-year modules are currently in progress. The overarching aim of this program is to provide all managers with individual and competency-based progression opportunities through the development of a common language that is employed in all Kordsa factories.



In order to nurture a coaching and mentoring culture at Kordsa, the individual progressions of both management and non-management level personnel are supported through global mentoring, local mentoring in the local language, and generation-bridging reverse mentoring programs.

Education Levels of White-Collar Personnel (%)





Corporate Governance

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT

Convenience Translation into English of Independent Auditor's Report on the Board of Directors' Annual Report Originally Issued in Turkish Originally Issued in Turkish



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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Shareholders of Kordsa Teknik Tekstil Anonim Şirketi

Opinion

We have audited the annual report of Kordsa Teknik Tekstil Anonim Şirketi (the "Company") and its subsidiaries (together will be referred as "the Group") for the period between 1 January 2018 and 31 December 2018, since we have audited the complete set consolidated financial statements for this period.

In our opinion, the consolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards issued 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 Annual Report* 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 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.



Auditor's Opinion on Complete Set of Consolidated Financial Statements

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Group for the period between 1 January 2018 and 31 December 2018 on 19 February 2019.

Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 (the "Communiqué"), the Group's management is responsible for the following regarding the annual report:

- a) The Group's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- b) The Group's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Group's consolidated financial statements. The annual report shall also clearly indicates the details about the Group's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
- c) The annual report also includes the matters below:
- Significant events occurred in the Group after the reporting period,
- The Group's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the consolidated financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent with the audited consolidated financial statements of the Group and the information obtained during the audit and give a true and fair view and form a report that includes this opinion .

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT

Convenience Translation into English of Independent Auditor's Report on the Board of Directors' Annual Report Originally Issued in Turkish Originally Issued in Turkish



We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing issued by POA. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

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

Ruşen Fikret Selamet, SMMM Partner

19 February 2019

ANNUAL REPORT OF THE BOARD OF DIRECTORS

FOR THE ACCOUNTING YEAR OF 1 JANUARY 2018 - 31 DECEMBER 2018

1. General Information:

a) Accounting period of the report: 1 January 2018 - 31 December 2018

b) Trade title, trade registry number, contact information of headquarter and branches and address of the web site of the Company:

Trade Title:	Kordsa Teknik Tekstil Anonim Şirketi		
Head Office	Alikahya Fatih Mahallesi Sanayici Caddesi No: 90 İZMİT 41310 / KOCAELİ - TURKEY		
Contact Address	Sanayi Mahallesi Teknopark Bulvarı No: 1/1B 34906 Pendik / İSTANBUL - TURKEY		
Telephone:	+90 216-300 10 00		
Fax:	+90 216-300 10 01	1	
Addresses of Production Fa			
Factory:		allesi Sanayici Caddesi No: 90 İZMİT 41310/KOCAELİ - TURKEY	
Teknopark Branch:	Sanayi Mahallesi Te	knopark Bulvarı No: 1/1B 34906 Pendik / İSTANBUL - TURKEY	
Information regarding our E-Mail Address Web Address	production facility sit info@kordsa.com www.kordsa.com	es abroad can be found at our internet site.	
	17.08.1973	Kardas Kard Bari Carassi va Tisarat A C	
Registration Date		Kordsa Kord Bezi Sanayi ve Ticaret A.Ş.	
	12.04.2000	Kordsa Sabancı Dupont Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.	
	09.12.2005	Kordsa Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.	
	30.11.2006	Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.	
	10.04.2017	Kordsa Teknik Tekstil A.Ş.	
Central Registration System No	0577-0053-5640-0	0013	
Trade Registry and Number	T.R. Kocaeli Registr	y of Commerce 26907	
Tax Office and Number	Büyük Mükellefler (Major Taxpayers) 5770053564	

c) Organization, capital and partnership structures of the Company and amendments regarding these within the fiscal period:

Kordsa Teknik Tekstil A.Ş. ("Company" or "Kordsa"), which was founded in 1973, is active as a subsidiary of Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding")

Kordsa's Major Business Activity;

Manufacturing of yarns found in structure of tires and forming the main frame; manufacturing of industrial fabric and industrial cord found in the structure of rubber and plastic materials such as transmission belts, V-belts, rubber hoses; manufacturing of heavy denier fiber and connection fabrics; transformation of any kinds of yarns into tire cord fabric, fabric used in mechanical rubber goods, pilot fabrics and other rubber reinforcement materials, and to market thereof; to produce and to carry out all kinds of marketing, sales, importation and exportation of Nylon 6, Nylon 6.6 and PET (Polyethylene-terephthalate) HMLS (High Modulus Low Shrinkage) polyester and rayon heavy decitex yarn to be used in auto tires and mechanical rubber products; and Participating in capital and management of domestic and foreign companies founded and/or to be founded for the purpose of working on any kinds of business subject particularly commercial, industrial, infrastructure services, transportation services, mining, touristic, construction subjects; to make them to be managed by creating competing conditions that will respond to needs and in favor of companies whose capitals and management it participated in and more efficiently, rational and profitably depending on the same management and behavior relations and in accordance with the current conditions.

Corporate Governance

ANNUAL REPORT OF THE BOARD OF DIRECTORS

FOR THE ACCOUNTING YEAR OF 1 JANUARY 2018 - 31 DECEMBER 2018

Capital and Partnership Structure:

Registered Capital	TL 500,000,000
Paid Capital	TL 194,529,076

Partners with more than 10% of the Company Capital:

There is no real person ultimate controlling shareholder of the Company. Whole of Company stocks (shares) are registered. Company's stocks have been traded at Borsa Istanbul A.Ş. (BIST) since 1991. The Company can not track the share transfer of the shareholders representing its public capital (28.89%). Company is only informed 1 shareholder who is owner of stocks/dividends representing other capital of the Company (71.11%).

Shareholders that keeps shares of Kordsa and their shares are as follows:

Shareholder	Number of Shares	Capital Ratio (%)	Share Lot	Share Amount Nominal (TL) (1 Share 1 Kr)
Hacı Ömer Sabancı Holding A.Ş.	13,832,761,401	71.11%	Registered	138,327,614.01
Other	5,620,146,199	28.89%	Registered	56,201,461.99
Total	19,452,907,600	100.00%		194,529,076.00

ç) Privileged Shares, Voting Rights of the Shares:

According to Company Articles of Association, each share has a single voting right at the General Assembly and there is no privilege in right to vote. There is no other company that our company has mutual shareholding benefits. There is no provision restricting stock transfer in the articles of association. Share transfers among partners are performed within the framework of Turkish Commercial Code and Capital Market Law provisions.

d) Management body, its senior executives and number of personnel:

Board of Directors:

NAME AND SURNAME	DUTY	BOD MEMBERSHIP – FIRST ELECTION	BEGINNING	END
Cenk ALPER	CHAIRMAN	27.03.2017	26.03.2018	MARCH 2021
Mehmet YILDIZ	DEPUTY CHAIRMAN	27.03.2017	26.03.2018	MARCH 2021
Hakan TİMUR	MEMBER	21.09.2018	21.09.2018	MARCH 2021
Vecih YILMAZ	MEMBER	26.03.2018	26.03.2018	MARCH 2021
Muharrem DÖRTKAŞLI (*)	INDEPENDENT MEMBER	26.03.2018	26.03.2018	MARCH 2021
Semiha YAŞAR	INDEPENDENT MEMBER	15.11.2018	15.11.2018	MARCH 2021
Mehmet SAMİ	INDEPENDENT MEMBER	26.03.2018	26.03.2018	MARCH 2021

^(*) Muharrem DÖRTKAŞLI resigned her seat on the Board of Directors as of 15 November 2018.

Senior Management:

NAME AND SURNAME	DUTY
Ali ÇALIŞKAN	CEO
İbrahim Özgür YILDIRIM	Chief Operating Officer - Europe, Middle East and Africa
Volkan ÖZKAN	Chief Financial Officer
Murat Oğuz ARCAN	Chief Operating Officer - Composites, Construction and Business Development
Mehmet Zeki KANADIKIRIK	Chief Operating Officer - Asia Pacific
Abdülkadir TOPLU	Chief Operating Officer – North & South America
Ufuk UZEL	Global Supply Chain Director
Vahe HANAMİRİAN	Global Accounts and Marketing Director
Nazan KESKİN	Global Human Resources and IT Director
Devrim ÖZAYDIN	Global Technology Director

Number of Personnel (as of the date of 31.12.2018):

	Number of Personnel
Country	(Including sub-contractors)
Turkey	1,634
USA	560
Brazil	396
Thailand	390
Indonesia	1,434
China	1
Total	4,415

Education Level of White-Collared Employees (%)(as of the date of 31.12.2018):

Doctorate	1.5%
Post Graduate	17,5%
Bachelor's Degree	56,2%
Two-Year Degree	13,8%
High School and below	11%

Collective Contract Applications:

Provisions of Collective Labor Agreement of XXIV. Term Group, signed on the date of 3 June 2016, between Türkiye Tekstil Örme ve Giyim Sanayii İşçileri Sendikası (TEKSİF) (Turkey Textile Weaving and Clothing Industry Laborers Union), that our unionized employees are members, and Türkiye Tekstil Sanayii İşverenleri Sendikası (Turkey Textile Industry Employers Union), that our Company is a member.

e) If any, information on transactions that management body members make with the Company on behalf of themselves or another person within the frame of permission given by company general board and their activities within the scope of prohibition of competition:

Our Chairman and Members of the Board of Directors are liberated by General Assembly to make treatments in the directions of 395th and 396th provisions of Turkish Commercial Code.

In 2018, members of the Company's board of directors did not make any transactions with the company and/or didn't embark on an enterprise that can be a competitor in the same activity fields.

Information concerning section 2.2 ("Corporate governance principles") of the annual report pursuant to Corporate Governance Communique II-17.1

The resumes of company directors and managers and information about their activities outside the company together with directors' affirmations of independence are provided on the internet at www.kordsa.com and also in article 5.1 of the Corporate Governance Principles Compliance Report (2.2.2.a).

Information about Board of Directors committees, their members, the frequency of their meetings, and their activities together with their working principles and the board's assessment of these committees' effectiveness is provided in article 5.3 of the Corporate Governance Principles Compliance Report (2.2.2.b).

Information about the number of Board of Directors meetings during the year as well as directors' participation in such meetings is provided in article 5.2 of the Corporate Governance Principles Compliance Report (2.2.2.c) as of 31 December 2018.

Corporate Governance

ANNUAL REPORT OF THE BOARD OF DIRECTORS

FOR THE ACCOUNTING YEAR OF 1 JANUARY 2018 - 31 DECEMBER 2018

2. Financial rights provided to management body members and senior executives:

Pursuant to 4.6.5. provision of Corporate Governance Principles, remuneration made and all other benefits given to Board of Directors members and senior executives are shared with public in annual activity report. However, this announcement does not include names of the recipients.

Information about this issue is provided in article 5.6 of the company's 2018 Corporate Governance Principles Compliance Report and also in footnote 17 to the company's independently audited consolidated financial statements for the year beginning on 1 January 2018 and ending on 31 December 2018.

3. Research and Development Studies of the Company:

Innovation & technology

Having made the concepts of "innovation" and "excellence" elements of its corporate culture, Kordsa continues to work on the industrialization of the new products, processes, and methods that it develops at its two R&D centers located one each at its Kocaeli plant and in İstanbul Teknopark.

Owing to the investment tax incentives from which it benefits as a result of its R&D Center certifications, Kordsa is subject to annual auditing by ministry-appointed inspectors and commissions. The company's centers have successfully passed every audit since they were set up as a result of which, the incentives are repeatedly renewed year after year. In the most recent audit in June 2017 where 64 projects were evaluated for "R&D" qualification, Kordsa R&D Center's (İzmit) 9th operation period has been certified and 10th operation period has started.

As a result of the Ministry of Science, Industry and Technology-appointed commission meeting held on 10 January 2017, Kordsa has obtained the approval for Composite Technologies Center of Excellence, its second R&D center at Teknopark istanbul which commenced operations in 2016. The first operating term of this center was approved in 2018.

R&D activities

Detailed information on R&D activities are presented at pages 42-43.

4. Company operations and significant developments in them:

Brief information about the company's operations and significant developments in them is provided below. Detailed information is also provided in the footnotes to the company's independently audited consolidated financial statements for the year beginning on 1 January 2017 and ending on 31 December 2018.

a) Investments:

In 2018 the company carried out TL 184.5 million (USD 38 million) worth of investments.

b) Internal Control System and Internal Audit Actions, Opinion of the Management Body:

The Company's Board of Directors puts required effort in order to continue the internal audit activities of the company, which is subjected to SPK regulations, in the most effective way. An Audit Committee was formed within the structure of Board of Directors with this purpose. Activities of Audit Committee, findings and recommendations as a result of the audit carried out by Internal Audit Department are submitted to Chairman of the Board of Directors. Internal Audit Department directly reports to Board of Directors through the Audit Committee. Processes are reviewed by Internal Audit Department every year and risk-focused annual audit plans are made. Internal Audit Department continues its work pursuant to this plan.

This matter is handled in details under the title of "Internal Audit Department" of 5.3. provision of Corporate Governance Principles Report.

c) Subsidiaries, Affiliated Companies, Geographic Regions and Share Ratios (%):

Subsidiaries	Country	Activity Subject	Geographic Region	Share (%)
Kordsa Inc.	USA	Industrial Fiber and Cord Fabric Production and Trade	North America	100
Fabric Development, Inc. (*)	USA	Advanced Composite Material Production for Civil Aviation Industry	North America	100
Textile Products, Inc. (*)	USA	Advanced Composite Material Production for Civil Aviation Industry	North America	100
Advanced Honeycomb Technologies Corporation (*)	USA	Advanced Composite Material Production for Civil Aviation Industry	North America	100
Kordsa Brasil S.A.	Brazil	Industrial Fiber and Cord Fabric Production and Trade	South America	97.31
PT Indo Kordsa Tbk	Indonesia	Industrial Fiber and Cord Fabric Production and Trade	Asia	61.58
PT Indo Kordsa Polyester	Indonesia	Cord Fabric Production and Trade	Asia	99.97
Thai Indo Kordsa Co. Ltd. (*)	Thailand	Cord Fabric Production and Trade	Asia	64.19
Nile Kordsa Company SAE (*)	⁾ Egypt	Cord Fabric Production and Trade	Europe, Middle East and Africa	51

^(*) Company's subsidiaries through indirect ownership.

ç) Information Regarding Company's Own Acquired Shares:

None.

d) Information on Private and Public Audit:

There wasn't any private or public audit at our Company in 2018 other than the 1 January 2018 - 30 June 2018 Interim Consolidated Financial Report limited independent audit and 1 January 2018 - 31 December 2018 Consolidated Financial Reports independent audit carried out by Independent External Audit Company, in compliance with principles determined according to TTK (Turkish Commercial Code) 6102 and Capital Markets Code 6362.

e) Information on Important Claims Opened Against the Company and Ongoing and Their Possible Results:

There is detailed information within the footnotes of the explanatory report related with Consolidated Financial Statements of the Company that went through 1 January 2018 - 31 December 2018 period independent audit.

f) Information on Important Administrative Enforcements and Penalties Given About the Company and Members of the Board of Directors due to Applications Against Legislation Provisions:

None.

g) Information and assessments regarding whether the determined targets were reached in the past periods, rule of general board are fulfilled, grounds if targets were reached or decisions were fulfilled:

Detailed information is provided under "Financial position" in article 51 of the Board of Directors report for the year beginning on 1 January 2018 and ending on 31 December 2018.

Our Company acquired two private companies, «Fabric Development Inc.» and «Textile Products Inc.» which supply advanced composite materials for the civil aviation industry. The acquisition process that started on 6 December 2017 was completed on 16 July 2018 upon receiving the approvals on 2 July 2018. The acquisition cost has been determined as USD 98,181,859.

^(**) As per the resolution of Group Board of Directors meeting dated 31 December 2015 and numbered 2015/29, the Company decided to classify its 51% stake at Nile Kordsa Company for Industrial Fabrics S.A.E. as "Available for Sale Investments" on the Balance Sheet as of 31 December 2015.

Corporate Governance

ANNUAL REPORT OF THE BOARD OF DIRECTORS

FOR THE ACCOUNTING YEAR OF 1 JANUARY 2018 - 31 DECEMBER 2018

In addition to this acquisition, Kordsa Inc, our Company's 100% subsidiary registered in the USA, has acquired «Advanced Honeycomb Technologies Corporation», a private company wholly owned by Richard Greven, Monnie Greven, Walsh Family Trust of 1981 and Richard A. Greven, Jr. at a price of USD 3,180,871.95. The company is a supplier of advanced composite materials for the civil aviation industry. The integration process after the acquisition still continues.

In accordance with Article 10 of Capital Markets Board's Communique on Material Events Disclosure (the Communique) numbered II-15.1, titled "Public Disclosure of Forward Looking Statements" our Company disclosed its projected growth rates on 23 March 2018 without taking into account the purchases of "Fabric Development Inc." and "Textile Products Inc." The rates disclosed were 15-25 % for Sales and 15-25% for EBITDA. The Company unanimously decided to authorize the Chairman of the Board of Directors, CEO and CFO individually for the disclosure of any significant changes or differences between the current situation and the projections.

Our growth projections for 2018 have been revised upwards to reflect the growth of our current operations and the impact of the completion of the acquisition process of Fabric Development Inc.and Textile Products Inc.at 16 July 2018 on our financials. The revision was made on 9 August 2018 and the revised figures were 30-40% for Sales and 35-45% for EBITDA.

On 5 November 2018, our fiancial expectations for 2018 have been reviewed again in order to reflect the growth of our current operations and projected rates have been revised upwards as 45-55% for Sales and 78-85% for EBITDA.

As of 31 December 2018, the actual rates of increase for Sales and EBITDA were 59% and 83%, respectively, both within the ranges previously disclosed.

These matters have been disclosed in Turkish and English as Forward Looking Statements at Public Disclosure Platform, www. kap.gov.tr and www.kordsa.com for shareholders' and stakeholders' information.

g) If extraordinary general board meeting was held within the year, information regarding extraordinary general board including the date of the meeting, decisions taken in the meeting and transactions made in this regard:

There wasn't such a meeting held.

h) Donations and charities made within the period:

NAME	AMOUNT
Sabancı University	24,026,050.00
T.R. MINISTRY OF NATIONAL EDUCATION KOCAELİ - İZMİT - Akmeşe Primary School	134,534.51
T.R. MINISTRY OF NATIONAL EDUCATION KOCAELİ / GÖLCÜK - Barbaros Primary School	50.00
T.R. MINISTRY OF NATIONAL EDUCATION KOCAELİ / KARTEPE - Hasanpaşa Primary School	50.00
İzmit Scholarship Association - İzburs	20,000.00
Kocaeli University	100.00
T.R. MINISTRY OF NATIONAL EDUCATION KOCAELİ / İZMİT - Solaklar Primary School	20,752.77
The Turkish Foundation for Combating Erosion Reforestation and the Protection of Natural Habitats	2,011.00
(TEMA)	2,011.00
Turkish Education Foundation (TEV)	3,210.00
Turkish Industry and Business Associaton (TÜSİAD)	15,000.00
T.R. MINISTRY OF NATIONAL EDUCATION KOCAELİ / İZMİT - Yenimahalle Primary School	50.00
TOTAL	24,221,808.28

The company has adopted and put into effect a Donations and Assistance Policy that is in compliance with CMB corporate governance principles. Information about this policy is provided for the attention of shareholders and other stakeholders on the company's corporate website located at www.kordsa.com.

Information was given to shareholders as a separate topic of the General Assembly about the amount of donations and aids made within the period, their beneficiaries and the limitations on the subject.

I) If it is a company affiliated to a companies group; legal transaction made by it or a company affiliated to it with a company affiliated to the holding company and all other precautions taken or avoided to be taken in favor of the holding company or its affiliated company in the past activity year:

There is detailed information in 17th footnote of the explanatory report related with Consolidated Financial Statements that went through Company's 1 January 2018 - 31 December 2018 independent audit.

i) If it is a company affiliated to a companies group; according to stated and conditions known by them at the time when the legal transactions said in the (I) clause was made or precautions was taken whether an opposing execution appropriate for any legal transaction was provided and the precaution avoided to be taken or taken gave damage the company, and if the company damaged whether this damage was compensated or not;

None.

j) Occupational, Health, Safety and Environment

Detailed information on occupational health, safety and environment is presented at pages 44-45.

k) Human Resources

Detailed information on human resources practices is presented at pages 46-47.

l) Communication activities conducted between 1 January 2018 - 31 December 2018:

Detailed information on communication activities is presented at pages 10-15.

5. Financial position:

(TL million)		1 January - 31 December Change 9/		
(TETHIMIOH)	1 January - 31 December 2018	2017	Change %	
Sales Revenues	3,947	2,485	58.8	
Gross Sales Profit	794	449	76.6	
Operating Profit	525	278	89.2	

Key Ratios		1 January - 31 December
	1 January - 31 December 2018	2017
Gross Profit Margin	20.10%	18.10%
Operating Profit Margin	13.30%	11.20%
Net Profit Margin	8.60%	8.50%
RoA	8.00%	7.60%
RoE	16.20%	13.70%

Detailed information about the company's financial position is provided in the footnotes to the company's independently audited consolidated financial statements for the year beginning on 1 January 2018 and ending on 31 December 2018.

Corporate Governance

ANNUAL REPORT OF THE BOARD OF DIRECTORS

FOR THE ACCOUNTING YEAR OF 1 JANUARY 2018 - 31 DECEMBER 2018

Also, strategical objectives of the Company and information regarding the situation of the Company towards these objectives are given in details under the title of "Company Strategical Objectives" of 5.5. provision of Corporate Governance Principles Compliance Report, Kordsa Dividend Policy regarding dividend policy, information about dividend and how the profit is used are given in details under the title of "Profit Share Right" of 2.5. provision of Corporate Governance Principles Compliance Report.

6. Risk Management:

Risk assessment and internal control mechanism are performed at each level of the Company. Risk management approach of the Company is explained in details in 5.4. provision of Corporate Governance Principles Compliance Report. Detailed information regarding committees are given in details in 5.3. provision of Corporate Governance Principles Compliance Report.

7. Articles of Association Amendments Made within the Period:

There were no changes to the Articles of Association in 2018.

8. Change of independent auditors:

Taking into account recommendations by the Audit Committee and by the Kordsa Board of Directors, shareholders at the annual general assembly for 2017 held on 26 March 2018 approved the selection of KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (KPMG International Cooperative) to serve as the company's auditors for a one-year period in order to audit the company's 2018 financial statements and reports and to engage in other activities associated with such legislation in accordance with the requirements of the Turkish Commercial Code (Statute 6102) and of the Capital Markets Law (Statute 6362).

In line with this, an independent auditors' agreement was signed with that firm on 26 April 2018.

9. Issued Stock and Bonds:

There were no capital market instruments issued between the period 1 January 2018 - 31 December 2018.

10. Legislation Amendments that may Significantly Affect Company Activities:

There were no legislation amendments that may significantly affect company activities between the period 1 January 2018 - 31 December 2018.

11. Vision, Mission, Values

VISION

Agile Kordsa in High Value Businesses for Sustainable Growth

MISSION

Deliver high value added reinforcement solutions globally

VALUES

- Safety, Health and Environment: We believe that all occupational and environmental accidents may be prevented. Our target is to create a 100% accident-free and safe work environment and to produce 0% waste.
- Commitment to the Ethical Values: We are 100% committed to our ethical values conducting our relationships with our employees, shareholders, clients, suppliers, business partners, competitors, environment and society.
- **Customer Focused:** We grow together with our customers who prefer us as their strategic technology partner and we offer them innovative, accurate and custom made solutions.
- **Open Minded:** Innovation is in our genes. We continuously develop new products, technologies and processes through our more than 40 years of experience.
- **Results Driven:** As the leader of global Nylon 6.6 market and a company continuously creating value for its shareholders, we provide our customers with the highest quality services. Our technologies reinforce one car tire out of every three, one plane tire out of every two.
- **Global Collaboration:** We retrieve our power from global cooperation benefiting from benchmarks of our factories spanning globally.
- **Continuous Improvement:** We continuously enhance all our processes within our organization through our customer focused approach and total quality management.

12. Products

Detailed information about Kordsa products is provided on pages 28-41.

Corporate Governance

CONCLUSION SECTION OF THE AFFILIATION REPORT UNDER ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

INFORMATION ABOUT 2018 ANNUAL REPORT DISCLOSING THE RELATIONSHIPS WITH THE CONTROLLING AND AFFILIATED COMPANIES UNDER ARTICLE 199 OF THE TURKISH COMMERCIAL CODE:

Pursuant to Article 199 of the Turkish Commercial Code (TCC) no. 6102 that came into force on 1 July 2012, Kordsa Teknik Tekstil A.Ş. Board of Directors is obliged to produce a report within the first three months of the fiscal year concerning its relations with the Company's controlling shareholder and affiliated companies thereof in the past fiscal year, and to quote the conclusion section of the said report in its annual report. Necessary explanations regarding the transactions Kordsa Teknik Tekstil A.Ş. carried out with related parties are presented in note 27 to the financial report. At its meeting held on 18 February 2019, the Company's Board of Directors approved the report disclosing our relationships with our controlling shareholder and affiliated companies within the scope of Article 199 of the TCC, and the report's conclusion section is quoted hereinbelow:

According to the conditions and circumstances known to us at the time any transaction was carried out in line with true and fair accounting principles by and between our Company and its controlling company and its affiliated companies in the operating year from 01 January 2018 through 31 December 2018, legal acts carried out to the benefit of the controlling company or an affiliated company thereof at the instruction of the controlling company and any and all actions taken or avoided to the benefit of the controlling company or an affiliated company thereof during 2018 operating year have been addressed in the form of a report.

In this report prepared by Kordsa Board of Directors and dated 18 February 2019, it has been observed that, in all transactions Kordsa carried out with its controlling company and the affiliated companies thereof during 2018, all legal acts were carried out and actions were taken as specified in Article 199 of the TCC no. 6102 and as required as per the responsibilities conferred upon the Board of Directors.

We hereby represent that the acts performed are in conformity with precedents according to the controlling company commentaries provided in the relevant articles of the TCC no. 6102 and that Kordsa sustained no losses by reason of its being included in the group of companies.

AGENDA OF 2018 GENERAL MEETING OF SHAREHOLDERS

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ THE AGENDA OF THE 2018 ORDINARY GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON MARCH 20th, 2019

AGENDA

- 1- Opening and organization of the Executive Board,
- 2- Reading and discussion of the Board of Directors Annual Report concerning the year 2018,
- 3- Reading of Auditors' Reports concerning the year 2018,
- 4- Reading, discussion and approval of the financial statements concerning the year 2018,
- 5- Presenting the assignments of the Board Members who were elected to serve for the remaining term of the Board membership position vacated during the year 2018, to the approval of General Assembly,
- 6- Absolution of the Board Members regarding to activities of 2018,
- 7- Determining the use of profit, amount of dividend and ratios for dividend shares concerning the year 2018
- 8- Selection of the auditor,
- **9-** Informing the General Meeting about donations and contributions made in 2018 and approval of donations and contributions,
- 10- Determination of the donation limits for the year 2019,
- **11-** Granting permission to the Chairman and the Members of the Board to make the transactions specified in Articles No. 395 and No. 396 of the Turkish Commercial Code.

Meeting Date : March 20th, 2019 Wednesday

Time : 10:00

Location : Sabancı Center, Sadıka Ana 2 Conference Hall

34330 4. Levent, Beşiktaş – ISTANBUL

Corporate Governance

CORPORATE GOVERNANCE COMPLIANCE REPORT

CORPORATE GOVERNANCE COMPLIANCE REPORT

SECTION I - Declaration of Compliance with Corporate Governance Principles

a) Kordsa Teknik Tekstil Anonim Şirketi (will be referred as "Company" or "Kordsa") followed all of the mandatory provisions, which are obligatory to application, of Corporate Governance Principles that is found within the appendix of Corporate Governance Notification (Notification) numbered II-17.1 and published by Capital Market Board (CMB) within accounting period of 1 January - 31 December 2017.

b) During 2017 operation year, our company exercised due diligence with purposes of total harmony to the principles of Corporate Governance Principles that are not obligatory to follow and submitted detailed information regarding these matters for shareholders and beneficiaries on addresses of www.kap.gov.tr and www.kordsa.com

Accordingly;

- Within the scope of compliance with principle 4.2.8, Responsibility Policy for Members and Chairman of Board of Directors was issued for mistakes made by members and executives of Board of Directors during their duties and for possible losses that they may cause for the Company.
- In compliance with principle 1.6, dividend policy of the Company was submitted to approval of shareholders at the Ordinary General Assembly of year 2015, dated 23 March 2016 and it was published on Company web site and www.kap.gov.tr.
- Pursuant to principle #1.3.10, a proposal to set a limit of TL 500,000 (five hundred thousand Turkish liras) on 2018 donations other than those which must be made in accordance with the company's articles of association was submitted and approved by shareholders at the annual general assembly for 2017 held on 26 March 2018.

A total compliance with some of the principles, which aren't obligatory to comply, haven't been met yet due to reasons such as difficulties in application, discussions ongoing on both national and international platforms regarding with the compliance of certain principles and several principles not fully corresponding to existing conditions of the market and the Company. Abeyance reasons of the principles in question are summarized below:

- During the compliance work of principles 1.2.1, 1.5.1 and 1.5.2, as it is thought that the existing regulations within the Turkish Commercial Code is adequate, the Company didn't apply any arrangements on the (prime) contract of association.
- In addition to full compliance with principle 2.1.4 being aimed, people, who will benefit from the explanations, especially international investors are able to achieve such information via benefiting from the infrastructure of data dispenser companies such as Reuters, Foreks etc., certain information aren't prepared in English in order to prevent additional workload and expenses for the company. The work for submission of the information, which is found on the internet site in Turkish, also in English on a vast scale is still ongoing.
- Even though there isn't a Company policy regarding the principle 4.3.9, due diligence is shown on the matter and one of the existing members of the Board of Directors is woman.
- Even though due diligence is shown for compliance with principle 4.5.5, a member of the Board of Directors may take place in more than one committee due to work expertise needed for the membership of the committee in question.
- In compliance with principle 4.6.5, explanations, which are given, aren't made on a personal basis.
- In compliance with principle 3, a model or mechanism on the matter of beneficiaries' attendance to the management hasn't been formed. Independent members within the Board of Directors make the representation of all beneficiaries as well as the Company and shareholders within the management possible. It is thought that principles, which are not being applied yet and left outside the principles currently being applied, haven't caused any conflicts of interests between beneficiaries until today. Our company follows the developments and applications of the regulations and it will continue to the necessary compliance work with principles in the following periods.

SECTION II - SHAREHOLDERS

2.1. Investor Relations Department

Within the organization of our Company, in accordance with 11th provision of the Notification, there is the department of investor relations in order to provide communication between partnerships and investors.

Activities regarding this department are run under the responsibility of Finance Assistant General Manager Volkan ÖZKAN, member of the Corporate Governance Committee, who is also responsible with investor relations.

Head of the department is Global Finance Director in charge of Corporate Finance and Investor Relations Ayhan KARAKOCA, who holds Capital Markets Activities Level 3 and Corporate Governance Rating licenses.

Global Finance Expert Çetin Alper EKE acts as an expert of investor relations department.

Also in the department, Mustafa YAYLA is responsible from relations with shareholders.

Company Authorities for Communication			
Name Surname	Duty	E-mail Address	
Volkan ÖZKAN	Chief Financial Officer	volkan.ozkan@kordsa.com	
	Global Finance Director, Corporate Finance and Investor		
Ayhan KARAKOCA	Relations	ayhan.karakoca@kordsa.com	
	Investor Relations Department Manager.		
Çetin Alper EKE	Investor Relations Department Expert	cetin.eke@kordsa.com	
Mustafa YAYLA	Shareholder Relations Officer	mustafa.yayla@kordsa.com	

Investor relations department is responsible with informing shareholders and potential investors on a regular basis about Company activities, financial condition and strategies (excluding confidential information and trade secrets and in a manner that will not cause information asymmetry) and management of bidirectional communication between shareholders and company directors.

Investor relation department is active on the matter of utilization of shareholder rights and with reporting board of directors, keeping the communication between Board of Directors and shareholders, and the major activities carried out within the period are listed as follows:

- Provided keeping correspondences made between investors and partnership and records related with other information and documents in a healthy, secure and updated manner, coordinated translations at Central Registry Agency A.Ş. (CRA),
- Information demands related with partnerships submitted to the Department within the period wasn't shared with public, such demands are answered face-to-face or via communication tools, explicitly and clearly, in accordance with Company Informative Policy, excluding confidential information and trade secrets,
- Provided that the Ordinary General Assembly within the period was held in accordance with the legislation in force, Articles of Association and direct Intercorporate regulations,
- Developed applications that will make attendance of shareholders to the General Assembly in an easier manner and that will strengthen the communication during the meeting, prepared documents at General Assemblies from which the shareholders will benefit, provided shareholders with uninterrupted and clear information by updating internet site continuously,
- Provided coordination of communication with public opinion in addition to explanations made as a requirement of the
 regulations, held meetings with investors and analysts, attended to conferences and presentation tours held by mediator
 companies provided that performance of all obligations rising from Capital Market Regulations including all aspects related
 with corporate governance and public disclosure is taken into consideration and followed.

Investor Relations Department answered written and vocal information demands coming from shareholders, corporate investors and investment corporation analysts within the period, via phone, fax and e-mail (yatirimciiliskileri@kordsa.com)

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CORPORATE GOVERNANCE COMPLIANCE REPORT

in accordance with Capital Market Regulations, in a way that will not cause information inequality and without making any discriminations.

Work aimed for conveying detailed information related with Company activities to investors in the year of 2018, is summarized in the table below:

Number of investors and analysts spoken via phone	80
Number of investors and analysts answered via e-mail	95
Number of analyst meetings held	175

Investor Relations Department, which provides communication between partners of our Company and investors and carries out its activities directly depending on Finance Assistant General Manager, submitted a report to Board of Directors on the date of 18 February 2019 after preparing it in relation with the activities it carried out in 2018 activity period and in accordance with 11th provision of "Corporate Governance Notification" numbered SPK II-17.1

2.2. Use of Shareholders' Rights to Information

In compliance with Informative Policy of our Company, it is essential that all shareholders, potential investors and analysts are treated equally for the utilization of information acquirement and observation and explanations to be made with the same content to each person. Each information sharing is carried out within the scope of the content shared with public before.

For the utilization of information acquirement among shareholders, all information excluding the ones with trade secret qualities is shared with shareholders; it is aimed for shareholders to acquire information from first hand related with their strategies and activities.

During 2018, written and predominantly vocal question demands coming from shareholders, and conveyed via phone, e-mail and face-to-face in person, and mainly about General Assemblies made within the last activity period, capital increase made in previous years, profit share remuneration and Company investments, are answered by Investor Relations Department with care and without delay and within the framework of regulations, information that will interest shareholders with that purpose are shared via our internet site within obligatory announcement periods.

Also, in order to enable all shareholders, beneficiaries and potential investors to access information related with Company in an easy and equal manner, all required information and documents for utilization of shareholder rights in a healthy manner are submitted via our internet site in addition to the information that is required to be announced.

In addition to the fact that the issue of private auditor appointment wasn't regulated with Company's articles of association, any demand regarding the appointment of a private auditor wasn't received within the activity period that ended on the date of 31 December 2018.

2.3. General Assembly Meetings

Regulations of Kordsa's General Assemblies are made by Board of Directors in accordance with Turkish Commercial Code (TTK), Capital Market Code, provisions of Company's Articles of Association and provisions of "Internal Directive regarding Working Principles and Methods of General Assembly" found on "Information Community Services" of Company web site, that was accepted at General Assembly of the Company dated 27 March 2017, registered on Trade Register and announced at Turkish Trade Registry Gazette (TTGS).

At the time of a decision from the Board of Directors for holding a General Assembly is made, public opinion is informed about that by explanations made via MKK (Central Securities Deposit) and KAP. General Assembly announcement is made at 21 days (at latest) prior to the General Assembly over the Company internet site and Central Registry Agency (Central Securities Deposit) internet site's electronic general assembly system page.

Required documents related with agenda topics are shared with public before General Assembly, legal processes and regulations are followed for all announcements. Among the agenda topics of the general assembly; annual activity report, financial statements, corporate governance compliance report, dividend suggestion, independent audit report and legal

auditor report, amendment drafts including the old and new forms of the text if there will be any changes on Articles of Association are made accessible for examination in a manner in which shareholders can easily access over company head office and internet site, 3 weeks before General Assembly. Also, detailed information regarding each agenda topic is included in informative documents related with agenda topics, other information foreseen for General Assemblies is submitted to investors within principles.

General Assemblies are held at company head office or in istanbul as per the decision of the Board of Directors.

Meeting records are accessible via Company internet site and www.kap.gov.tr address, and over Electronic General Assembly System page on the internet site of Central Registry Central Registry Agency (Central Securities Deposit). Also, these records are accessible for examination of shareholders at the company head office a"nd they are given to ones who demand.

Agenda of the 2018 Ordinary General Assembly was determined on the date of 26 February 2018 with Board of Directors Decision no 2018/7, General Assembly agenda, Board of Directors activity report including the audited numbers of 2015, financial statements and reports of 2017, independent audit reports, dividend suggestion of Board of Directors, general assembly informative document prepared in relevance with general assembly agenda topics and other documents forming the basis of agenda topics are shared with public starting from the date of 26 February 2018 Monday, 21 days before the General Assembly, over MKK www.kap.gov.tr address with ODA, on MKK Electronic General Assembly System page, and "Investor Relations" page of Company internet site, and they are kept ready for examination of shareholders at Company Head Office located at the address of Alikahya Fatih Mahallesi Sanayici Caddesi No: 90 İzmit – KOCAELİ and at Investor Relations Department and Shareholders Relations Department located at the address of Teknopark Branch, Sanayi Mahallesi Teknopark Bulvarı No: 1/1B Pendik - İSTANBUL . Questions related with the documents in question are answered.

Shareholders, Capital Market Board, and/or other public institutes and public establishments related with the Company didn't have any demands about adding a topic to the agenda before the General Assembly.

2017 Ordinary General Assembly of the Company was held on Wednesday, on the date of 26 March 2018 Monday, at 10:30, in Sadıka Ana 2 Meeting Hall located at the address of Sabancı Center 4. Levent, Beşiktaş, İstanbul, under the supervision of Hakan ÖZKAN, Representative of Ministry who is tasked by İstanbul Governorate, Provincial Directorate of Commerce with the letter dated 23 March 2018 and numbered as 33044779

Shareholders attended to Ordinary General Assembly in physical environment and electronical environment in person and via their representatives. Beneficiaries other than the shareholders and the media didn't attend to the meeting.

The meeting was started by Cenk ALPER, Chairman of the Board of Directors, after stating that the company auditor was present at the meeting, simultaneously in electronic and physical environment, and then continued with discussion of the agenda topics.

Call to the General Assembly had been announced as it is foreseen on Laws and Articles of Association, and in a manner including the agenda, at the address of www.kap.gov.tr, over Electronic General Assembly System of Central Registry Agency and also over the Company web site, and it had been made at least 21 days prior from the date of the General Assembly, via all kinds of communication tools including electronic communication in compliance with foreseen principles of regulations and with the purpose of reaching to the maximum possible number of shareholders and by announcing meeting date and agenda.

Quorum of the meeting at the 2017 Ordinary General Assembly is 78.92% of the company capital.

Summary of the decisions taken at the 2017 Ordinary General Assembly of our Company held on 26 March 2018 Monday at 10:00 at Sabancı Center Sadıka Ana 2 Meeting Hall, 4. Levent, Beşiktaş, Istanbul is presented below:

- 1. Cenk Alper was elected to preside over the meeting. Mr Alper formed the presiding committee by identifying Şerafettin Karakış as the meeting's vote-taker and Özge Sekmen as its secretary. Esat Kocadayı was also assigned to be in charge of the electronic general assembly system.
- 2. The Board of Directors report for 2017 was read, deliberated, and approved.

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CORPORATE GOVERNANCE COMPLIANCE REPORT

- 3. The "Conclusions" section of the statutory auditors' report was read and approved; the "Conclusions" section of the independent auditors' report was read.
- 4. The 2017 consolidated financial statements were read, approved, and ratified.
- 5. The members of the Board of Directors were acquitted of their fiduciary responsibilities for the company's 2017 operations.
- 6. A decision was made to pay to shareholders representing TL 194,529,076.00 of the company's capital and in accordance with their legal status, a 2017 dividend totaling TL 66,884,932.20. This corresponds to a gross dividend rate of 34.383% and to a net dividend rate of 29.22555 %. It was also decided that this dividend would be paid in cash on 2 April 2018.
- 7. Decision was made to elect Cenk ALPER, Vecih YILMAZ, Nevra ÖZHATAY and Mehmet YILDIZas company directors and Mehmet SAMİ and Muharrem DÖRTKAŞLI as independent directors to serve in those capacities for three years.
- 8. A decision was made to pay each member of the Board of Directors a gross monthly salary of TL 8,000.00 during their term of office.
- 9. A decision was made to appoint the firm of KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi as the company's independent auditors for a period of one year.
- 10. Shareholders were informed about and ratified the TL 12,371,425 worth of donations and assistance provided during 2017.
- 11. A proposal to set a limit of TL 500,000 on 2018 donations other than those which must be made in accordance with the company's articles of association was approved.
- 12. It was decided to authorize the chairman and members of the Board of Directors to engage in the businesses set forth in articles 395 and 396 of the Turkish Commercial Code.

At the General Assembly:

There wasn't any partners who wanted to speak about topics outside the agenda during the meeting, and there wasn't any questions asked to the Board of Directors.

Shareholders didn't make any suggestions outside the agenda at the General Assembly.

General Assembly records was shared with public via KAP, Trade Registry Gazette and Electronic General Assembly System, also all kinds of announcements, documents and files related with General Assembly are submitted for information of shareholders and all beneficiaries at Company web site.

General assembly documents have been submitted to examination of shareholders at Company's head office since 2005; these documents are also accessible from www.kap.gov.tr and Company web site.

No Extraordinary General Assembly was held in 2018.

2.4. Right to Vote and Rarity Rights

A privileged voting right isn't described in Articles of Association of the Company.

There is a single voting right reserved for each share.

There isn't a company, with which our Company is in reciprocal shareholding benefits.

Minority shareholders and beneficiaries aren't represented within Board of Directors. However, there are two independent member of Board of Directors in order to represent all shareholders and beneficiaries equally, particularly minority shareholders.

Our company places emphasis on utilization of minority rights in compliance with regulations of Turkish Commerce Code and Capital Market Code, and there weren't any criticism or complaints about those during the twelve months period of 2018.

2.5. Dividend Rights

There aren't any prerogatives reserved for participation to company profit.

The Company has a written Dividend Policy

Dividend policy

A revised Kordsa Dividend Policy taking into account recent changes in capital market laws and regulations that was approved by the Board of Directors on 16 March 2015 was published for the attention of shareholders and other stakeholders at the Public Disclosure Platform (www.kap.gov.tr) and on the company's website. This revised policy was ratified at the 2015 annual general assembly that took place on 23 March 2016.

2.6. Transfer of Shares

There isn't any provisions that limits the transfer of shares in Company Articles of Association. Transfer of Company Shares is carried out within the framework of Turkish Commerce Code and Capital Market Code provisions.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Information (Informative) Policy

An Information Policy, which is in compliance with Corporate Governance Principles of Capital Markets Board, is effective within the Company.

Information Policy was updated by Corporate Governance Committee on the date of 23 March 2015 within the framework of latest changes of Capital Market Legislation, following the approval of Board of Directors, it is shared with public on the same day over www.kap.gov.tr with Special Circumstances Disclosure and on Company web site for information of shareholders and beneficiaries.

Board of Directors is authorized and responsible with following, supervision and development of Company Public Disclosure and Information Policy.

The Corporate Finance and Investor Relations Global Financial Directorate, which is responsible with Investment Relation within the organization of Finance Assistant General Directorate is tasked with supervising and monitoring all matters related with public disclosure.

Other matters that may interest investors but left outside the notifications that is required to be published as per the regulations and that isn't trade secret, are disclosed to people and institutions on a timely manner and in correct, complete and understandable form within the direction of principles of "Interior Information Public Disclosure" of Capital Markets Board.

3.2. Corporate Web Site and Contents

Our company has a corporate web site and its address is www.kordsa.com

Contents of the web site is in Turkish and English.

Terms of use for the site is submitted for information of beneficiaries on Legal Information section of the site.

The work started for submission of the information found on the web site in Turkish into English on a vast scale is still ongoing. Financial Reports, Activity Report and other various information can also be found in English. Work related with development of the web site is continuously ongoing.

3.3. Activity Report

All information counted among Corporate Governance Principles is also included in our Company's activity reports. However, remuneration made to Board of Directors and Senior Executives and all other benefits aren't given place to on a personal basis. Benefits provided to executives are given as in total amount.

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CORPORATE GOVERNANCE COMPLIANCE REPORT

SECTION IV - STAKEHOLDERS

4.1. Information to Stakeholders

Employees, customers, suppliers, syndicates, civil society organizations, state, potential investors, etc., who are in direct relation with the Company, are considered to be beneficiaries. By paying attention to the fact that being in cooperation with beneficiaries will be for the benefit of the Company on long-term, Company respects and protects the rights of beneficiaries, which are gained by legislation, mutual agreement and contracts.

Within the framework of Company Information Policy, information, which don't carry the qualifications of trade secret, is shared with beneficiaries through transparent public statements, media, meetings, etc.

Beneficiaries learn about the developments regarding Company, through public statements in accordance with the relevant regulations. Public informative announcements are made via information tools such as special circumstances disclosures, financial statements and reports, annual activity reports, web page, presentations, investor meetings and teleconferences, information letters, press statements, Trade Registry Gazette, etc. Primary public disclosure methods and tools used by Kordsa, without prejudice to Capital Market Legislation and Turkish Trade Code (TTK) provisions, are listed as follows;

- Special Circumstances Disclosure conveyed via Public Disclosure Platform (KAP),
- Financial statements and footnotes, independent audit report, declarations and activity report conveyed to Public Disclosure Platform (KAP) on a periodical basis,
- Announcements and notice made via Turkish Trade Registry Gazette (registration statement, circular, general assembly call etc.),
- · Press statements made via written and visual media,
- Statements made to data distribution corporations such as Reuters, Foreks etc.,
- · Informative calls and meetings with capital market attendants face-to-face or via teleconference,
- Corporate Internet Web Site, (www.kordsa.com) informative announcements,
- Statements made via communication methods and tools such as communication made via phone, cell phone (WAP and similar technologies), e-mail (yatirimciiliskileri@kordsa.com), telefax, etc.

In addition to the information included within financial statements and reports made within the direction of Capital Markets Board regulations and shared with public (except the information not yet shared with public); vocal or written information is shared with beneficiaries such as company employees, customers, syndicates, civil society organizations, state, potential investors, on their demand and on matters that may be an interest to these parties. Company employees are also informed on their expertise fields and general subjects, in which they may be interested in, with information through meetings held, seminars and trainings organized, and via e-mail sent to them. There is a portal for employees and they are enabled to access to all kinds of information and document, which may interest them, through this portal.

Employees are able to access all kinds of information and documents, which may interest them, with e-applications found on company communication network, they are able to manage different processes in electronic environment.

Information on all subjects is shared with customers and suppliers, mutual works and projects are carried out in order to develop processes.

Kordsa World magazine, from which company employees benefit from and which is published once in every three months and distributed for free, is in operation at the moment. Also, our Company adopted ethical principles in order to protect the rights of beneficiaries and formed ethical committees in order to manage these rules.

Beneficiaries are able to reach Sabanci Holding's, which is controlling shareholder of the Company, ethical rules and ethical committee, corporation's e-mail (etik@sabanci.com) address and phone through www.sabanci.com.tr address, and to Company Business Ethics Rules, to Ethical Rules Consultants of direct and indirect partnerships of the Company, names, e-mail address (etik.tr@kordsa.com) and phones of those consultants through the address of www.kordsa.com.

Kordsa's all ethical activities, which are carried out in 5 countries, are managed by Global Human Resources Director Nazan KESKİN; and Turkey's ethical activities are managed by Kordsa İzmit Human Resources and Information Technologies Group Director, Kordsa Turkey Ethical Committee consultant Elif Gül.

Required mechanism, which is needed for informing Corporate Governance Committee and Audit Committee about the transactions of beneficiaries that is contrary to Company's regulations and not suitable in ethical terms, is formed by the company.

4.2. Stakeholders' Participation in Management

There isn't a model or mechanism formed for participation of beneficiaries to the management. However, independent members within the Board of Directors make the representation of all beneficiaries as well as the Company and shareholders for the management.

Management contribution of the shareholders take place at the General Assembly, shareholders are given the opportunity of expressing their opinion and asking questions under equal conditions. All members of the Board of Directors are elected as a result of the voting made with opportunity participation and evaluated by getting opinion of beneficiaries about their loyalty and satisfaction levels at the General Assembly.

A governance model is applied at our company that encourages contribution of the employees to formation of the major policies, spreading of these policies to entire Company and turning them into objectives, realization of planned applications, and provision of continuous improvement by reviewing application results.

Participation of our white collar employees to the management is also made through periodical meetings, annual goal setting and performance evaluation interviews. Actions plans are formed by focusing on fields of our white collar and blue collar employees with Employee Loyalty Survey application. Also employees provide feedback to management and their colleagues with 360 degrees feedback mechanism, and actions plans are formed for required changes by discussing results at various management meetings. With these approaches, required participation and contribution of the employees is provided for effective governance of the Company.

While making regulations on working conditions and working environment of blue-collar employees, rights provided to these employees and similar topics, works are carried out in cooperation, meetings are held, opinions of Turkey Textile Weave and Clothing Industry Labor Union (TEKSIF), which our union member employees are members of, and Turkey Textile Industry Employer Union, which our Company is a member of, are taken.

4.3. Human Resources Policy

Current human resources policies and applications of the Company is submitted below and they are also announced at the address of www.kordsa.com. Relevant activities are managed by Global Human Resources and IT Director Nazan Keskin.

Just like companies of Sabancı Community that are actively doing business in national and international markets, Kordsa also respects and acts in compliance with national laws and (if exists) private laws such as collective labor agreements within the markets it exists. During the process between the starting and termination dates of work agreements of the employees, due diligence is shown for protection and remuneration of all rights and receivables.

Foreign Assignments

As a global company, carrying knowledge from Kordsa's one operation to another of different maturity, and providing different experience opportunities to its employees are among the top HR objectives of the corporation. In this context, our employees are tasked at Kordsa companies in different countries for short-term or long-term duties within the abroad appointment system.

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4.4. Ethical Rules and Social Responsibility

Company carries out all of its activities and relations and protection of beneficiaries' rights in compliance with Business Ethical Rules accepted by Company Board of Directors.

Kordsa Business Ethics Rules regulates our Company's relations with customers, employees, shareholders, suppliers, business partners, competitors, environment and society; and it is collected under four major titles named legal responsibilities, honesty, confidentiality and conflict of interests.

In order to manage the ethical rules on this matter, an Ethical Rule Consultant, who is responsible with application of Kordsa Business Ethics Rules as necessary, is appointed for each of our production facility.

Business Ethical Rules in question, Company, Ethical Rules Consultants of direct and indirect partnerships of the Company, names, e-mail addresses (etik.tr@kordsa.com) and phones of these consultants are shared with public through the Company web site that can be accessed from www.kordsa.com and awareness of the employees related with the subject is increased through regularly held trainings.

All ethical activities of Kordsa, which are carried out in 6 countries, are managed by Nazan Keskin, Global Human Resources Director; Kordsa Turkey's ethical activities are managed by Human Resources and Information Technologies Group Director, Kordsa Turkey Ethical Rules consultant Elif Gül.

Company carries out its duties within social responsibility scope by donations and aids made to foundations and associations founded with social purposes and educational institutions, universities and miscellaneous people, institutions and organizations, in compliance with Company policies and procedures particularly Company Articles of Association, Business Ethics rules, Capital Market Regulations, Turkish Commercial Code and relevant legislation. Within this scope, Company donates an amount of 5 percent of its profit before taxes to Sabanci University every year.

Detailed information regarding Donations and Aids can be found in details under the title of "h) donations and aids made within the period" at "Company Activities and Important Developments regarding Activities" on 4th provision of Board of Directors Activity Report.

Kordsa acts sensitively towards its social responsibilities and follows ethical rules and regulations regarding environment, consumers and public health. Company supports and respects human rights with international validity. It fights against all kinds of corruption including subornation and bribery within the framework of Fight against Bribery and Corruption Policy.

SECTION V - BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

Company's Board of Directors observes compliance of Company activities with regulations, articles of association, internal regulations and determined policies, as well as it represents and manages the Company by paying regard to long-term interests and paying attention to Company risks, growth and yields with the strategical decisions it makes.

In accordance with provisions of Turkish Commercial Code and Company Articles of Association, Company's Board of Directors consists of seven members elected at 2017 Ordinary General Assembly dated 26 March 2018 to perform their duties until 2020 Ordinary General Assembly that will take place in 2021.

"Independence Declaration" of Independent Members of the Board of Directors are given place to Information Documents related to Ordinary General Assembly of Shareholders belonging to year 2017 and dated as 26 March 2018 and within the attachments of this report (APPENDIX-1, APPENDIX-2), and it is submitted to information of shareholders and beneficiaries at www.kordsa.com address of the Company.

With decision dated 4 April 2017 and numbered 2018/13 of our Company's Board of Directors, Board of Directors delegated the duties between themselves in compliance with Company Articles of Association after 2017 General Assembly of the Shareholders dated 26 March 2018.

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Structure of our Board of Directors was formed in compliance with principles determined by SPK.

The Company's Board of Directors Members are as follows according to separation of executives and non-executives and independent members:

1. Cenk ALPER:	Chairman
2. Mehmet YILDIZ:	Deputy Chairman
3. Hakan TİMUR:	Member
	Corporate Governance Committee Member
4. Vecih YILMAZ:	Member
	Early Detection of Risk Committee Member
5. Semiha YAŞAR:	Independent Member
	Audit Committee Member
	Corporate Governance Committee Member
	Early Detection of Risk Committee Chairman
6. Mehmet SAMİ:	Independent Member
	Audit Committee Chairman
	Corporate Governance Committee Chairman
	Early Detection of Risk Committee Member

Qualifications and election conditions for members of the board of directors are stated in 19th and 22nd provisions of Company articles of association. Qualifications that are considered to be necessary matches with the relevant provisions of Corporate Governance Principles of SPK.

Governance rights and representation authorities of Company's Board of Directors and Company Executives' authorities and responsibilities are described on 14th, 16th, 17th, 18th, 19th, 21st, 22nd provisions of Company Articles of Association.

Issues pertaining to the management, representation, and binding of Kordsa Teknik Tekstil Anonim Şirketi and to the delegation of these powers are governed by articles 367 and 371 of the Turkish Commercial Code (Statute 6102) pertaining to limitations on the exercise of authority as well as by Internal Directive 2 dated 17 April 2017, which was approved by Board of Directors resolution 2017/15 dated 17 April 2017 pursuant to articles 14, 16, 17, and 21 of the company's articles of association and which was registered by the Kocaeli Commercial Registrar on 17 April 2017.

In this context; authorized signatories of the Company were determined with decision of Board of Directors dated 4 April 2018 and numbered 2018/15, signatory circular no. 55 was issued and came into force starting from the date of 24 April 2018.

As stated in provision no 1.3.7. of Capital Market Board Corporate Governance Principles; during the twelve months period of 2018, shareholders that has control over the governance of the Company, members of the Board of Directors, executives with management responsibilities, their spouses, their blood relatives and relatives by marriage (up to 2nd degree) didn't make any important transactions that will cause a conflict of interest with partners and affiliated companies, didn't make a transaction, which is a type of commercial business that is in the field of operation of partnership or affiliated companies, on their own or someone else's behalf, didn't take participation with the title of unlimited partner in another partnership that deals with same kind of commercial transactions. With a separate agenda topic of General Assembly, information is given to shareholders about the developments on these matters.

At the 2018 General Assembly of the Shareholders held on the date of 26 March 2018; Chairman and Members of the Board of Directors is given permission to carry out the transactions written on 395th and 396th provisions of Turkish Commerce Code.

Even though there isn't a Company policy regarding the recommendation of "at least a 25% of women as members of the Board of Directors, these determine a target ratio and target time, and create policies in order to achieve those targets" of 4.3.9. provision of Corporate Governance Principles, required care is given on this matter and one of the members of the Kordsa Board of Directors is woman.

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During the twelve months period of 2018, even though permission is given to members of the Company's Board of Directors by General Assembly for 395th and 396th provisions of Turkish Commerce Code, they didn't make any transactions together with the Company on their own behalf or someone else's behalf, they didn't attempt to get into competition on same kind of business activities.

There have been changes in Board of Directors during the twelve months period of 2018.

Nevra ÖZHATAY, member of the Board of Directors, has resigned on 21 September 2018 and Hakan TİMUR has been appointed to replace her.

Muharrem DÖRTKAŞLI, Independent Member of the Board of Directors, has resigned on 15 November 2018 and Semiha YAŞAR has been appointed to replace him.

Board of Directors:

1. Cenk ALPER	Chairman of the Board of Directors			
Term of Duty:	26 March 2018 - March 2021			
reim of Duty.	(until 2020 Ordinary General Assembly)			
Tasks Performed Outs				
In-Group	HACI ÖMER SABANCI HOLDİNG A.Ş. Industry Group President			
ш огоар	SABANCI DİJİTAL TEKNOLOJİ HİZMETLERİ ANONİM ŞİRKETİ Member of the Board of Directors			
	BRISA BRIDGESTONE SABANCI LASTIK SANAYI VE TICARET A.Ş. Chairman of the Board of			
	Directors			
	ENERJİSA ENERJİ A.Ş. Member of the Board of Directors			
	ENERJİSA ÜRETİM SANTRALLERİ A.Ş. Member of the Board of Directors			
	TEMSA İŞ MAKİNALARI İMALAT PAZARLAMA VE SATIŞ A.Ş. Chairman of the Board of Directors			
	TEMSA MOTORLU ARAÇLAR PAZARLAMA VE DAĞITIM A.Ş. Chairman of the Board of Directors			
	TEMSA ULAŞIM ARAÇLARI SANAYİ VE TİCARET A.Ş. Chairman of the Board of Directors			
Outside the Group	iso (Industrial Chamber of istanbul), Member			
	KalDer (Turkish Quality Association), Member			
	TÜSİAD (Turkish Industry and Business Association), Member			
	General Assembly Member, Turkey - American Business Councils,			
2. Mehmet YILDIZ	Vice Chairman of the Board of Directors			
Term of Duty:	26 March 2018 - March 2021			
	(until 2020 Ordinary General Assembly)			
Tasks Performed Outs	ide the Company:			
In-Group	Vice President in Charge of Research Processes- Sabancı University			
	Professor - Manufacturing Engineering Program, Material Science and Nano Engineering Program,			
	Faculty of Engineering and Natural Sciences, Sabancı University			
	Director - Sabancı University-Kordsa Composite Technologies Center of Excellence			
	Director - Sabancı University Integrated Manufacturing Technologies Research and Application Center			
Outside the Group	Kastamonu Entegre Ağaç Sanayi ve Ticaret A.Ş. Member of the R&D Advisory Board			

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Term of Duty: 21 September 2018 - March 2021 (until 2020 Ordinary General Assembly) Tasks Performed Outside the Company: In-Group HACI ÖMER SABANCI HOLDİNG A.Ş. HR Group Pres				
Tasks Performed Outside the Company:				
In-Group HACLÖMER SARANCI HOLDÍNG A S. HR Group Pres				
TIACI OFFER SADANCI FIOLDING A.Ş. FIR GIOUP FIE.	sident			
	HACI ÖMER SABANCI HOLDİNG A.Ş. Member of the Executive Board			
AFYON ÇİMENTO SANAYİ T.A.Ş. Member of the Boa	ard of Directors			
AVİVASA EMEKLİLİK VE HAYAT A.Ş. Member of the	Board of Directors – Corporate Governance			
Committee Member				
CARREFOURSA CARREFOUR SABANCI TİCARET ME	RKEZİ A.Ş. Member of the Board of Directors			
- Corporate Governance Committee Member				
TEKNOSA İÇ VE DIŞ TİCARET A.Ş. Vice Chairman of	the Board of Directors			
SABANCI DİJİTAL TEKNOLOJİ HİZMETLERİ A.Ş. Depu				
Outside the Group ASSOCIATION OF PRIVATE SECTOR VOLUNTEERS	(ÖSGD) Member of the Board of Directors			
TÜSİAD (Turkish Industry and Business Association),	Member			
4. Vecih YILMAZ Member				
Term of Duty: 26 March 2018 - March 2021				
(until 2020 Ordinary General Assembly)				
Tasks Performed Outside the Company:				
In-Group HACI ÖMER SABANCI HOLDİNG A.Ş. Finance Direct	tor			
YÜNSA YÜNLÜ SANAYİ VE TİCARET A.Ş. Member of t				
Committee Member – Early Detection of Risk Comm				
	Istanbul Chamber of Certified Public Accountants (ISMMMO) Member			
	,			
5. Semiha YAŞAR Independent Member of the Board of Directors				
Audit Committee Member				
Corporate Governance Committee Member				
Early Detection of Risk Committee Chairman				
Term of Duty: 15 November 2018 - March 2021				
(until 2020 Ordinary General Assembly)				
Tasks Performed Outside the Company:				
In-Group -				
Outside the Group SEMPRO DANIŞMANLIK, MÜHENDİSLİK HİZMETLER	Rİ VE TEMSİLCİLİK LTD. ŞTİ. Founder and			
Business Manager				
LİMAK FOUNDATION Mentor at Engineer Girls of Tu				
TMMOB CHAMBER OF MECHANICAL ENGINEERS A	Ankara Branch Member			
Independence It is given in APPENDIX-1.				
Declaration				

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6. Mehmet SAMİ	Independent Marshay of the Pound of Directors		
6. Menmet SAMI	Independent Member of the Board of Directors		
	Audit Committee Chairman Corporate Governance Committee Chairman		
	Early Detection of Risk Committee Member		
Term of Duty:	26 March 2018 - March 2021		
	(until 2020 Ordinary General Assembly)		
Tasks Performed Outs	side the Company:		
In-Group	AKÇANSA ÇİMENTO SANAYİ VE TİCARET A.Ş. Independent Member of the Board of Directors		
	- Audit Committee Chairman- Corporate Governance Committee Chairman- Early Detection of		
	Risk Committee Member		
	ENERJİSA ENERJİ A.Ş. Bağımsız Member of the Board of Directors - Corporate Governance		
	Committee Chairman - Audit Committee Member - Early Detection of Risk Committee Member		
Outside the Group	PRETIUM KURUMSAL DANIŞMANLIK A.Ş. Partner		
	BCTT, The British Chamber of Commerce in Turkey – Senior Advisor		
	Board Directors Association – Founding Member		
	İstanbul Rotary Club Association - Member		
	Propeller Club, İstanbul - Member		
Independence	It is given in APPENDIX-2		
Declaration			

Senior Management:

1. Ali ÇALIŞKAN	CEO (Chief Executive Officer)		
Tasks Performed Outs	ide the Company:		
In-Group	Kordsa Inc. (USA) Chairman of the Board of Directors		
	Kordsa Inc. (USA) Chairman of the Board of Directors		
	Nile Kordsa Company SAE (Egypt) Member of the Board of Directors		
	Kordsa Brasil S.A. Chairman of the Board of Directors		
	PT Indo Kordsa Tbk (Indonesia) Chairman of the Executive Committee		
	PT Indo Kordsa Polyester (Indonesia) Chairman of the Executive Committee		
	Thai Indo Kordsa CO. LTD. (Thailand) Member of the Board of Directors		
	TEXTILE PRODUCTS, INC. (USA) - Member of the Board of Directors		
	TEXTILE PRODUCTS, INC. (USA) - Chairman of the Board of Directors		
	FABRIC DEVELOPMENT, INC. (USA)- Member of the Board of Directors		
	FABRIC DEVELOPMENT, INC. (USA) - Chairman of the Board of Directors		
	ADVANCED HONEYCOMB TECHNOLOGIES CORPORATION (USA)- Member of the Board of Directors		
	ADVANCED HONEYCOMB TECHNOLOGIES CORPORATION (USA)- Chairman of the Board of Directors		
Outside the Group	DEİK (Foreign Economical Relations Council), General Assembly Member, Turkey - American		
•	Business Councils, Turkey - U.S. Business Council, Executive Board Member, Turkey - Asia Pacific		
	Business Councils Turkey - Indonesia Business Councils, Executive Board Member, Turkey -		
	Thailand Business Councils, Executive Board Member		

2. İbrahim Özgür	Chief Operating Officer - Europe, Middle East and Africa		
YILDIRIM			
Tasks Performed Outsi			
In-Group	Thai Indo Kordsa CO. LTD. (Thailand) Member of the Board of Directors		
	PT Indo Kordsa Tbk (Indonesia) Member of the Executive Board		
	PT Indo Kordsa Polyester (Indonesia) Member of the Executive Board		
	Kordsa Brasil S.A. Deputy Chairman of the Board of Directors.		
Outside the Group	Turkish Composites Manufacturers Association, Member		
	SAHA İstanbul Defence and Aerospace Cluster Association, Member		
	Istanbul Textile and Raw Materials Exporters Association (ITHIB) Member of the Board of Directors		
3. Volkan ÖZKAN	Chief Financial Officer		
	Corporate Governance Committee Member		
Tasks Performed Outsi	de the Company:		
In-Group	Kordsa Inc. (USA) Member of the Board of Directors		
	Kordsa Inc. (USA) Vice Chairman - Finance.		
	Kordsa Brasil S.A. Vice Chairman of the Board of Directors		
	ADVANCED HONEYCOMB TECHNOLOGIES CORPORATION (USA)- Member of the Board of		
	Directors		
	ADVANCED HONEYCOMB TECHNOLOGIES CORPORATION (USA)- CFO & Treasurer		
Outside the Group	DEİK (Foreign Economic Relations Council) Turkey - American Business Councils Turkey - Brazil		
	Business Council Executive Board Member.		
	TÜYİD (Turkish Investor Relations Society), Member of the Board of Directors (Representing		
	Kordsa)		
4. Mehmet Zeki	Chief Operating Officer - Asia Pacific		
KANADIKIRIK	chief operating officer. Asia racine		
Tasks Performed Outsi	de the Company:		
In-Group	PT Indo Kordsa Tbk (Indonesia) Chairman of the Board of Directors and CEO		
	PT Indo Kordsa Polyester (Indonesia) Chairman of the Board of Directors and CEO		
	Thai Indo Kordsa CO. LTD. (Thailand) Member of the Board of Directors		
Outside the Group	İstanbul METU Alumni Association, Member		
	TMMO (Chamber of Mechanical Engineers) Kocaeli Branch, Member		
	TURKCHAM (Turkish Chamber of Commerce) Indonesia, Member of the Board of Directors		
	AMCHAM Indonesia American Chamber of Commerce in Indonesia AmCham Jakarta, Member		
5. Abdülkadir TOPLU	Chief Operating Officer – North & South America		
Tasks Performed Outside			
In-Group	Kordsa Brasil S.A. Deputy Chairman of the Board of Directors		
5.046	Thai Indo Kordsa CO. LTD. (Thailand) Member of the Board of Directors		
	Kordsa Inc. (USA) Member of the Board of Directors and CEO		
	Kordsa Inc. (USA) Vice Chairman - Operations		
	ADVANCED HONEYCOMB TECHNOLOGIES CORPORATION (USA)- Member of the Board of		
	Directors		
Outside the Group	-		

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6. Ufuk UZEL (Global Supply Chain Director	
Tasks Performed Outs		
In-Group		
Outside the Group		
7. Vahe HANAMİRİAN	<u> </u>	
Tasks Performed Outs	ide the Company:	
In-Group	<u>-</u>	
Outside the Group	-	
8. Murat Oğuz ARCAN		
Tasks Performed Outs	side the Company:	
In-Group	Nile Kordsa Company SAE (Egypt) Member of the Board of Directors	
	TEXTILE PRODUCTS, INC. (USA) - Member of the Board of Directors	
	TEXTILE PRODUCTS, INC. (USA) - Treasuirer	
	FABRIC DEVELOPMENT, INC. (USA)- Member of the Board of Directors	
	FABRIC DEVELOPMENT, INC. (USA)- Treasuirer	
ADVANCED HONEYCOMB TECHNOLOGIES CORPORATION (USA)- Member of the Board Directors		
Outside the Group	-	
9. Nazan KESKİN	Global Human Resources and IT Director	
Tasks Performed Outs	side the Company:	
In-Group	-	
Outside the Group	Turkish Textile Employers' Association Advisory Committee Member	
	PERYÖN – People Management Association of Turkey Member	
10. Devrim ÖZAYDIN	Global Technology Director	
Tasks Performed Outs	side the Company:	
In-Group	-	
Outside the Group	Kocaeli METU Alumni Association member	
•	TMMOB Chamber of Chemical Enginners	
	Atatürkist Thought Association Yahyakaptan Branch Member	

5.2. Activity Principles of the Board of Directors

Board of Directors come together on a frequency that allows them to carry out their tasks effectively, perform their duties in a transparent, accounting, fair and responsible manner, and keep an eye on the long-term benefits of the company while doing so. It is an obligation for Board of Directors to come together when necessary and at least 4 times a year. Decisions of the Board of Directors are taken in English and Turkish languages.

32 Board of Directors decisions were taken for the Company's twelve months period of 2018, 20 of these decisions were taken via mail and circulation.

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Activity principles of Board of Directors, quorums of the meetings and decisions are carried out by taking the 14th, 15th, 16th, 17th, 18th, 19th, 21st, 22nd provision of Company Articles of Association into consideration.

There were not any contrary opinions expressed against the decisions taken by Board of Directors members during the meetings held within twelve months period of 2018.

5.3. Number, Structure and Independency of Committees Created Within Board of Directors

Board of Directors benefit from the work of committees while carrying out their tasks and responsibilities. Decision taken as a result of the works carried out by committees are submitted to Board of Directors as recommendations, final decision is taken by the Board of Directors.

In accordance with the provision of "Committees formed within the Structure of the Board of Directors" provisions 4.5 of "Corporate Governance Notification, there hasn't been a committee within the Board of Directors structure other than Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee.

Audit Committee performs the tasks foreseen for audit committee in SPK regulations. Also, it supervises the operation and efficiency of company's accounting system, expression of financial information to public, independent audits and internal control system of the company.

Corporate Governance Committee surveys Company's compliance with Corporate Governance Principles, makes suggestions of improvement, and supervises the work carried out in Investor Relations Department. In addition to these, Corporate Governance Committee carries out "Nomination Committee "and "Remuneration Committee" functions.

Early Detection of Risk Committee works with the purposes of describing, early detection, inspection of risks that may put Company's existence, development and continuity in danger, formation of models and management systems in order to prevent crisis, application of required precautions related with risks and management of risks.

Even though, care is shown for following the recommendation of "not having a member of the board of directors in more than one of the committees" as stated in 4.5.5. provision of "Corporate Governance Notification", a member of Board of Directors may become a member of more than one committee due to work expertise required by membership to committees.

Within this direction, Hakan TİMUR, Member of our Company's Board of Directors, is tasked within Corporate Governance Committee, Vecih YILMAZ, Member of our Company's Board of Directors, is tasked within Corporate Governance Committee, Semiha YAŞAR, Independent Member of our Company's Board of Directors, is tasked within Audit Committee, Corporate Governance Committee and Risk Committee, Mehmet SAMİ, Independent Member of our Company's Board of Directors, is tasked within Audit Committee, Corporate Governance Committee and Risk Committee.

AUDIT COMMITTEE, COMMITTEE MEMBERS AND WORKING PRINCIPLES

Name Surname	Duty Nature of Membership to Board of Director	
Mehmet SAMİ	Chairman of	Independent Member of Board of Directors
	Audit Committee	Chairman of Corporate Governance Committee
		Member of Early Detection of Risk Committee
Semiha YAŞAR	Member of	Independent Member of Board of Directors
	Audit Committee	Member of Corporate Governance Committee
		Chairman of Early Detection of Risk Committee

Audit Committee

Within the scope of provision 28/A added to Capital Market Board's Notification of Independent Audits "Series:X, No:16" numbered with "Series:X, No:19" Notification, duty of the Audit Committee founded with the Company's Board of Directors decision dated 17 March 2003 and numbered 743 is to inform Company Board of Directors about Company's accounting system, financial reporting, financial information shared with public, activities of the internal audit department, operation and

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efficiency of independent audit and internal control systems, to support Company's work on compliance with relevant laws and regulations, primarily Capital Markets Board Regulation, Corporate Governance Principles and Company's ethical rules and to perform surveillance tasks on these matters.

In compliance with the criteria defined in Capital Markets Board's "Communique on Corporate Governance" numbered II-17.1, current article of the Bylaw of Audit Committee titled "6. Term of duty" has been revised and approved by the resolution no. 2018/26 at the Board of Directors Meeting held on 21 September 2018.

Organization and Responsibility Fields of the Committee

Muharrem DÖRTKAŞLI and Mehmet SAMİ, who were elected as Independent Members of the Board of Directors at 2017 Shareholders Ordinary General Assembly held on the date of 26 March 2018, were elected as Members of the Audit Committee with the decision of Board of Directors dated 4 April 2018 and numbered 2017/14.

Independent Board Member Muharrem DÖRTKAŞLI has resigned from his position on 15 November 2018 and Semiha YAŞAR has been appointed to replace him. Semiha YAŞAR has been elected as a Member of the Audit Committee as per the board resolution no. 2018/30 dated 15 November 2018.

The members consist of people, who doesn't directly undertake executive functions and who carries independent member status within the Board of Directors with adequate knowledge and experience on financial matters. Audit Committee Chairman and Member are appointed by Board of Directors. Reporter of the Audit Committee is carried out by Company's internal audit unit. That reporter is tasked by Chairman of the Audit Committee. Required sources and all kinds of support that is needed by them to perform is provided to Audit Committee by Board of Directors.

Audit Committee supervises the Company's accounting system, sharing financial information with the public, operation and efficiency of independent audit and Company's internal control system, internal audit department. So, the committee makes sure that financial and operational activities are kept under surveillance, internal and external audit is carried out in healthy conditions, they express opinion about the compliance of financial statements with reality, makes recommendations to Board of Directors for the selection of independent audit institution, reviews Company policies related with compliance with laws, ethics, conflicts of interest, investigations regarding mismanagement and sharp practices and suitability of corporate governance policies via internal audit department, discusses the sufficiency of internal control system by meeting with internal audit department, and builds a communication bridge between Board of Directors, financial directors, independent audits and internal audit department by holding regular meetings.

Audit Committee submits inspections and recommendations collected about its activity, task and responsibility fields to Chairman of the Board of Directors.

Committee Meetings

Audit Committee meets at least four times a year on a "once every three months at minimum" basis at Company head office or another location over the invitation of Audit Committee Chairman. Committee can be called for extraordinary meeting by Chairman of the Board of Directors of Chairman of the Committee. Auditors and directors can hold meeting with special agenda..

During the twelve months period of 2018, Audit Committee came together four times on the dates of 20 February 2018, 2 May 2018, 8 August 2018 and 5 November 2018, reviewed and approved internal audit reports.

In accordance with the responsibilities defined in Article 9 of Capital Markets Board's Communique on Principles of Financial Reporting in Capital Markets issued in Official Gazette no.28676 dated 13 June 2013 and in accordance with the articles of bylaw, the Audit Committee presented its reports to the Board of Directors on the fairness and accuracy of the following reports:

At their meeting on 20 February 2018, audited annual consolidated financial statements for 2017, dated 31 December 2017 and disclosed to the public on 20 February 2018.

At their meeting on 2 May 2018, unaudited summary consolidated financial statements dated 31 March 2018 and disclosed to the public on 2 May 2018.

At their meeting on 8 August 2018, reviewed summary consolidated financial statements dated 30 June 2018 and disclosed to the public on 8 August 2018.

At their meeting on 5 November 2018, unaudited summary consolidated financial statements dated 30 September 2018 and disclosed to the public on 5 November 2018.

INTERNAL AUDIT DEPARTMENT

Company Internal Audit Department directly reports to the Audit Committee that consists of members of the Board of Directors within the Company organization structure according to independency principle. Internal control mechanism is under the responsibility of Executive Committee and management of the affiliated companies, it is audited by Company Internal Audit Department.

As a result of the Quality Assurance Reports (QAR) evaluation carried out by Independent audit company KPMG (Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. / Akis Independent Audit and Independent Accounting and Financial Consultancy Inc.) in 2014 within the direction of International Internal Audit Institute (IIA) criteria, it is documented that the activities of the Internal Audit Department are in compliance with International Internal Audit Standards.

Duties of the Internal Audit Department are checking the reliability and accuracy of financial statements of Company and affiliated companies ensuring that the activities will be carried out in compliance with laws, and policies and ethics rules accepted by the Company, contributing to finding solutions that decreases risks to minimum or resolves them completely by analyzing the processes and inspecting potential risks in order to increase the efficiency of the operations. Internal Audit Department is responsible with reporting to Audit Committee on a periodical basis.

Audit reports, which are issued as a result of audit works carried out by Internal Audit Department, are submitted to Senior Management and to Board of Directors via Audit Committee, actions, which are taken for the issues inspected, are followed by Internal Audit Department through the year. Also; Kordsa Board of Directors continuously surveys the activities of Internal Audit Department through the presentations made by Internal Audit Department on quarterly periods via Audit Committee.

Internal Audit Department held meetings with Audit Committee 6 times during the twelve months of 2018 on the dates of 23 March 2018, 24 April 2018, 28 June 2018, 29 June 2018, 12 July 2018 and 12 September 2018.

CORPORATE GOVERNANCE COMMITTEE, MEMBERS OF THE COMMITTEE AND WORKING PRINCIPLES

Name Surname	Duty	Nature of Membership to Board of Directors and Senior Management	
Mehmet SAMİ	Chairman of the Corporate	Independent Member of the Board of Directors	
	Governance Committee	Chairman of the Audit Committee	
		Member of the Early Detection of Risk Committee	
Semiha YAŞAR	Member of the Corporate Independent Member of the Board of Director		
	Governance Committee	Member of Audit Committee	
		Chairman of the Early Detection of Risk Committee	
Hakan TİMUR Member of the Corporate		Member of Board of Directors	
	Governance Committee		
Volkan ÖZKAN	Member of the Corporate	CFO	
	Governance Committee	Senior Executive of Investor Relations Department	

Corporate Governance Committee

This Committee, which is formed in compliance with Corporate Governance Principles in force of Capital Markets Board (SPK), was founded with the decision of Kordsa Board of Directors on the date of 24.04.2012 and with decision number 979 and it was approved by Internal Regulations (Bylaw).

Corporate Governance

CORPORATE GOVERNANCE COMPLIANCE REPORT

In compliance with the criteria determined within the scope of II-17.1 "Corporate Governance Notification" of Capital Markets Board, current "11. Term of Duty" title of the Internal Regulations of Corporate Governance Committee was revised and approved with the decision of Board of Directors dated 21 September 2018 and numbered 2018/26.

Pursuant to provision of 4.5. Committees Formed within the Structure of Board of Directors of "Corporate Governance Notification" Chairman of the Corporate Governance Board is appointed among independent members by the Company Board of Directors.

Corporate Governance Board consists of maximum five members (including Chairman) and two rapporteur appointed by Kordsa Teknik Tekstil A.Ş. Board of Directors in accordance with "Corporate Governance Principles" of SPK.

Structure and Liability Fields of the Committee

Muharrem DÖRTKAŞLI and Mehmet SAMİ who were elected as Independent Board Members and Nevra ÖZHATAY who was elected as Board Member at the 2017 Shareholders Ordinary General Assembly held on 26 March 2018 together with Volkan ÖZKAN, the Company's CFO have been appointed to their positions as Corporate Governance Committee Members as per the board resolution no. 2018/14 dated 4 April 2018.

Hakan TİMUR who has been appointed as the Board of Director Member replacing Nevra ÖZHATAY as she resigned on 21 September 2018, has also been elected as Corporate Governance Committee Member.

Independent Board Member Muharrem DÖRTKAŞLI has resigned on 15 November 2018 and Semiha YAŞAR has been appointed to replace him. Semiha YAŞAR has been elected as Corporate Governance Committee Member as per the board resolution no. 2018/30 dated 15 November 2018.

Members consist of people with adequate knowledge and experience on the matters of Corporate Governance among members who has and has not direct executive functions, tasked within Board of Directors and among ones who is with independent member title, tasked directly with executive functions and with company senior executive titles.

Corporate Governance Committee takes on the duties of Nomination Committee and Remuneration Committee.

This committee inspects whether the Company Corporate Governance Principles are applied or not within the company, the reasons if not they are applied, and conflicts of interests that occurs because of not completely following these principles and it makes recommendations to Board of Directors about improvements on corporate governance applications.

Corporate Governance Committee holds meetings at least 4 times a year.

Committee Meetings

Agenda of the meeting is determined by the Committee Chairman. Members and shareholders inform Corporate Governance Committee Chairman via Rapporteurs about the matters that they want to be included to the agenda.

Meetings are held at least four times a year at dates and locations found suitable by the Chairman. At the beginning of each year, annual meeting calendar of the Corporate Governance Committee is determined by the Committee Chairman and it is shared by all members.

Corporate Governance Board puts all the work it carries out in writing and keeps the records; submits all information regarding its work and reports including the meeting results to Board of Directors.

People, whom seem to be appropriate by the Chairman, can attend to the meetings.

During the twelve months period of 2018, Corporate Governance Committee held meetings 5 times on the dates of 20 February 2018, 23 February 2018, 23 March 2018, 4 June 2018, 29 June 2018, 12 September 2018, 15 November 2018 and 12 December 2018.

Corporate Governance Committee

With the decision numbered 2018/1 taken at the 27th meeting held on the date of 20 February 2018, Corporate Governance Committee accepted the Investor Relations Department 2017 Report about their activities carried out within the 2017 activity period, prepared by the Investor Relations Department, which carries out its work directly reporting to the CFO, who enables communication between Company partnerships and investors, within the scope of 11th provision of Corporate Governance Notification. The report was approved pursuant to Board of Directors resolution 2018/4 dated 20 February 2018.

With the decision numbered 2018/2 taken at the 28th meeting held on 23 February 2018, Corporate Governance Committee reviewed the information and documents presented for their review on independent candidates Muharrem DÖRTKAŞLI and Mehmet SAMİ who declared their candidacies for being independent board members within the scope of the criteria set out in corporate governance principles issued by the Capital Markets Board. In accordance with the relevant articles of the Bylaw of Corporate Governance Committee and as required by the compulsory Corporate Governance Principles of Communique on Corporate Governance articles 4.5.1 and 4.5.11, the Committee reviewed the candidates' CVs, their work experiences for the last ten years and the reasons for leaving previous jobs, nature and materiality level of the relationships with the Company and its affiliates, whether they are independent and other similar documentation of issues which may have an effect on the Company's activities in case they are elected. As a result of their review, Independent Board Member candidates and the committee's review report on these candidates have been approved to be presented to the Board of Directors.

The report and Independent Board of Directors candidates have been approved at the Board of Directors meeting numbered 2018/6 held on 23 February 2018 and decision was taken to nominate Muharrem DÖRTKAŞLI and Mehmet SAMİ as Independent Board of Directors Members at the Company's Ordinary General Assembly for 2017.

With the decision numbered 2018/3 taken at the 29th meeting held on 23 March 2018, the following topics were discussed and resolutions were adopted:

- 1.As of 28 February 2018, the Company has an Investor Relations Department and there has been no changes in its managerial responsibilities
- 2. As of 28 February 2018, Corporate Governance Principles are being adopted in the Company and there have been no events brought into the Committe's attention which may be inconsistent with the Bylaw or that may cause a conflict of interest
- 3. It has been determined that the department acts in compliance with the Company's Articles of Association and regulations within the company, Company's obligations are being fulfilled in accordance with legal processes and there has been no penalty or indemnity payment per review of the records.
- 4. Individual performance evaluations and related statistics for 2017 of all white collared employees with titles manager and above have been shared.
- 5. Information on Kordsa's performance management process and performance evaluation results of Executive Committee Members (ELT) and other strategic leaders were presented and performance allocation tables have been shared.
- 6. Human Resources Policy of Kordsa Teknik Tekstil A.Ş.has been prepared and approved.

The report on relevant period and Human Resources Policy have been approved by the Board of Directors at their meeting held on 23 March 2018 with the decision number 2018/11.

With the decision numbered 2018/4 taken at the 30th meeting held on 4 June 2018, the decision of the Company's Executive Board to adopt a regional management approach rather than the country approach in South and North America based on annual "Organization Success and Succession Plan" discussions has been evaluated. This change will be effective at 1 July 2018. As a result of the integration in South and North America, along with Asia Pacific and EMEA regions, the whole cord fabric organization is planned to be managed by Regional Management.

The report prepared has been approved by the Board of Directors at their meeting held on 29 June 2018 with the decision numbered 2018/19.

Corporate Governance

CORPORATE GOVERNANCE COMPLIANCE REPORT

With the decision numbered 2018/5 taken at the 31st meeting held on 29 June 2018, the following matters wer discussed and resolutions were taken:

- 1.As of 31 May 2018, the Company has an Investor Relations Department and there has been no changes in its managerial responsibilities
- 2. As of 31 May 2018, Corporate Governance Principles are being adopted in the Company and there has been no events brought into the Committe's attention which may be inconsistent with the Bylaw or that may cause a conflict of interest
- 3. It has been determined that the department acts in compliance with the Company's Articles of Association and regulations within the company, Company's obligations are being fulfilled in accordance with legal processes and there has been no penalty or indemnity payment per review of the records.
- 4. Results and action plans of the Corporate Governance Committee Cooperation Meeting held at 30 May 2018 has been reviewed.
- 5.Information on the following matters has been presented to Committee members about investor relations:
- a) Performance and benchmark analysis of Kordsa shares for the last 3 years
- b) Ratio of foreign investors in public shares and its status over the years
- c) Liquidity ratio for the last 3 years
- d) Names of the 10 largest investors among the public shares and their status over the years
- e) Intermediary institution transactions based on Central Securities Depository
- f) Investor Relations Calendar and Event Plan for 2018
- g) Analyst reports about Kordsa and their performance analyses
- 6. Monthly Human Resources Reporting has been shared

Report prepared for the relevant period has been approved by the resolution numbered 2018/19 dated 29 June 2018.

With the decision numbered 2018/6 taken at the 32nd meeting held on 12 September 2018, the following topics were discussed and resolutions were taken:

- 1.As of 31 August 2018, the Company has an Investor Relations Department and there has been no changes in its managerial responsibilities
- 2. As of 31 August 2018, Corporate Governance Principles are being adopted in the Company and there has been no events brought into the Committe's attention which may be inconsistent with the Bylaw or that may cause a conflict of interest
- 3. It has been determined that the department acts in compliance with the Company's Articles of Association and regulations within the company, Company's obligations are being fulfilled in accordance with legal processes and there has been no penalty or indemnity payment per review of the records.
- 4. Information on the following matters has been presented to Committee members about the investor relations:
- a) Performance and benchmark analysis of Kordsa shares for the last 3 years
- b) Ratio of foreign investors in public shares and its status over the years

- c) Liquidity ratio for the last 3 years
- d) Intermediary institution transactions based on Central Securities Depository
- e) Investor Relations Calendar and Event Plan for 2018
- f) Analyst reports about Kordsa and their performance analyses
- 5. Monthly Human Resources Reporting has been shared.

6.Decision was taken to add the following text to the last paragraph of Corporate Governance Committee Bylaw Article 11. Term of duty:

"At the last year of committee members' terms, a transition/transfer meeting is held with the attendance of current and new members."

Report prepared for the relevant period has been approved by the resolution numbered 2018/26 dated 21 September 2018.

With the decision numbered 2018/7 taken at the 33rd meeting held on 15 November 2018, the following matters were discussed and resolutions were taken:

Resignation of Muharrem DÖRTKAŞLI from his positions of KordsaTeknik Tekstil A.Ş.Independent Board Membership, Audit Committee Membership, Corporate Governance Committee Membership and Early Detection of Risk Committee Membership on 15 November 2018 was discussed.

Corporate Governance Committee reviewed the information and documents presented for their review on independent candidate Semiha YAŞAR who declared her candidacy for being an independent board member within the scope of the criteria set out in corporate governance principles issued by the Capital Markets Board. In accordance with the relevant articles of the Bylaw of Corporate Governance Committee and as required by the compulsory Corporate Governance Principles of Communique on Corporate Governance articles 4.5.1 and 4.5.11, the Committee reviewed the candidate's CV, her work experience for the last ten years and the reasons for leaving previous jobs, nature and materiality level of the relationships with the Company and its affiliates, whether she is independent and other similar documentation of issues which may have an effect on the Company's activities in case she is elected.

As a result of their review, within the scope of the criteria set out by the corporate governance principles of Capital Markets Board, the committee decided to present Semiha YAŞAR's appointment as an Independent Board Member to the Board of Directors to be submitted to the next General Assembly for their approval.

Report prepared for the relevant period has been approved by the resolution numbered 2018/30 dated 15 November 2018.

With the decision numbered 2018/8 taken at the 34th meeting held on 12 December 2018, the following matters were discussed and resolutions were taken:

- 1.As of 30 November 2018, the Company has an Investor Relations Department and there has been no changes in its managerial responsibilities
- 2. As of 30 November 2018, Corporate Governance Principles are being adopted in the Company and there has been no events brought into the Committe's attention which may be inconsistent with the Bylaw or that may cause a conflict of interest
- 3. It has been determined that the department acts in compliance with the Company's Articles of Association and regulations within the company, Company's obligations are being fulfilled in accordance with legal processes and there has been no penalty or indemnity payment per review of the records.

Corporate Governance

CORPORATE GOVERNANCE COMPLIANCE REPORT

- 4. Information on the following matters has been presented to Committee members about investor relations:
- a) Performance and benchmark analysis of Kordsa shares for the last 3 years
- b) Ratio of foreign investors in public shares and its status over the years
- c) Liquidity ratio for the last 3 years
- d) Intermediary institution transactions based on Central Securities Depository
- e) Investor Relations Calendar and Event Plan for 2018
- f) Investor meetings realized on 5-6 September in Prague
- g) Share performance of the subsidiary publicly traded in Indonesia (BRAM)
- 5. Information has been shared about Corporate Communication Activities
- 6. Monthly Human Resources Reporting has been shared.
- 7. Succession Plan has been shared.
- 8. The status of the former Global Finance Manager Serdar SAMSUN who resigned from our Company on 16 November 2018 has been discussed.
- 9. Action lists have been prepared for investor relations, corporate communications and human resources practices.

Report prepared for the relevant period has been approved by the resolution numbered 2018/31 dated 21 December 2018.

EARLY DETECTION OF THE RISK COMMITTEE, MEMBERS OF THE COMMITTEE AND WORKING PRINCIPLES

Name Surname	Duty	Nature of Membership to Board of Directors	
Semiha YAŞAR	Chairman of the Early Detection of	Independent Member of the Board of Directors	
	the Risk Committee	Member of Audit Committee	
		Member of Corporate Governance Committee	
Mehmet SAMİ	Member of the Early Detection of Independent Member of the Board of Director		
	the Risk Committee	Chairman of Audit Committee	
		Chairman of Corporate Governance Committee	
Vecih YILMAZ Member of the Early Detection of		Member of the Board of Directors	
	the Risk Committee		

Early Detection of the Risk Committee

This Committee, which is formed pursuant to Turkish Commercial Code No. 6102 and effective Corporate Governance Principles of Capital Markets Board (SPK), was founded by the decision dated 02.08.2013 and numbered 2013/15 of Kordsa Teknik Tekstil A.Ş.'s Board of Directors and its Internal Regulations (Bylaw) is approved.

Article 11. Term of Duty of the Risk Detection Committee's internal regulation was revised to bring it into compliance with criteria set forth in Capital Markets Board Corporate Governance Communique II-17.1. This revision was approved pursuant to Board of Directors resolution 2018/26 dated 21 September 2018.

Structure and Liabilities of the Committee

Following the appointment of Muharrem DÖRTKAŞLI and Mehmet SAMİ as Independent Board Members and Vecih YILMAZ as Member of the Board at the 2017 Ordinary General Assembly held at 26 March 2018, they were elected as members of the Early Detection of Risk Committee as per the Board resolution numbered 2018/14 on 4 April 2018. Members of the committee comprise of those who have either executive or non-executive roles in the Board of Directors titled as a member or independent member and with background and experience in Risk Management in Turkey and abroad.

Independent Board Member Muharrem DÖRTKAŞLI has resigned from his position as of 15 November 2018 and replaced by Semiha YAŞAR. With the resolution numbered 2018/30 at 15 November 2018, Semiha YAŞAR has been appointed as the Chairman of the Early Detection of Risk Committee.

Early Detection of the Risk Committee carries out its work with purposes of description, early detection, inspection of the risks that may put Company's existence, development and continuity into danger, formation of models and management system for prevention of crisis, application of the required precautions related with risks and management of the risks.

Early Detection of the Risk Committee holds meetings at least 4 times a year.

Committee Meetings

Agenda of the meeting is determined by the Committee Chairman.

Members and shareholders inform Early Detection of the Risk Committee Chairman via Rapporteurs about the matters that they want to be included to the agenda.

Meetings are held at least four times a year at dates and locations found suitable by the Chairman. At the beginning of each year, annual meeting calendar of the Early Detection of the Risk Committee is determined by the Committee Chairman and it is shared by all members.

With the purpose of managing risks efficiently, risk reports are reviewed by Early Detection of the Risk Committee and submitted to Board of Directors once in every two months.

Early Detection of Risk Committee held 6 meetings in the twelve-month period of 2018. Meetings were held on 23 March 2018, 29 June 2018, 30 July 2018, 12 September 2018, 22 November 2018 and 12 December 2018.

At these meetings, risks with potential to impact the Company and Key Risk Indicators which have been updated based on the developments in the Company and the market were presented for the committee members' review. Reports have been approved by the Board of Directors following the committee meetings.

5.4. Risk Management and Internal Control Mechanism

Kordsa Corporate Risk Management

Kordsa formed Risk Management company standards (CFN.007) regarding Corporate Risk Management and published it within the organization on the date of 01.07.2012. The standard in question is reviewed by Kordsa Executive Committee every year. Company standards describe the applications on the following topics and guarantees them.

- · Kordsa Risk Management Approach
- Allotment and Compliance of Responsibilities
- Inspection of the risks
- · Evaluation of the risks
- Formation of risk monitoring reports
- Prioritization of the risks
- · Risk action plans
- · Monitoring and reporting risks
- · Audit of risks

Business sustainability management, which will form the basic foundation of Company's corporate risk management applications, was turned into a management standard. Partnerships of Kordsa all around the world were reviewed on country and facility detail-basis, risks were inspected, required actions and risk prevention plans were described. Crisis Emergency Situations Management standards that involves Company's all facilities were formed.

Corporate Governance

CORPORATE GOVERNANCE COMPLIANCE REPORT

Country-sourced risks were described on all facility diffractions, and CFN. 007 Risk Management were prioritized in compliance with company standards. Action plans intended for management of risks that has high risk score were formed.

Kordsa Executive Committee took matters of Corporate Risk Management as a fixed agenda of monthly meetings, country risks and important risks that has an impact on Kordsa were continuously monitored.

Kordsa Executive Committee prioritized the risks, to which Kordsa is exposed, and required work for monitoring important risks with Critical Risk Indicator were completed.

Early Detection of the Risk Committee, formed by Kordsa Board of Directors, carries out its work with the purpose of describing, early detection, inspection of risks that may put Company's existence, development and continuity into danger, formation of models and management systems for prevention of crisis, application of necessary precautions related with risks and management of the risks.

With the purpose of efficient management of the risks, risk reports are reviewed by Early Detection of the Risk Committee with the coordination of CFO and submitted to Board of Directors in every two months.

With the purpose of following and auditing of risks inspected by Corporate Risk Management System, risk management reports were included into audit plans in coordination with Audit Department, all audits were carried out according to plan.

Kordsa started global insurance management program for all of its assets around the world as a supplementary and in parallel with corporate risk management applications. With this structure, risk management and insurance management, which is the transfer tool of risks, are actively integrated.

5.5. Strategical Objectives of the Company

Company's Board of Directors determined the vision of the Company and they shared this with public as written form in activity report and at the same time, over the web site that can be accessed through www.kordsa.com web site.

Board of Directors determines the three-year strategical objectives by discussing with Senior Management. Annual budgets prepared within the framework of this strategical objectives are approved.

Board of Directors gets one-to-one information about process of application for the decisions taken in parallel with the comparative presentations taken from Company authorities at meetings. During these presentations, in addition to comparison between the budget and actual of the current year, comparison between the same periods of the previous years is submitted to information of Board of Directors in comparison.

Kordsa has strategical initiatives within the framework of the undermentioned titles with the vision of "Kordsa at business fields with high added-value for sustainable growth".

Strategical Initiatives are shared with public on annual activity reports and corporate web site that can be accessed through www.kordsa.com.

Kordsa operationalized "Composite Technologies Center of Excellence" on the 2nd quarter of 2016. The center, which was brought to life with cooperation between Sabancı University and Kordsa, aims to provide services to all shareholders in all steps of the loop that starts with basic research and continues with prototype production and ends with mass production. Together with this business model, which was brought to life for the first time in Turkey, researchers, designers, engineers, individuals responsible with production process and employees, doctoral students, researchers after postgraduate, lecturers, start-up company entrepreneurs will be found in the same ecosystem. On account of this ecosystem formed at Composite Technologies Center of Excellence, the path to shaping the production in accordance with customer requirements and demands will be opened.

All news regarding these developments, which are the most important signs of technological development, innovation and entrepreneurship, are shared with beneficiaries over press and Company web site.

Continuous improvement projects with the aim of increase in efficiency and performance in 2017 took place in the front rows of the agenda, this continued in the upcoming periods.

With the acquisions realized in 2018, Kordsa strengthened its market leadership in tire-reinforcement technologies with composite technologies and took a giant step within its strategy to grow twice the size.

The Company also develops systems that can provide opportunities for continuous development and business excellence and applies human resource development planning in parallel with global strategies while realizing all these strategical objectives.

5.6. Financial Rights

General Assembly determines the daily allowance and the remuneration that will be made to Board of Directors Chairman and Members.

Remuneration made to senior executives are shared with public with the footnotes of financial statements.

Also, there is detailed information in the footnote no.17 of the explanatory report related with the Consolidated Financial Statements belonging to 1 January - 31 December 2018 accounting period that went through independent audit.

Stock (share) options or remuneration plans depending on company performance aren't used for remuneration of Independent Members of the Board of Directors.

In compliance with 4.6.2. obligatory Corporate Governance principle of SPK, remuneration principles of Board of Directors Members and senior executives are put into written form for our Company's Board of Directors Members and senior executives.

This matter was submitted for information of shareholders as a separate agenda topic during the 2011 Shareholders Ordinary General Assembly dated 18 April 2012, an opportunity of opinion expression was given to shareholders on the matter.

This Wages Policy, which is formed by the Company for Board of Directors Members and senior executives, describes the remuneration systems and applications of Board of Directors Members and senior executives within the scope of the ones with executive's responsibilities in SPK regulations. The Wages Policy has been shared with public over the Company web site that can be accessed through www.kordsa.com starting from 27 March 2012.

As there wasn't a debt of Board of Directors Members to the Company transferred from previous years, during the twelve months period of 2018, Company didn't give any loans to any members of the Board of Directors, didn't provide any credit facilities, didn't provide any available loans through personal credits via third people or didn't provide any securities in terms of guarantees (bails).

During the 2017 Shareholders Ordinary General Assembly held on the date of 26 March 2018; it was decided that TL 8,000 monthly gross wage will be paid to Members of the Board of Directors during their duty term.

Appendices;

 ${\it APENDIX-1:} \quad {\it Independence Declaration of Independent Board Member Semiha YA\$AR}$

APENDIX-2: Independence Declaration of Independent Board Member Mehmet SAMİ

Corporate Governance

INDEPENDENCE DECLARATIONS OF INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS

INDEPENDENCE DECLARATION

I declare that I am a candidate for performing the duties of "independent member" at Kordsa Teknik Tekstil Anonim Şirketi (Company) Board of Directors, within the scope of regulations, articles of association and criteria stated in Corporate Governance Notification (II-17.1) published by Capital Markets Board, within this framework;

- a) Myself, my wife and my blood and marriage relatives (up to 2nd degree) don't have an employment relationship, that allows undertaking of important duties and responsibilities at executive position within the last five years, with the Company, with partnerships, which has management control according to "TFRS 10" Standard of the Company or important degree of impact according to "TMS 28" Standard, partners that has management control of the Company in their hands or has an important degree of impact (TMS 28) within the Company, and legal entities that has management control of such partners, I don't own more than 5% of their capital or voting rights or privileged shares on my own or together with aforementioned people, and we don't have a trade relation with an essential qualification (TMS 28),
- b) Within the last five years, I wasn't a partner (5% and above), an employee with a position of an executive that can be tasked with important duties and responsibilities or a member for board of directors, at companies, to which or from which the Company purchased or sold important services or products, during the period of sales and purchases of those products and services, mainly Company audit (including tax audits, statutory audits, internal audits), rating and consultancy services, within the scope of contracts made,
- c) I have the occupational training, knowledge and experience level that is suitable with the tasks I will perform due to becoming an independent member of the board of directors,
- ç) I am not working/I won't work at public institutions and public establishments on a full time basis currently/after being elected as a member, except being a university academician provided that it is in compliance with the affiliated regulations,
- e) I am a resident of Turkey in accordance with Tax Income Law dated 31/12/1960 and numbered 193,
- f) I have strong ethical standards, occupational reputation and experience that will make positive contributions to the Company activities, make me stand neutral in conflicts of interest between the Company and the shareholders, allow me to make decisions with freedom by paying attention to rights of beneficiaries,
- g) I will spare time for Company work that will allow me to monitor operation of Company activities and perform complete requirements of the tasks that I am appointed for,
- h) I wasn't a member of the Board of Directors of the Company more than six months within the last ten years,
- i) I am not tasked with being an independent member of board of directors more than three of the companies, which the Company or its partners that has management control and that keeps the Company's management control under their hands and more than a total of five companies which are publicly traded at the exchange,
- j) I am not registered and announced on behalf of legal entity that is elected as a member of Board of Directors,

I submit this information to Board of Directors, General Assembly, our shareholders and all beneficiaries.

Mehmet Sami 14.02.2018

INDEPENDENCE DECLARATION

I declare that I am a candidate for performing the duties of "independent member" at Kordsa Teknik Tekstil Anonim Şirketi (Company) Board of Directors, within the scope of regulations, articles of association and criteria stated in Corporate Governance Notification (II-17.1) published by Capital Markets Board, within this framework;

- a) Myself, my wife and my blood and marriage relatives (up to 2nd degree) don't have an employment relationship, that allows undertaking of important duties and responsibilities at executive position within the last five years, with the Company, with partnerships, which has management control according to "TFRS 10" Standard of the Company or important degree of impact according to "TMS 28" Standard, partners that has management control of the Company in their hands or has an important degree of impact (TMS 28) within the Company, and legal entities that has management control of such partners, I don't own more than 5% of their capital or voting rights or privileged shares on my own or together with aforementioned people, and we don't have a trade relation with an essential qualification (TMS 28),
- b) Within the last five years, I wasn't a partner (5% and above), an employee with a position of an executive that can be tasked with important duties and responsibilities or a member for board of directors, at companies, to which or from which the Company purchased or sold important services or products, during the period of sales and purchases of those products and services, mainly Company audit (including tax audits, statutory audits, internal audits), rating and consultancy services, within the scope of contracts made,
- c) I have the occupational training, knowledge and experience level that is suitable with the tasks I will perform due to becoming an independent member of the board of directors,
- d) I am not working/I won't work at public institutions and public establishments on a full time basis currently/after being elected as a member, except being a university academician provided that it is in compliance with the affiliated regulations,
- e) I am a resident of Turkey in accordance with Tax Income Law dated 31/12/1960 and numbered 193,
- f) I have strong ethical standards, occupational reputation and experience that will make positive contributions to the Company activities, make me stand neutral in conflicts of interest between the Company and the shareholders, allow me to make decisions with freedom by paying attention to rights of beneficiaries,
- g) I will spare time for Company work that will allow me to monitor operation of Company activities and perform complete requirements of the tasks that I am appointed for,
- h) I wasn't a member of the Board of Directors of the Company more than six months within the last ten years,
- i) I am not tasked with being an independent member of board of directors more than three of the companies, which the Company or its partners that has management control and that keeps the Company's management control under their hands and more than a total of five companies which are publicly traded at the exchange,
- j) I am not registered and announced on behalf of legal entity that is elected as a member of Board of Directors,

I submit this information to Board of Directors, General Assembly, our shareholders and all beneficiaries.

Semiha Yaşar 15.11.2018

Corporate Governance

2018 PROFIT DISTRIBUTION PROPOSAL AND DIVIDEND TABLE

2018 Profit Distribution Proposal:

Based on our Company's Board of Directors decision no. 2019/7 dated 20 February 2018,

The Company booked **TL 411,810,122.00** in consolidated profit for the period according to the Company's financial statements for the fiscal 01.01.2018-31.12.2018, which have been drawn up pursuant to the CMB Communiqué no: II-14.1 on Principles of Financial Reporting in Capital Markets and which have been independently audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Along this line, as a result of the discussions held it has been decided to approve the attached 2018 profit distribution table; it has also been decided as follows:

Net distributable profit for the period in the amount of **TL 286,486,634.16**, which is 2018 consolidated profit for the period calculated in accordance with the CMB legislation less general statutory reserves (First Legal Reserves), legal obligations and non-controlling shares as per Article 35 of the Articles of Association and CMB communiqués, will be distributed as follows:

First Dividend: : TL 9,726,453.80
Second Dividend: : TL 58,358,722.80

Total Profit Share (Gross): : TL 68,085,176.60
General Statutory Reserves (Second Legal Reserves): : TL 5,835,872.28

Extraordinary Reserves: : TL 212,565,585.28

Upon making the profit distribution according to the above-mentioned principles, it has been decided as follows on the basis of our statutory records prepared according to the provisions of the Tax Procedure Law:

- Gross profit share in the amount of **TL 68,085,176.60** that will be distributed to shareholders will be covered in its entirety from the net distributable profit for the period;
- TL 39,529,354.17 thereof will be set aside as Extraordinary Reserves,

Hence, it has been decided to lay down for the approval of the Ordinary General Assembly to be convened on **20 March 2019** that a total of **TL 68,085,176.60** in dividends be distributed in cash starting **25 March 2019** to shareholders representing TL 194,529,076.00 capital for 2018, which corresponds to a ratio of **35%** (gross) and **29.75%** (net) depending on their legal status.

DIVIDEND RATIO TABLE

			TOTAL DIVIDEND PAYOUT /		
			NET DISTRIBUTABLE PROFIT	EARNINGS PER	SHARE WITH A
	TOTAL DIVIDEND PAYOUT		FOR THE PERIOD	RIOD NOMINAL VALUE OF TL 1	
	CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	68,085,176.60	-	23.76557	0.35	35
NET*	57,872,400.11	-	20.20073	0.2975	29.75

^{*} If gross dividends distributed in the amount of TL 68,085,176.60 are paid out to persons falling under the scope of Article 94/6-b-i and ii of the Income Tax Law (resident real persons, non-resident real persons or non-resident corporations except for those deriving dividends via a place of business or a permanent representative in Turkey), 15% withholding tax will be applied at source on the gross amount (treaties to avoid double taxation should also be taken into consideration separately).

Financial Information

KORDSA TEKNIK TEKSTIL ANONIM SIRKETI AND ITS SUBSIDIARIES CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 WITH INDEPENDENT AUDITOR'S REPORT

(Originally issued in Turkish)

Financial Information

INDEPENDENT AUDITOR'S REPORT



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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 2018, 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 2018, 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.

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Revenue recognition and first time application of TFRS 15

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 and first time application of TFRS 15.

The key audit matter

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. Net revenue is presented by deducting returns, discounts and commissions from sales of goods.

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.

Recognition of revenue is designated as a key audit matter, since significant contractual obligations are required to be reflected in the financial statements in the period of the revenue recognized due to the complexity of the conditions in the commercial contracts

The Group, has adopted TFRS 15 "Revenue From Customer Contracts" as at 1 January 2018. The comparative financial statements for the year 2017 has not been restated since cumulative effect method has been used as TFRS 15 allows.

TFRS 15 determines when and at what amount of revenue is recognized; It provides a comprehensive framework for the terms of transfer of control over products and services to the buyer, based on the timing of the seller's performance obligations. Therefore, the first time implementation of TFRS 15 was a focus area in our audit.

How the matter was addressed in our audit

We have performed the following audit procedures to be responsive to this area:

- Evaluation of the effectiveness of key internal controls for accounting of revenue in the consolidated financial statements.
- 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 in accordance with TFRS 15.
- Evaluating 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.
- Verifying trade receivable balances of third parties by obtaining confirmation letters for selected samples and reconciling to the financial statements.
- Performing analytical procedures to determine the existence of unusual transactions.
- 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.
- Evaluation of the journal entries that the Group has accounted for during the year.

Regarding the implementation of TFRS 15:

- Understanding the Group's new accounting policies, assessing their conformity and documenting the results
- Evaluation of the suitability of the methods used to determine the effect of the first time implementation
- Evaluation of the Group's disclosures regarding the revenue in the consolidated financial statements in accordance with the new disclosure requirements.
- Evaluating the completeness and accuracy of the accounting policies and the relevant disclosures in terms of components to be obtained in the current period by analyzing the existing contracts with the customers.

Financial Information

INDEPENDENT AUDITOR'S REPORT

Business combinations

Refer to Note 2.5, Note 3 and Note 15 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for business combinations.

The key audit matter

In accordance with the final protocol regarding to share purhcase agreements signed on 13 July 2018 and 1 October 2018, Kordsa Inc., a 100% owned affiliated of the Group, has taken over all of the shares of Fabric Development Inc., Textile Products Inc. and Advanced Honeycomb Technologies, Inc. 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.

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.

How the matter was adressed in our audit

We have performed the following audit procedures to be responsive to this area:

- 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
- Controlling the mathematical appropriateness of the calculations used in the allocation of the purchase price.
- Reconciling fair values of the acquired identifiable assets and liabilities to the financial statements of the related companies as at 13 July 2018 and 1 October 2018.
- Evaluation of the disclosures in accordance with the disclosure requirements of TFRS 3.

Other Matters

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 2018 for the consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2018 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

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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.

Financial Information

INDEPENDENT AUDITOR'S REPORT

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 19 February 2019.
- 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 2018, 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 Fikfet Selamet, SMMM

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Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		31 December 2018	31 December 2017	Audited	Audited
Assets	Notes	USD (*)	USD (*)	31 December 2018	31 December 2017
Current assets					
Cash and cash equivalents	5	24.862.982	4.125.741	130.801.662	15.561.882
Financial investments		16.464	32.179	86.617	121.377
Trade receivables	8	157.705.895	128.183.670	829.674.943	483.495.983
Due from related parties	27	13.096.562	7.401.650	68.899.704	27.918.285
Due from third parties		144.609.333	120.782.020	760.775.239	455.577.698
Other receivables	9	2.920.765	1.453.590	15.365.854	5.482.795
Due from third parties		2.920.765	1.453.590	15.365.854	5.482.795
Derivatives	18	509.101	1.562.428	2.678.327	5.893.324
Derivative financial assets		509.101	1.562.428	2.678.327	5.893.324
Inventories	10	199.125.979	155.174.011	1.047.581.862	585.300.852
Prepayments	11	2.871.870	5.182.764	15.108.621	19.548.866
Prepayments to third parties		2.871.870	5.182.764	15.108.621	19.548.866
Current tax assets	25		1.453,908		5.483.994
Other current assets	18	17.676.849	17.238.592	92.996.136	65.022.246
Other current assets from third parties		17.676.849	17.238.592	92.996.136	65.022.246
Subtotal		405.689.905	314.406.882	2.134.294.022	1.185.911.319
Assets held for sale		2.703.047	2.967.943	14.220.459	11.194.785
Total current assets		408.392.952	317.374.825	2.148.514.481	1.197.106.104
Non- current assets					
Financial investments	6	100,438	108.991	528.396	411.103
Other receivables	9	5.995.914	8.113.581	31.543.902	30.603.616
Investment properties	14	21.835.448	12.471.479	114.874.106	47.041.172
Property, plant and equipment	12	368.676.877	378.253.557	1.939.572.181	1.426.734.593
Intangible assets		88.360.487	21.878.005	464.855.686	82.521.648
Goodwill	15	32.677.373	12.088.117	171.912.390	45.595.167
Other intangible assets	13	55.683.114	9.789.889	292.943.296	36.926.481
Prepayments		428,778	542.982	2.255.759	2.048.075
Prepayments to third parties	11	428.778	542.982	2.255.759	2.048.075
Deferred tax assets	25	13.811.323	10.184.729	72.659.987	38.415.780
Other non-current assets	18	10.527.100	11.047.826	55.382.019	41.671.295
Total non-current assets		509.736.364	442.601.151	2.681.672.036	1.669.447.282
Total assets		918.129.316	759.975.977	4.830.186.517	2.866.553.386

^(*) US Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the offical TL bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1).

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

Liabilities	Notes	31 December 2018 USD (*)	31 December 2017	Audited 31 December 2018	Audited
Short term liabilities	Notes	030 17	030 17	31 December 2018	31 December 2017
Short term borrowings	7	181.064.521	135.655.486	952.562.339	511.678.928
Short term portion of	•	10110011321	133,033,100	332,302,333	3.1.070,320
long term borrowings	7	7.970.630	5.120.553	41.932.689	19.314.214
Trade payables	8	108.796.691	83.327.241	572.368.514	314.302.020
Due to related parties	27	1.623.728	2.105.493	8.542.272	7.941.709
Due to third parties		107.172.963	81.221.748	563.826.242	306.360.311
Payables related to employee benefits	17	2.055.275	2.967.969	10.812.595	11.194.881
Other payables	9	4.343.999	3.124.051	22.853.343	11.783.607
Due to third parties		4.343.999	3.124.051	22.853.343	11.783.607
Deferred revenue		1.746.235	1.907.674	9.186.767	7.195.555
Deferred revenue from third parties	11	1.746.235	1.907.674	9.186.767	7.195.555
Current tax liabilities	25	533.994		2.809.289	
Short term provisions		5.930.799	6.272.913	31.201.341	23.660.799
Short term employee benefits	17	5.921.664	6.260.171	31.153.281	23.612.739
Other short term provisions	17	9.135	12.742	48.060	48.060
Other short term liabilities	18	6.784.897	6.608.813	35.694.664	24.927.783
Other short term liabilities to third parties	10	6.784.897	6.608.813	35.694.664	24.927.783
Subtotal		319.227.041	244.984.699	1.679.421.541	924.057.787
Liabilities directly associated with the assets held for sale		812.360	1.395.017	4.273.745	5.261.866
Total short term liabilities		320.039.401	246.379.717	1.683.695.286	929.319.653
Total Short term habilities		320.039.401	240.579.717	1.003.093.200	929.5 19.055
Long term liabilities					
Long term habitities Long term borrowings	7	99.752.002	26.859.377	524.785.306	101 210 004
	7 9		4.466.646	20.122.592	101.310.884 16.847.743
Other payables	9	3.824.933	4.466.646		
Due to third parties		3.824.933		20.122.592	16.847.743
Long term provisions	17	13.740.044	16.244.682	72.284.998	61.273.315
Long term employee benefits	17	12.981.932	15.862.871	68.296.647	59.833.164
Other long term provisions	25	758.112	381.811	3.988.351	1.440.151
Deferred tax liabilities	25	36.188.555	29.117.929	190.384.367	109.829.915
Total long term liabilities Total liabilities		153.505.534	76.688.634	807.577.263	289.261.857
Total liabilities		473.544.935	323.068.351	2.491.272.549	1.218.581.510
Shareholder's Equity					
Equity attributable to owners of the Company		348.779.589	338.543.168	1.834.894.539	1.276.950.976
Share capital	19	36.976.387	51.573.233	194.529.076	194.529.076
Share premium	19	11.795.103	16.451.352	62.052.856	62.052.856
Other comprehensive income or expenses that will not be	13	11.755,105	10.751.552	02.032.030	02.032.030
reclassified to profit or loss	19	7.060.649	(2.346.850)	37.145.368	(8.852.082)
Revaluation and remeasurement gain/(loss)	15	(547.764)	(2.346.850)	(2.881.729)	(8.852.082)
Defined benefit plans remeasurement fund		(547.764)	(2.346.850)	(2.881.729)	(8.852.082)
Revaluation and reclassification gain/(loss)		7.608.412	(2.540.850)	40.027.097	(0.032.002)
Other revaluation and reclassification gain/(loss)		7.608.412		40.027.097	
Other comprehensive income or expenses that will be		7.006.412		40.027.097	
reclassified to profit or loss		109.368.971	76.620.769	575.379.217	289.005.880
Currency translation difference		109.506.804	76.689.306	576.104.345	289.264.396
Gain/loss on hedge	19	(86.483)	3.084	(454.977)	11.635
0	19	, ,		1 1	
Cash flow hedge gains/loss		(86.483)	3.084	(454.977)	11.635
Revaluation and reclassification gain/(loss)		(51.351)	(71.621)	(270.151)	(270.151)
Other financial assets fair value	40	(51.351)	(71.621)	(270.151)	(270.151)
Restricted reserves	19	13.259.074	14.567.817	69.754.663	54.948.350
Retained earnings	19	114.728.592	137.905.253	603.575.651	520.164.823
Profit for the period		55.590.813	43.771.595	292.457.708	165.102.073
Total non-controlling interests		95.804.792	98.364.458	504.019.429	371.020.900
Total equity		444.584.381	436.907.626	2.338.913.968	1.647.971.876
Total equity and liabilities		918.129.316	759.975.977	4.830.186.517	2.866.553.386

^(*) USD amounts presented above have been translated from TL for convenience purposes only, at the offical TL bid rate announced by the CBRT at 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1).

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

		1 January-	1 January-	Audited	Audited
		31 December 2018		1 January-	1 January-
PROFIT OR LOSS	Notes		USD (*)		31 December 2017
Revenue	20	819.928.158	681.296.605	3.946.724.188	2.485.165.623
Cost of sales	20	/	(558.073.899)	(3.153.040.828)	(2.035.686.160)
Gross profit		164.886.955	123.222.706	793.683.360	449.479.463
General and administrative expenses	21	(31.418.070)	(29.558.317)	(151.230.878)	(107.819.874)
Selling and marketing expenses	21		(27.388.330)	(152.023.011)	(99.904.410)
Research and development expenses	21	,	(1.511.307)	(8.539.264)	(5.512.793)
Other income from operating activities	22	, ,	20.525.868	99.023.605	74.872.209
Other expense from operating activities	22		(9.163.695)	(55.383.860)	(33.426.409)
Operating profit		109.178.343	76.126.925	525.529.952	277.688.186
lucation and large data material to					
Impairment losses determined in accordance with TFRS 9		(20.650)		(99.399)	
Income from investing activities	23	2.901.701	5.740.906	13.967.339	20.941.102
Expense from investing activities	23	(242.175)	(1.043.031)	(1.165.711)	(3.804.666)
Operating profit before finance costs		111.817.218	80.824.800	538.232.181	294.824.622
Finance income	24		1.581.978	11.430.357	5.770.580
Finance expense	24	(28.643.439)	(15.364.947)	(137.875.194)	(56.046.716)
Profit before tax from continuing					
operations		85.548.425	67.041.831	411.787.344	244.548.486
Tax (expense)/benefit from continuning					
operations		(15.220.832)	(9.822.301)	(73.265.477)	(35.828.809)
Current tax expense	25	,	(10.125.137)	(47.887.560)	(36.933.461)
Deferred tax benefit/(charge)	25 25	,	302.835	(25.377.917)	1.104.652
Profit for the year from continuing		(3.272.236)	302.633	(23.377.917)	1.104.032
operations		70.327.593	57.219.529	338.521.867	208.719.677
Net profit/(loss) for the year from		10.321.333	31.213.323	330.321.007	200.7 19.077
discontinued operations	31	4.732	960.425	22.778	3.503.342
Profit for the year		70.332.325	58.179.954	338.544.645	212.223.019
Tronc for the year	-	7 0.332,323	30.173,331	330.3 1 1.0 13	212,223,013
Profit/(Loss) Attributable to:					
- Non-Controlling Interests		9.574.517	12.917.988	46.086.937	47.120.946
- Owners of the Company		60.757.808	45.261.966	292.457.708	165.102.073
Earnings (Loss) per share;		3,12	2,33	15,03	8,49
Earnings (Losses) per share from		5,12	2,55	15,05	0,49
continuing operations	26	3,12	2.30	15,03	8,40
Earnings/(losses) per share from		,		,	,
discontinuing operations			0.02	-	0,09
Earnings/(losses) per diluted shares					
from operations		3,12	2,33	15,03	8,49

^(*) USD amounts presented above have been translated from TL for convenience purposes only, at the offical USD average CBRT bid rates for the year ended 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1).

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		1 January-	1 January- 31 December 2017	Audited 1 January-	Audited 1 January-
	Notes	USD (*)	USD (*)		31 December 2017
Profit for the year		70.332.325	58.179.954	338.544.645	212.223.019
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to					
profit or loss		9.555.926	(620.218)	45.997.450	(2.262.369)
Defined benefit plans remeasurement			, ,		,
fund	17	1.590.173	(620.218)	7.654.299	(2.262.369)
Deferred tax expense		(349.838)		(1.683.946)	
Revaluation and Reclassification Gain/		,		,	
(Loss)	14	8.315.591		40.027.097	
Items that are or may be reclassified					
subsequently to profit or loss		87.986.240	12.959.080	423.521.764	47.270.838
Foreign currency translation					
differences		88.083.178	13.226.906	423.988.376	48.247.784
Hedging reserve gains/(losses)		(124.264)	(334.800)	(598.146)	(1.221.249)
Tax (expense) related to other					
comprehensive income items		27.326	66.974	131.534	244.303
Deferred tax benefit	19	27.326	66.974	131.534	244.303
Total other comprehensive income		97.542.166	12.338.862	469.519.214	45.008.469
Total comprehensive income		167.874.490	70.518.817	808.063.859	257.231.488
Total comprehensive income attributable to:					
Owners of the Company		129.807.519	49.479.382	624.828.495	180.485.942
Non-controlling interests		38.066.971	21.039.435	183.235.364	76.745.546

^(*) USD amounts presented above have been translated from TL for convenience purposes only, at the offical USD average CBRT bid rates for the year ended 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1).

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

			Other Comprehensive Income or Expenses That Will Not Be Reclassfied to Profit or Loss		Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss			
			Revaluation and Remeasurement Gain/(Loss)	Gains/(Losses) on Revaluation and Remeasurements		Gains/ (Losses) on Hedge Reserve	Gains/ (Losses) on Revaluation and Remeasurements	
	Share Capital (Note 19)	Share Premium	Defined Benefit Plans Remeasurement Fund	Gains/(Losses) on Other Revaluations	Currency Translation Differences	Gains/ (Losses) on Cash Flow Hedge	Gains/(Losses) on Other Revaluations	
Balance at			I	l			ll_	
1 January 2017 Transfer	194.529.076	62.052.856	(6.589.713)	-	270.641.212	988.581	(270.151)	
Other Comprehensive Income	-	-	(2.262.369)	-	18.623.184	(976.946)	-	
Balance at								
31 December 2017	194.529.076	62.052.856	(8.852.082)	-	289.264.396	11.635	(270.151)	
Balance at								
1 January 2018	194.529.076	62.052.856	(8.852.082)	-	289.264.396	11.635	(270.151)	
Transfer	-	-	-	-	-	-	- -	
Other Comprehensive								
Income	-	-	5.970.353	40.027.097	286.839.949	(466.612)	-	
Dividend Paid (**)	-	-	-	-			-	
Balance at								
31 December 2018	194.529.076	62.052.856	(2.881.729)	40.027.097	576.104.345	(454.977)	(270.151)	

^(*) In accordance with the Ordinary General Assembly Meeting for 2016 of the Group held on 27 March 2017 the Company distributed a dividend of 29.642% gross and 25.1957% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 57.662.309 (gross TL per share 0,2964, net TL per share 0,2520). In accordance with the resolution, the dividend payment was made after 10 April 2017.

^(**) 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.

Г					
	Retai	ned			
	Earni	ngs			
Restricted	Retained	Net profit	Equity Attributable to Owners	Non-Controlling	Total
reserves	earnings	for the Year	of the Company	Interests	Equity
46.763.317	442.931.364	143.080.801	1.154.127.343	317.550.556	1.471.677.899
8.185.033	134.895.768	(143.080.801)	-	-	-
		165.102.073	180.485.942	76.745.546	257.231.488
-	(57.662.200)	105, 102,075			
	(57.662.309)		(57.662.309)	(23.275.202)	(80.937.511)
54.948.350	520.164.823	165.102.073	1.276.950.976	371.020.900	1.647.971.876
54.948.350	520.164.823	165.102.073	1.276.950.976	371.020.900	1.647.971.876
14.806.313	150.295.760	(165.102.073)	-	-	-
-	-	292.457.708	624.828.495	183.235.364	808.063.859
-	(66.884.932)	-	(66.884.932)	(50.236.835)	(117.121.767)
69.754.663	603.575.651	292.457.708	1.834.894.539	504.019.429	2.338.913.968

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

		1 January-	1 January-		
	Michigan		31 December 2017		
A.CASH FLOWS FROM (USED IN)/OPERATING ACTIVITIES	Notes	USD ^(*) 70.809.785	50.242.422		31 December 2017 183.269.281
Profit for the period		70.332.325	58.179.954		
Profit/(loss) for the period from continuing operations		70.327.593	57.219.529		
Profit/(loss) from discontinuing operations		4.732	960.425		
Adjustments to reconcile profit/(loss) for the period		106.523.990	46.486.420	512.753.223	169.568.514
Adjustments related to depreciation and amortisation	12,13	29.000.849	28.275.710	139.595.585	103.141.306
Adjustments related to provisions for (reversal) of impairment		791.018	(1.000.490)		,
Adjustments related to provision for (reversal) of doubtful receivables	8	(20.650)		(99.399)	
Adjustments related to provision for (reversal) of inventory allowances	10	811.668	(1.000.490)		(/
Adjustments related to provisions	17	2.493.395	7.921.012		
Adjustments related to reversal employee retirement benefit provision	17	1.964.009	7.944.985		
Adjustments related to reversal other provisions Adjustments related to interest (income)/expense		<i>529.386</i> 12.378.583	<i>(23.973)</i> 6.300.157		,
Adjustments related to interest income	23	(752.519)	(662.699)		
Adjustments related to interest income Adjustments related to interest expense	24	15.019.312	8.619.265	, ,	, ,
Adjustments related to inferest expense Adjustments related to unrealized finance expenses on credit purchases	8	(15.114)	(2.079.792)		
Adjustments related to unrealized finance income on credit parenases Adjustments related to unrealized finance income on credit sales	8	(1.873.095)	(3.736.202)	, ,	
Adjustments related to unrealized currency translation difference		47.537.058	815.344	, ,	2.974.131
Adjustments related to fair value changes		(665.323)	(4.562.985)	(3.202.530)	
Adjustments related to fair value losses/(gains) of investment properties	23	(1.236.297)	(2.950.547)	,	`
Adjustments related to fair value losses/(gains) of derivatives		570.974	(1.612.438)	,	,
Adjustments related to current year tax (benefit)/expense	25	15.220.832	9.822.301	73.265.477	35.828.809
Adjustments related to losses/(gains) on disposal of non-current assets		(232.423)	(1.084.628)	(1.118.771)	(3.956.397)
Adjustments related to gains on disposal of tangible assets	23	(232.423)	(1.084.628)	(1.118.771)	(3.956.397)
Changes in working capital		(106.046.530)	(54.423.953)	(510.454.971)	(198.522.252)
(Increase)/decrease in trade receivables		(57.482.668)	(30.937.223)	(276.692.824)	(112.849.708)
(Increase)/decrease in other receivables		(2.248.540)	(8.326.526)	(10.823.345)	(30.372.668)
(Increase)/decrease in derivatives			(1.370.400)		(4.998.809)
(Increase)/decrease in inventories		(82.103.923)	(12.424.072)	(395.207.234)	(45.319.289)
(Increase) in prepaid expenses		879.310	1.459.803	4.232.561	5.324.925
Increase/(decrease) in trade payables Increase(decrease) in retirement pay and employee benefit obligation		45.021.054 2.764.354	11.978.900 1.750.311		
Increase/(decrease) in other payables		2.980.074	1.134.132		
Decrease in deferred income		413.672	67.637		
Increase/(decrease) in working capital		(8.457.708)	(451.593)	(40.711.176)	(1.647.274)
Decrease/(Increase) in other assets from operating activities		(9.624.617)	(2.676.583)	1. 1.	1. 1.
Increase/(Decrease) in other liabilities from operating activities		1.166.910	2.224.991	5.616.919	, ,
Payments related to provision of employee benefits		(1.719.817)	(7.239.446)	(8.278.337)	
Income tax returns/(payments)		(5.258.477)	(11.197.497)	(25.311.681)	(40.845.108)
Net cash flows related to discontinued operations		(833.862)	1.132.020	(4.013.795)	4.129.271
B. CASH FLOWS FROM INVESTING ACTIVITIES		(145.971.714)	(49.469.753)	(702.634.847)	(180.450.819)
Proceeds from sales of property, plant and equipment		2.843.954	3.520.733	13.689.371	12.842.578
Acquisition of sales of property, plant and equipment and intangible assets		(48.137.026)	(53.653.185)	(231.707.576)	(195.710.724)
Acquisition of subsidiary and/or associates or cash outflow for capital increase					
of subsidiaries		(101.431.161)		(488.238.894)	
Interest received	23	752.519	662.699		2.417.327
C. CASH FLOWS FROM FINANCING ACTIVITIES		99.102.883	(4.879.815)	477.031.728	
Proceeds from borrowings		167.002.423	25.858.070		
Cash inflows/(outflows) from factoring transactions	10	(12.005.200)	70.022		255.421
Dividend paid	19 23	(13.895.280) (43.567.605)	(15.807.854)	,	,
Interest paid Cash outflow for dividend paid to non-controlling interest and other financial	23	(45.507.005)	(8.619.265)	(209.712.667)	(31.440.493)
instruments		(10.436.655)	(6.380.788)	(50.236.835)	(23.275.202)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE		(10.450.055)	(0.360.766)	(30.230.833)	(23.213.202)
CURRENCY TRANSLATION CONVERSION DIFFERENCES (A+B+C)		23.940.954	(4.107.146)	115.239.780	(14.981.638)
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND		23.5 10.554	()	5.255.760	(. 1.50 1.050)
CASH EQUIVALENTS			(2.202.737)		(8.034.925)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			. , ,		
(A+B+C+D)		23.940.954	(6.309.884)	115.239.780	(23.016.563)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	4.266.217	10.576.101	15.561.882	38.578.445
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	28.207.171	4.266.218	130.801.662	15.561.882

^(*) USD amounts presented above have been translated from TL for convenience purposes only, at the offical USD average CBRT bid rates for the year ended 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1).

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

(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 Registery 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 Istanbul ("BIST") since 1991. As of 31 December 2018, 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 2018	31 December 2017		
Hacı Ömer Sabancı Holding A.Ş.	71,11	71,11		
Other	28,89	28,89		
	100,00	100,00		

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

Average number of employees within the Group is 4.415 (31 December 2017: 3.874).

The address of the registered office is as follows:

Kordsa Teknik Tekstil A.Ş.

Alikahya Fatih Mah.

Sanayici Cad.No:90

41310 İzmit

Kocaeli

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

(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 2018 and 31 December 2017 in accordance with the operating country and segment reporting purpose are as follows:

31 December 2018

Company name	Country	Geographical division	Area of activity
Nike Kordsa Company SAE (**) Kordsa Inc.	Egypt United States of	Europe, Middle East and Africa North America	Cord fabric manufacture and trade Industrial yarn and cord fabric
KOIGSA IIIC.	America	North America	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.	Brazil	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 2017			
Company name	Country	Geographical division	Area of activity
Nike 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
Kordsa Brasil S.A.	Brazil	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

 $[\]ensuremath{^{(*)}}$ 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.

^(***) The subsidiary Kordsa Inc. has acquired 100% shares of each "Advanced Honeycomb Technologies Corporation", "Fabric Development Inc." and "Textile Products, Inc." that are located in United States of America, involved in advanced composite manufacturing to civil aviation sector in exchange of a total purchase price of USD 103 million. The purchase transactions were completed on 13 July 2018 for "Fabric Development, Inc." and "Textile Products, Inc.", and 1 October 2018 for "Advanced Honeycomb Technologies Corporation."

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

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 19 February 2019, 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.

NOTE 2 - BASIS OF PRESENTATION OF 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").

Consolidated financial statements are presented in accordance with the illustrative financial statements published by CMB and TAS Taxanomy published by POA.

Consolidated financial statements are prepared on the basis of historical cost except for the derivatives and investment properties shown at their fair values. When the historical cost is determined, the fair value of the amount usually paid for the assets is taken as basis.

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.

The Group has initially adopted TFRS 15 and TFRS 9 with a date of initial application of 1 January 2018. The comparative information has not been restated according to the transition period.

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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.1 Basis of Presentation (continued)

Comparative Information and Correction of the Financial Tables from Previous Periods

The Group's consolidated financial statements are prepared by comparing that of previous periods to determine financial situation and performance trends. When it has been found necessary, comparative information is reclassified and important differences are explained to ensure that comparative information would be in accordance with current period consolidated financial statements. These reclassifications which has been made for the year ended 31 December 2017 has no impact on profit or loss.

Foreign exchange gains/(loss) net amounting to TL 77.614.821 has been reclassified to "other income from operating activities" from "other expense from operating activities" for the year ended 31 December 2017.

Basis of Consolidation

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

	Direct and indirect	
	ownership interest by the	Proportion of
Subsidiaries	Group and its subsidiaries (%)	effective interest (%)
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

^(*)Kordsa shares of PT Indo Kordsa Tbk increased to 61.58% from 60.70% on 29 March 2018.

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2017:

	Direct and indirect	
	ownership interest by the	Proportion of
Subsidiaries	Group and its subsidiaries (%)	effective interest (%)
Nile Kordsa Company SAE	51,00	51,00
Kordsa Inc.	100,00	100,00
Kordsa Brasil S.A.	97,31	97,31
PT Indo Kordsa Tbk ^(*)	60,70	60,70
PT Indo Kordsa Polyester	99,97	60,68
Thai Indo Kordsa Co., Ltd.	64,19	38,96

^(*)Kordsa shares of PT Indo Kordsa Tbk increased to 60.48% from 60.21% on 26 May 2017 and to 60.70% on 23 November 2017.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

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 form 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.

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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 2 - BASIS OF PRESENTATION OF 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 accordace 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 2018 of TL 4,8135= USD 1 and USD amount shown in the consolidated statement of profit or loss, consolidated statement of other coprehensive 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 th CBRT for the year ended 31 December 2018 of TL 5,2609= 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

Except for the changes below, the accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

2.2.1 TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations.

The Group has adopted TFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated - in other words it is presented, as previously reported, under TAS 18, TAS 11 and related interpretations.

TFRS 15 did not have a significant effect on the recognition of the Group's revenue.

Significant accounting policy details about Group's various products and services and revenue recognition methods are exlplained in Note 2.5.

2.2.2 TFRS 9 Financial Instruments

The Group has initially adopted TFRS 9 Financial Instruments with a date of initial application of 1 January 2018. TFRS 9 sets out requirements for recognising and measuring of financial assets and financial liabilities. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' financial statements (continued)

2.2.2 TFRS 9 Financial Instruments (continued)

The adoption of TFRS 9 on 1 January 2018 does not have a significant effect on the carrying amounts of financial assets, as explained in more detail below.

The following table and the accompanying notes below explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Group's financial assets and liabilities as at 1 January 2018.

	Original classification under TAS 39	New classification under TFRS 9	Original carrying amount under TAS 39	New carrying amount under TFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	15.561.882	15.561.882
Trade receivables	Loans and receivables	Amortised cost	483.495.983	483.495.983
Other receivables	Loans and receivables	Amortised cost	36.086.411	36.086.411
Derivatives	Fair value through profit or loss	Fair value through profit or loss	5.893.324	5.893.324
Financial investments	Available for sale financial assets	Fair value through other comprehensive income	532.480	532.480
Financial liabilities		·		
Bank borrowings	Other financial liabilities	Other financial liabilities	632.304.026	632.304.026

Impact of the new impairment model

The details of new accounting policy that the Group need to apply in the context of the new model according to TFRS 9 are disclosed in Note 2.5.(e) under section "Impairment on assets". The new model has no significant impact on impairment on 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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (countined)

2.4 New and Revised Turkish Accounting Standards

Standards issued but not yet effective and not early adopted

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.

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases - Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group does not expect that application of TFRS 16 will have significant impact on its consolidated financial statements.

TFRS Interpretation 23 -Uncertainty Over Income Tax Treatments

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

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

Amendments to TFRS 9 - Prepayment features with negative compensation

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

The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of the amendments to TFRS 9 will have significant impact on its consolidated financial statements.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (countined)

2.4 New and Revised Turkish Accounting Standards (continued)

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

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

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

The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of TAS 28 will have significant impact on its consolidated financial statements.

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.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TAS.

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

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

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA (continued)

Annual Improvements to IFRSs 2015-2017 Cycle

IASB issued Annual Improvements to IFRSs - 2015-2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

Annual Improvements to IFRSs 2015-2017 Cycle

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits - i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of these amendments to IAS 19 will have significant impact on its consolidated financial statements

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

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

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

Standarts and interpretations issued but not yet effective as of 31 December 2018 (continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA (continued)

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. 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 IFRS 3 will have significant impact on its consolidated financial statements.

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 contacts 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 performan obligations as a performans 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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

a) Revenue (continued)

Step 2: Identify the performance obligations (continued)

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

Step 3: Determine the transaction price

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

Significant financing component

To estimate the transaction price in a contract, the 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) 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 financiang 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

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

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

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances. If a performance obligation is not fulfilled in time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

2 Revenue (continued)

Step 5: Recognize revenue (continued)

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.

In cases where the cost to be incurred by the Company exceeding the expected economic benefits to be incurred to fulfill the contractual obligations exceeds the expected economic benefit, the Company provides a provision in accordance with 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.

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 2 - BASIS OF PRESENTATION OF 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.

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:

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

Useful lives and residual value 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 cutomer 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 brand name

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

d) Intangible assets (continued)

Estimated useful lives of these assets are as follows:

Customer relationship21Other intangible assets5-10

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.

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

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.

ii) Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 2 - BASIS OF PRESENTATION OF 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 - Policy applicable from 1 January 2018

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 - Policy applicable from 1 January 2018

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).

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

<u>Financial assets- Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable from 1 January 2018</u> (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 - Policy applicable from 1 January 2018

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

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

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets: Policy applicable before 1 January 2018

Loans and receivables

The Group classified its financial assets as follows: loans and receivables. The Group initially recognized loans and receivables and deposits on the date that they were originated.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables and cash and cash equivalents in the consolidated balance sheet.

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date. Financial assets other than financial assets at fair value trough profit or loss are initially recognized at fair value plus transaction costs. The Group derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownerships of the financial assets are transferred. Loans and receivables are recognized at amortized cost using the effective interest method.

Financial liabilities- Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The Group does not have any financial liabilities at FVTPL.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially recognized at fair value and revalued at their fair value at the balance sheet date. Changes in fair value are recognized in profit or loss. Net gain or loss recognized in profit or loss includes the interest paid on the financial liability. As at the balance sheet date, the Group has no financial liabilities at fair value through profit or loss.

ii) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. Effective interest rate; it is the rate that exactly disconts estimated future cash payments through the exptected life of the financial insturements or, where appropriate, a shorter period.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial insturements (continued)

ii) Other financial liabilities (continued)

Gain or loss arising from the derecognition of such liabilities are recognized in profit or loss.

iii) Derecognition

Derecognition - Policy applicable after 1 January 2018

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.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Derecognition - Policy applicable before 1 January 2018

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial insturements (continued)

v) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting - Policy applicable after 1 January 2018

The Group uses derivative financial insturements 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 mets 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.

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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial insturements (continued)

v) Derivative financial instruments and hedge accounting (continued)

Derivative financial instruments and hedge accounting - Policy applicable after 1 January 2018 (continued)

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.

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.

Derivative financial instrument and hedge accounting - Policy applicable before 1 January 2018

The policy applied in the comparative information presented fo 2017 is similar to that applied for 2018. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profir or loss.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets

i. Non-derivative financial assets Policy applicable from 1 January 2018 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.

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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets (continued)

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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets (continued)

i. Non-derivative financial assets- Policy applicable before 1 January 2018 (continued)

Financial assets measured at amortized cost

The Group evaluates impairment indicators for these assets both at the asset level and collectively. All significant assets are assessed for impairment. Assets that do not have significant impairment as a separate asset are tested for impairment only for impairment losses that have been incurred but have not yet been determined. Assets that are not significant alone are grouped as assets with similar risk characteristics and are subject to impairment tests.

The Group collectively evaluates the impairment and takes into consideration the past tendencies of recovery timing and loss amounts. In making this assessment, the Group management makes necessary adjustments by taking into consideration the current economic situation and credit conditions, and considering that the losses should be more or less than the provision for impairment.

An impairment loss is the difference between the carrying amount of the asset and its estimated future cash flows discounted at the original effective interest rate to its present value. Losses are recognized in profit or loss and recognized using the reserve account. When the Group has no realistic expectations for the recovery of the asset, the related amounts are deducted. If an event occurring after the impairment is recognized causes a decrease in impairment, such decrease is recognized in profit or loss and reversed from the previously recognized impairment loss.

Assets held for sale

Impairment on available-for-sale financial assets is accounted for by reclassifying accumulated losses in equity in the fair value reserve. Accumulated losses transferred from equity to profit or loss are calculated by deducting the impairment losses recognized in profit or loss, other than the difference between the cost to the principal and the present value of the difference between the recoverable amount and amortization. In the event that an increase in the fair value of a debt instrument classified as available-for-sale is recognized in a subsequent period, the increase in the impairment of the impairment is recognized in profit or loss in the event that an increase in fair value is recognized in an event occurring after the impairment loss is recognized. Impairment losses recognized in profit or loss relating to investments in equity instruments classified as available for sale are not reversed by profit or loss.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 2 - BASIS OF PRESENTATION OF 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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 2 - BASIS OF PRESENTATION OF 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 cluded 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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 2 - BASIS OF PRESENTATION OF 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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

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.

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 17).

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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

p) Equity items (continued)

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 19).

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 25).

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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

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 Company, 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. 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.

u) 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.

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

u) 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 af 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 Haci Ömer Sabanci 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 27).

v) 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 26).

w) 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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.5 Summary of Significant Accounting Policies (continued)

x) 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 19).

y) 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 14).

z) 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).

aa) 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.

ab) Subsequent event

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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.6 Critical Accounting Judgments, 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 is 9,88% and the risk premium is 7,05%. The discount rates used are after tax and reflect specific risks relating to the company. As of 31 December 2018, 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.

d) Provision for doubtful receivables

A provision for trade receivables is established if there is evidence that the Group will not be able to collect amounts due. Group assesses aging of receivables and collection performances then establishes the doubtful receivable provision. Doubtful receivable provision is an accounting assumption arising from customers' history of collections and financial conditions.

e) 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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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

2.6 Critical Accounting Judgments, Estimates and Assumptions

f) 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 deductable 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.

g) 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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 3 - BUSINESS COMBINATIONS

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 ralized 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:

	FDI
Identifiable assets acquired and liabilities assumed	Fair value as at 13 July 2018
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
Total identifiable net assets	149.029.729
Cash consideration	202.197.261
Goodwill	53.167.532
Cash consideration paid	202.197.261
Cash and cash equivalents acquired	(6.373.688)
Net cash outflow on acquisition	195.823.573

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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

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 ralized 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:

	TPI
Identifiable assets acquired and liabilities assumed	Fair value as at 13 July 2018
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
Total identifiable net assets	176.612.519
Cash consideration	270.600.422
Goodwill	93,987.903
Cash consideration paid	270.600.422
Cash and cash equivalents acquired	(7.402.016)
Net cash outflow on acquisition	263.198.406

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, FDI 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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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 3 - BUSINESS COMBINATIONS (continued)

3.3 Acquisition of Advanced Honeycomb Technoloiges, 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 ralized 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:

	AHT
Identifiable assets acquired and liabilities assumed	Fair value as at 1 October 2018
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
Total identifiable net assets	11.159.742
Cash consideration	15.441.211
Goodwill	4.281.469
Cash consideration paid	15.441.211
Cash and cash equivalents acquired	
Net cash outflow on acquisition	15.441.211

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

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 4 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External revenue

	1 January- 31 December 2018	1 January- 31 December 2017
Europe, Middle East and Africa	1.365.787.402	921.988.719
North America	957.731.724	420.666.827
South America	490.540.703	337.489.909
Asia	1.132.664.359	805.020.168
	3.946.724.188	2.485.165.623

b) Segment assets

	31 December 2018	31 December 2017
Europe, Middle East and Africa	1.532.569.043	991.642.165
Asia	1.556.127.347	1.081.324.750
South America	378.050.455	294.717.558
North America	1.302.642.874	449.433.174
Segment assets (*)	4.769.389.719	2.817.117.647
Unallocated assets	430.295.533	65.889.689
Less: Intersegment elimination	(369.498.735)	(16.453.950)
Total assets per consolidated financial statements	4.830.186.517	2.866.553.386

c) Segment liabilities

	31 December 2018	31 December 2017
Europe, Middle East and Africa	1.454.585.742	665.348.273
North America	362.919.519	76.365.121
South America	248.447.483	205.952.419
Asia	362.946.349	259.089.611
Segment liabilities (**)	2.428.899.093	1.206.755.424
Unallocated liabilities	174.407.151	79.696.201
Less: Intersegment elimination	(112.033.695)	(67.870.115)
Total liabilities per consolidated financial statements	2.491.272.549	1.218.581.510

^(*) 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 liabities, other financial liabilities and loans and borrowings have not been associated to segments.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 4 - SEGMENT REPORTING (continued)

d) Segment analysis for the period 1 January - 31 December 2018

	Europe, Middle East and Africa ^(**)	North America	South America	Asia	Elimination ^(*)	Total
External Revenue Intersegment revenue	1.365.787.402 90.730.232	957.731.724 270.361.211	490.540.703 4.502.864	1.132.664.359 100.833.918	 (466.428.225)	3.946.724.188
Revenue	1.456.517.634	1.228.092.935	495.043.567	1.233.498.276	(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)	525.429.952
Income/(Expense) from investing activities, net	1.405.703	3.100.681	407.472	9.162.131	(1.373.758)	12.702.229
Operating profit before financial expense Finance Income/	372.458.020	77.362.516	42.671.741	184.242.035	(138.502.131)	538.232.181
(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 Net income/(loss) after	148.133.330	63.395.922	32.422.933	134.112.751	(39.543.069)	338.521.867
tax from dicontinued 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

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 4 - SEGMENT REPORTING (continued)

e) Segment analysis for the period 1 January - 31 December 2017

	Europe, Middle East and	North	South			
	Africa (**)	America	America	Asia	Elimination(*)	Total
5	000 000 070	207.007.470	227 400 000	704 070 050	74.050.044	2 405 465 622
External Revenue Intersegment revenue	898.329.072 51.400.592	397.007.179 71.196.371	337.489.909 497.207	781.070.252 55.556.084	71.269.211 (178.650.254)	2.485.165.623
intersegment revenue	31.400.392	7 1, 190,57 1	497.207	33.330.064	(176.030.234)	
Revenue	949.729.664	468.203.550	337.987.116	836.626.336	(107.381.043)	2.485.165.623
Segment operating	,	,	,			
expenses	(794.005.096)	(507.185.919)	(336.850.204)	(703.603.880)	134.167.661	(2.207.477.437)
Segment operating results	155.724.568	(38.982.369)	1.136.913	133.022.456	26.786.618	277.688.186
Operating profit	155.724.568	(38.982.369)	1.136.913	133.022.456	26.786.618	277.688.186
Income/(Expense) from						
investing activities, net	7.675.191	1.381.741	1.204.567	8.256.678	(1.381.741)	17.136.436
investing detivities, net	7.073.131	1,501,711	1.20 1.307	0.230.070	(1.301.711)	17.130.130
Operating profit before						
financial expense	163.399.759	(37.600.628)	2.341.480	141.279.134	25.404.877	294.824.622
Finance Income/	(70.064.415)	(611.251)	(5.000.500)	(0.350.001)	45 440 110	(50.276.126)
(Expense),net	(79.964.415)	(611.351)	(5.880.588)	(9.259.901)	45.440.119	(50.276.136)
Net income before						
tax from continuing						
operations	83.435.344	(38.211.979)	(3.539.108)	132.019.233	70.844.996	244.548.486
Tax income/(expense), net	(4.670.715)	15.775.169		(36.636.140)	(10.297.123)	(35.828.809)
New to come for the						
Net income for the period from continuing						
operations	78.764.629	(22.436.810)	(3.539.108)	95.383.093	60.547.873	208.719.677
Net income/(loss) after	70.701.023	(22.130.010)	(3.333.100)	33.303.033	00.517.075	200.7 15.077
tax from dicontinued						
operations	3.503.342					3.503.342
		((
Profit for the period	82.267.971	(22.436.810)	(3.539.108)	95.383.093	60.547.873	212.223.019

^(*) Unallocated consolidation adjustments are included in this line.

 $^{^{(**)}}$ Kordsa Teknik Teksil A.Ş. has been included in Europe, Middle East and Africa Segment.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 4 - SEGMENT REPORTING (continued)

Europe, Middle East and Africa 181.145.845 89.522.723 North America 306.278.886 39.268.567 South America 14.680.883 8.951.559 Asia 30.715.254 57.967.875 By Depreciation and amortization expense 1 January-said December 2018 31 December 2017 Europe, Middle East and Africa 37.180.892 27.243.390 North America 39.821.589 25.624.821 South America 13.139.786 10.498.227 Asia 49.453.318 39.774.868 Provision for doubtful receviables 1 January-sidemet 2018 131.905.55 South America 99.399 South America 99.399 Europe, Middle East and Africa 1 January-sidemet 2018 31 December 2017 Europe, Middle East and Africa 1 30.277 Europe, Middle East and Africa 1 330.277 Europe, Middle East and Africa 1 330.277 South America 1 330.277 Asia 2 5258.518 Jorcha	f) Capital expenditure	1 January- 31 December 2018	1 January- 31 December 2017
North America 306.278.886 39.268.567 South America 14.680.883 8.951.559 Asia 30.715.254 579.678.75 523.280.868 195.710.724 Europe, Middle East and Africa 31.January-31 December 2017 Europe, Middle East and Africa 37.180.892 27.243.390 North America 39.821.589 25.624.821 South America 39.821.589 25.624.821 South America 13.139.786 10.498.227 Asia 49.453.318 39.774.868 Phyrovision for doubtful receviables 139.595.585 103.141.30 South America 99.399 - South America 99.399 - Provision/(reversal) for inventory obsolescence 1 January-31 December 2018 31 December 2018 Europe, Middle East and Africa 1.330.277 - North America (1.373.484) - South America (1.373.484) - South America 12.164.282 - Asia 2.528.854 298.518 <t< th=""><th>1) Cupitul experiorale</th><th></th><th>51 December 2017</th></t<>	1) Cupitul experiorale		51 December 2017
South America Asia 14.680.883 (8.951.59) 8.951.59 (7.967.87) 7.967.875	Europe, Middle East and Africa	181.145.845	89.522.723
Asia 30.715.254 57.967.875 532.820.868 195.710.724 popereciation and amortization expense 1 January-31 December 2018 1 January-31 December 2017 Europe, Middle East and Africa 37.180.892 27.243.390 North America 39.821.589 25.624.821 South America 39.821.589 25.624.821 Asia 49.453.318 39.774.868 Asia 1 January-313.056 103.143.06 Provision for doubtful receviables 1 January-31 December 2018 1 January-31 December 2017 South America 99.399 - South America 99.399 - i) Provision/(reversal) for inventory obsolescence 1 January-31 December 2018 31 December 2017 Europe, Middle East and Africa 1 33.0277 - North America 1 3.30.277 - South America 1 2.164.282 - South America 2.528.854 298.518 Asia 2.528.854 298.518 Joan Langerical South America 1 January-31 January-31 January-31 January-31 January-31 January-31 January-31 January-31	North America	306.278.886	39.268.567
S32.820.868 195.710.724 1 January- 31 December 2018 31 December 2017 31 December 2018 31 December 2017 31 December 2018 31 December 2017 31 December 2018 31 Decembe	South America	14.680.883	8.951.559
Depreciation and amortization expense 31 December 2018 31 December 2017	Asia	30.715.254	
g) Depreciation and amortization expense 31 December 2018 31 December 2017 Europe, Middle East and Africa 37.180.892 27.243.390 North America 39.821.589 25.624.821 South America 13.139.786 10.498.227 Asia 49.453.318 39.774.868 Provision for doubtful receviables 1 January-1 Ja		532.820.868	195.710.724
g) Depreciation and amortization expense 31 December 2018 31 December 2017 Europe, Middle East and Africa 37.180.892 27.243.390 North America 39.821.589 25.624.821 South America 13.139.786 10.498.227 Asia 49.453.318 39.774.868 Provision for doubtful receviables 1 January-1 Ja		1 January	1 January
North America 39.821.589 25.624.821 South America 13.139.786 10.498.227 Asia 49.453.318 39.774.868 Taylory 13.000 Provision for doubtful receviables 1 January 1 January 31 December 2018 1 January 31 December 2017 South America 99.399 - Provision/(reversal) for inventory obsolescence 1 January 31 December 2018 1 January 31 December 2017 Europe, Middle East and Africa 1.330.277 - North America (1.373.484) - South America 12.164.282 - Asia 2.528.854 298.518 January- 31 December 2018 31 December 2017	g) Depreciation and amortization expense		
South America 13.139.786 10.498.227 Asia 49.453.318 39.774.868 1 39.595.585 103.141.306 No Provision for doubtful receviables 1 January- 31 December 2017 South America 99.399 South America 1 January- 31 December 2018 31 December 2017 Europe, Middle East and Africa 1.330.277 North America (1.373.484) South America (1.373.484) South America 12.164.282 Asia 2.528.854 298.518 January- 31 December 2018 31 December 2017 Asia 5.950.915 10.762.712	Europe, Middle East and Africa	37.180.892	27.243.390
Asia 49.453.318 39.774.868 139.595.585 103.141.306 Nome of the provision for doubtful receviables 1 January-31 December 2018 1 January-31 December 2018 South America 99.399 Provision/(reversal) for inventory obsolescence 1 January-31 December 2018 1 January-31 December 2018 Europe, Middle East and Africa 1.330.277 North America (1.373.484) South America (1.373.484) Asia 2.528.854 298.518 January-31 January-31 January-31 January-31 January-31 January-31 January-31 December 2017 31 December 2018 31 December 2018 Asia 5.950.915 10.762.712	North America	39.821.589	25.624.821
139.595.885 103.141.306 1 January-	South America	13.139.786	10.498.227
h) Provision for doubtful receviables 1 January- 31 December 2018 1 January- 31 December 2017 South America 99.399 - provision/(reversal) for inventory obsolescence 1 January- 31 December 2018 1 January- 31 December 2017 Europe, Middle East and Africa 1.330.277 - North America (1.373.484) - South America 12.164.282 - Asia 2.528.854 298.518 1 January- j) Gain on fair value of investment properties 1 January- 31 December 2018 1 January- 31 December 2017 Asia 5.950.915 10.762.712	Asia	49.453.318	39.774.868
h) Provision for doubtful receviables 31 December 2018 31 December 2017 South America 99.399 99.399 1 January- i) Provision/(reversal) for inventory obsolescence 1 January- 31 December 2018 1 January- 31 December 2017 Europe, Middle East and Africa 1.330.277 North America (1.373.484) South America 12.164.282 Asia 2.528.854 298.518 1 January- j) Gain on fair value of investment properties 1 January- 31 December 2018 31 December 2017 Asia 5.950.915 10.762.712		139.595.585	103.141.306
South America 99,399 99,399 99,399 1 January- 31 December 2018 1 January- 31 December 2017 Europe, Middle East and Africa 1,330,277 North America (1,373,484) South America 12,164,282 Asia 2,528,854 298,518 1 January- 31 December 2018 1 January- 31 December 2018 1 January- 31 December 2017 Asia 5,950,915 10,762,712		1 January-	1 January-
1 January- 1 January- 1 January- 31 December 2018 31 December 2017	h) Provision for doubtful receviables	31 December 2018	31 December 2017
1 January- 1 January- i) Provision/(reversal) for inventory obsolescence 1 January- 31 December 2017 Europe, Middle East and Africa 1.330.277 North America (1.373.484) South America 12.164.282 Asia 2.528.854 298.518 1 January- j) Gain on fair value of investment properties 1 January- 31 December 2017 Asia 5.950.915 10.762.712	South America	99.399	
i) Provision/(reversal) for inventory obsolescence 31 December 2018 31 December 2017 Europe, Middle East and Africa 1.330.277 North America (1.373.484) South America 12.164.282 Asia 2.528.854 298.518 14.649.929 298.518 1 January- 1 January- 31 December 2018 31 December 2017 Asia 5.950.915 10.762.712		99.399	
Europe, Middle East and Africa North America South America Asia 1.330.277 (1.373.484) South America 12.164.282 Asia 2.528.854 298.518 14.649.929 298.518 1 January- 31 December 2018 31 December 2017 Asia		1 January-	1 January-
North America (1.373.484) South America 12.164.282 Asia 2.528.854 298.518 1 January- j) Gain on fair value of investment properties 1 January- 31 December 2018 31 December 2017 Asia 5.950.915 10.762.712	i) Provision/(reversal) for inventory obsolescence	31 December 2018	31 December 2017
North America (1.373.484) South America 12.164.282 Asia 2.528.854 298.518 1 January- j) Gain on fair value of investment properties 1 January- 31 December 2018 31 December 2017 Asia 5.950.915 10.762.712	Europe. Middle East and Africa	1.330.277	
South America 12.164.282 Asia 2.528.854 298.518 14.649.929 298.518 j) Gain on fair value of investment properties 31 December 2018 31 December 2017 Asia 5.950.915 10.762.712	•	(1.373.484)	
14.649.929 298.518 1 January- 1 January- 1 January- 31 December 2018 31 December 2017 Asia 5.950.915 10.762.712	South America	•	
j) Gain on fair value of investment properties 1 January- 31 December 2018 31 December 2017 Asia 5.950.915 10.762.712	Asia	2.528.854	298.518
j) Gain on fair value of investment properties Asia 31 December 2018 31 December 2017 10.762.712		14.649.929	298.518
j) Gain on fair value of investment properties Asia 31 December 2018 31 December 2017 10.762.712		1 January-	1 lanuary-
	j) Gain on fair value of investment properties		
	Δsia	5 950 915	10 762 712
	АЗІЦ		

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 4 - SEGMENT REPORTING (continued)

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

a) External revenue	1 January- 31 December 2018	1 January- 31 December 2017
•		
Fabric	2.650.941.992	1.884.542.396
Nylon Yarn	750.280.684	508.104.326
Other	545.501.512	92.518.901
	3.946.724.188	2.485.165.623
		4.1
	1 January-	1 January-
b) Capital Expenditures	31 December 2018	31 December 2017
Nylon Yarn	52.857.898	38.377.469
Fabric	44.222.129	37.198.103
1 40110		
Polyester Yarn	3.638.825	26.244.119
Polyester Yarn Other ^(*)		

^(*) Other capital expenditures comprised of capital expenditures of new subsidiaries amounting to TL 238.500.615 explained in Note 3 in 2018.

NOTE 5 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Cash	2.338.581	24.119
Bank-demand deposits	67.999.024	15.534.585
Bank-time deposits	60.464.057	3.178
	130.801.662	15.561.882

Time deposits have less than 3 months maturity. Average annual interest rate for time deposits are 1,25% for EUR (31 December 2017: Nil).

There is no time deposits denominated in US Dollar and TBH as at 31 December 2018 (2017: 0,1%, and 0,4%).

The Company's related party balance related to cash and cash equivalents are disclosed in Note 27.

There is no restricted cash and cash equivalents of Group as at 31 December 2018 and 2017.

Foreign currency, interest rate and sensitivity risks for the financial assets and liabilities of the Group is presented under Note 29.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 6 - FINANCIAL INVESTMENTS

	31 December 2018	31 December 2017
Common Stocks	528.396	411.103
	528.396	411.103

Detail of the common stocks are as follows:

	31 December 2018		31 December 2	017
	Percentage of		Percentage of	
	shareholding %	Amount	shareholding %	Amount
Investimentos Lei 8200	<0,01	182.775	<0,01	134.619
Desenbanco	<0,01	129.297	<0,01	95.231
Investivos Fiscais Finor	<0,01	11.833	<0,01	8.715
Other		204.491		172.538
		528.396		411.103

NOTE 7 - BORROWINGS

	31 December 2018	31 December 2017
Short-term borrowings	952.562.339	511.678.928
Short-term portion of long term borrowings	41.932.689	19.314.214
Total short-term financial borrowings	994.495.028	530.993.142
Long-term borrowings	524.785.306	101.310.884
Total long-term financial borrowings	524.785.306	101.310.884
Total borrowings	1.519.280.334	632.304.026

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued) (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 - BORROWINGS (continued)

The details of long and short term borrwoings as of 31 December 2018 and 31 December 2017 are as follows:

31 Decembe	r 2018	31 December 2017		
Weighted average		Weighted average		
effective interest		effective interest		
rate %	TL	rate %	TL	
26,27	167.341.038	15,07	149.770.583	
4,04	88.829.524	3,60	107.872.165	
0,83	655.781.404	1,24	249.030.996	
10,50	40.610.373	9,40	5.005.184	
,	952.562.339		511.678.928	
31 Decembe	r 2018	31 Decembe	r 2017	
Weighted average effective interest		Weighted average effective interest		
rate %	TL	rate %	TL	
		15,07	19.314.214	
5,08	41.932.689			
	41.932.689		19.314.214	
	994.495.048		530.993.142	
5,08	517.200.260	5,01	87.485.680	
10,50	7.585.046	10,50	13.825.204	
	524.785.306		101.310.884	
31 Decembe	r 2018	31 Decembe	r 2017	
Fair Value	Carrying Value	Fair Value	Carrying Value	
606 029 784	606 029 784	195 357 845	195.357.845	
			149.770.583	
			268.345.210	
			18.830.388	
40.133.413	40.133.413	10.020.300	10.030.300	
	Weighted average effective interest rate % 26,27 4,04 0,83 10,50 31 Decembe Weighted average effective interest rate % 5,08 10,50 31 Decembe	### Page ### Pa	Weighted average effective interest rate % TL Weighted average effective interest rate % 26,27 167.341.038 15,07 4,04 88.829.524 3,60 0,83 655.781.404 1,24 10,50 40.610.373 9,40 952.562.339 Weighted average effective interest rate % TL Weighted average effective interest rate % 5,08 41.932.689 15,07 5,08 41.932.689 41.932.689 994.495.048 5,01 10,50 5,08 517.200.260 5,01 10,50 524.785.306 524.785.306 10,50 524.785.306 31 December 2018 31 December 2018 31 December 2018 Fair Value 606.029.784 606.029.784 195.357.845 167.341.038 149.770.583 697.714.093 697.714.093 268.345.210	

 $[\]ensuremath{^{(\mbox{\tiny "})}}$ Other borrowings are comprised of borrowings whom currency is Indonesian Rupiah.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 7 - BORROWINGS (continued)

As of 31 December 2018 and 31 December 2017, the redemption schedules of borrowings are summarized below:

	31 December 2018	31 December 2017
1 to 2 years	125.631.193	23.066.077
2 to 3 years	149.155.953	25.968.014
3 to 4 years	134.273.448	25.968.082
4 to 5 years	107.826.188	24.513.134
Over 5 years	7.898.524	1.795.577
	524.785.306	101.310.884

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 purhcase transaction, Kordsa Teknik Teksil 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 at 5 July 2018 at an interest rate of 2,70%+libor and one-year no repayment and once in a 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:

	31 December 2018	31 December 2017
1 January financial liabilities	632.304.026	533.740.317
Proceed from borrowings	1.322.360.743	94.322.483
Repayment of borrowings	(518.494.579)	
Interest expense	3.033.694	
Effect of change in foreign exchange	7.933.619	2.974.131
Effects of currency translation	72.142.831	1.267.095
31 December financial liabilities	1.519.280.334	632.304.026

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES

Trade receviables	31 December 2018	31 December 2017
Trade receviables	760.775.239	448.786.171
Cheques received	10.694.574	11.492.896
Due from related parties (Not 27)	68.899.704	27.918.285
	840.369.517	488.197.352
Less: Provision for doubtful receviables	(1.678.429)	(1.729.330)
Less: Unearned credit finance income	(9.016.145)	(2.972.039)
	829.674.943	483.495.983

As of 31 December 2018, annual interest rates for discount of TL, USD and Euro trade receivables and payables are 30%, 5,5% and 4% respectively (2017: 13,10%, 3,10% and 2,00%). The average maturities of the trade receivables as of 31 December 2018 is 75 days and average duration of trade payables is 65 days (31 December 2017: 75 days, 60 days).

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES (continued)

As of 31 December 2018, trade receivables amounting to TL 47.560.085 (2017: TL 25.912.658) were past due but not impaired. The aging of these receivables as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Up to 1 month	35.358.192	21.646.141
1 to 3 months	10.198.485	2.902.520
3 to 12 months	2.003.408	1.363.997
Balance at 31 December	47.560.085	25.912.658

As of 31 December 2018, trade receivables amounting to TL 1,678,429 (2017: TL 1,729,330) are past due and the provision for doubtful receivables has been set aside. As of 31 December 2018 and 31 December 2017, the aging schedule of the related receivables is as follows:

	31 December 2018	31 December 2017
Up to 1 month		
1 to 3 months		
3 to 12 months		
1 to 5 years	1.678.429	1.729.330
	1.678.429	1.729.330

Movement schedules of provision for doubtful receivables for the years ended 2018 and 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Balance at 1 January	1.729.330	7.741.753
Additions	99.399	
Collections	(206.856)	(6.065.550)
Currency translation differences	56.556	53.127
Balance at 31 December	1.678.429	1.729.330
Trade payables	31 December 2018	31 December 2017
Trade payables	563.898.994	306.628.347
Due to related parties (Note 26)	8.542.272	7.941.709
	572.441.266	314.570.056
Less: Unrealised credit finance expense on purchases	(72.752)	(268.036)

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 9 - OTHER RECEIVABLES AND OTHER PAYABLES

Other short-term receviables	31 December 2018	31 December 2017
Taxes and other duties (*)	9.989.552	3.774.344
Other	5.376.302	1.708.451
	15.365.854	5.482.795
Other long-term receviables	31 December 2018	31 December 2017
Litigation guarantee receivables (**)	19.727.319	18.504.697
Other	11.816.583	12.098.919
	31.543.902	30.603.616

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

 $^{^{(\}ast\ast)}$ The amount comprised of guarantees given to courts by Kordsa Brazil.

Other short-term payables	31 December 2018	31 December 2017
Taxes and duties payable	18.886.670	11.413.077
Other	3.966.673	370.530
	22.853.343	11.783.607
Other long-term payables	31 December 2018	31 December 2017
other tong term payables	31 December 2010	31 December 2017
Taxes and duties payable (***)	20.122.592	16.847.743
	20.122.592	16.847.743

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

NOTE 10 - INVENTORIES

	31 December 2018	31 December 2017
	422.505.200	270 102 106
Finished Goods	423.685.299	270.182.186
Raw materials and suppliers	400.818.761	169.206.630
Semi-finished goods	114.795.068	75.654.875
Spare parts	48.341.455	29.767.670
Intermediate goods	34.444.711	17.128.458
Other inventories	46.964.312	37.185.723
	1.069.049.606	599.125.542
Less: Provision for obsolescence	(21.467.744)	(13.824.690)
	1.047.581.862	585.300.852

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 10 - INVENTORIES (continued)

The allocation of the impairment of inventories for the years ended 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
	4.050.544	4.524.224
Finished goods	4.053.544	4.631.321
Spare parts	15.941.097	8.619.344
Semi-finished and intermediate goods	76.928	210.397
Other inventories	552.630	
Raw materials and suppliers	843.545	363.628
Balance at 31 December	21.467.744	13.824.690

Movement schedules for impairment of inventories for the years ended 31 December 2018 and 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Balance at 1 January	13.824.690	16.422.586
Additions	14.649.929	298.518
Reversals	(10.742.963)	(3.948.007)
Currency translation differences	3.736.088	1.051.593
Balance at 31 December	21.467.744	13.824.690

The amount of provision for impairment of inventory classified to cost of goods sold for the year 2018 is TL 3.906.966 (2017: TL 3.649.489).

The cost of inventories recognised as expense and included in cost of sales amounted to TL 2.158.586.539 for the period 1 January - 31 December 2018 (2017: TL 1.145.002.585).

NOTE 11 - PREPAYMENTS AND DEFERRED INCOME

Short-term prepaid expenses	31 December 2018	31 December 2017
Advances given	4.453.499	2 504 017
Advances given	.,	3.504.917
Prepaid expenses	10.425.979	3.714.031
Deposits and guarantees	229.143	12.329.918
	15.108.621	19.548.866
		24.5 1 2247
Long-term prepaid expenses	31 December 2018	31 December 2017
Other prepaid expenses	2.255.759	2.048.075
	2.255.759	2.048.075
Deferred revenue	31 December 2018	31 December 2017
Deferred revenue	31 December 2016	31 December 2017
Deferred revenue (*)	9.186.767	7.195.555
	9.186.767	7.195.555

 $[\]ensuremath{^{(*)}}$ Deferred revenue comprised of advances taken from customers.

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

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

				Transfer to			Currency	
				investment		Acquisition of	translation	
	1 January 2018	Additions	Disposals	property (*)	Transfers (***)	subsidiary (**)	differences	31 December 2018
Cost:								
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
	2.960.756.393	299.902.302	(18.380.045)	(9.418.120)	(25.693.952)	14.863.261	647.515.817	3.869.545.656
Accumulated								
depreciation:								
Land and 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
	1.534.021.800	125.103.341	(5.809.588)	(8.480.016)		3.850.760	281.287.178	1.929.973.475
Net book value	1.426.734.593							1.939.572.181

^(*) Please refer to Note 14

TL 122.089.567 (2017: TL 89.879.949) of current period depreciation and amortisation expenses are included in cost of sales, TL 953.313 (2017: 2.580.655 TL) is included in research and development expenses and TL 16.552.705 (2017: TL 10.680.702) is included in general administrative expenses.

As of 31 December 2018, there are mortgages on property, plant and equipment amounting to TL 240.153.298 (2017: TL 15.934.998).

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

^(***) Please refer to Note 13

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued) (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (continued)

The movement of property, plant and equipment for the year ended 31 December 2017 is as follows:

					Currency translation	
	1 January 2017	Additions	Disposals	Transfers (***)	differences	31 December 2017
Cost:						
Land and land improvements	73.609.189		(530.580)		3.851.362	76.929.971
Buildings	422.593.848	290.694		706.553	18.310.042	441.901.137
Machinery and equipment	1.989.454.268	12.864.117	(21.051.991)	87.046.018	106.948.639	2.175.261.051
Motor vehicles	3.368.246			323.620	208.249	3.900.115
Furniture and fixtures	67.704.965	63.655	(674.826)	10.609.115	3.427.719	81.130.628
Construction in progress	110.579.839	181.733.682	(427.008)	(113.546.452)	3.293.430	181.633.491
	2.667.310.355	194.952.148	(22.684.405)	(14.861.146)	136.039.441	2.960.756.393
Accumulated depreciation:						
Land and land improvements	31.270.820	770.205	(21.419)		1.198.998	33.218.604
Buildings	199.410.727	7.535.893			13.781.135	220.727.755
Machinery and equipment	1.097.674.702	82.090.345	(12.673.226)		52.978.416	1.220.070.237
Motor vehicles	2.865.247	315.114	(614.940)		159.560	2.724.981
Furniture and fixtures	50.582.718	4.608.116	(488.639)		2.578.028	57.280.223
	1.381.804.214	95.319.673	(13.798.224)		70.696.137	1.534.021.800
Net book value	1.285.506.141					1.426.734.593

^(***) Please refer to Note 13.

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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NOTE 13 - INTANGIBLE ASSETS

					Acquisition of	Currency translation	
	1 January 2018	Addition (*)	Disposals	Transfers ^(**)	subsidiary	differences	31 December 2018
Cost:							
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
	102.650.858	221.393.205	(1.397)	25.693.952	512.860	33.446.031	383.695.509
Accumulated							
Depreciation							
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							
expenses	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
	65.724.377	14.492.244	(1.252)			10.573.030	90.752.213
Net book value	36.926.481						292.943.296

^(*) Please refer to Note 15 for trademarks, customer relationships and other intangible assets additions.

 $[\]ensuremath{^{(**)}}$ The amount is comprised of transfers from property, plant and equipment.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued) (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - INTANGIBLE ASSETS (continued)

	1 January 2017	Addition	Disposals	Transfers(*)	Impairment	Currency translation	31 December 2017
	1 Juliuary 2017	Addition	Disposats	Truisiers	ппрантнене	differences	31 December 2017
Cost:							
Rights	21.889.766			6.622.891	(2.179.274)		26.333.383
Technology licences	20.442.503					1.052.285	21.494.788
Capitalized development							
costs	12.737.753						12.737.753
Computer software	26.194.731	758.576		8.238.255		2.023.726	37.215.288
Customer relationships	659.479						659.479
Other intangible assets	4.210.167						4.210.167
	86.134.399	758.576		14.861.146	(2.179.274)	3.076.011	102.650.858
Accumulated							
Depreciation							
Rights	7.071.294	2.470.594					9.541.888
Technology licences	17.426.080	44.521				887.325	18.357.926
Capitalized development							
costs	6.618.372	2.380.282					8.998.654
Computer software	21.077.647	2.072.733				1.443.265	24.593.645
Other intangible assets	3.378.761	853.503					4.232.264
	55.572.154	7.821.633				2.330.590	65.724.377
Net book value	30.562.245						36.926.481

 $[\]ensuremath{^{(*)}}$ The amount is comprised of transfers from property, plant and equipment.

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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NOTE 14 - INVESTMENT PROPERTY

	31 December 2018	31 December 2017
Balance at the beginning of the year	47.041.172	40.123.712
Disposals	(2.109.692)	
Gain/(loss) from fair value adjusments (*)	45.978.012	10.762.712
Currency translation differences	23.026.510	(3.845.252)
Transfers (Note 12)	938.104	
Balance at 31 December	114.874.106	47.041.172

^(*) As of 31 December 2018 and 2017 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 2018 TL 40.027.097 of the gain on change of fair value is due to the land where PT Indo Kordsa in the Asia Pacific Region transferred from property, plant and equipment to investment properties. This amount has been accounted as "other revalution and remeasurement gain" for under equity and other comprehensive income. Additionally TL 5.950.915 has been accounted as "fair value gain from investment property" under profit or loss.

As of 31 December 2018, the fair value hierarchy of the Group's investment property is Level 2 and in the current period there has been no transition between Level 2 and Level 3.

NOTE 15 - GOODWILL

The goodwill by amount of TL 171.912.390 (2017: TL 45.595.167) as of 31 December 2018 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 (2017: 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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 15 - GOODWILL (continued)

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

	31 December 2018	31 December 2017
Balance at the beginning of the year	45.595.167	45.595.167
Acquisition during the year	336.462.913	
FDI	140.851.275	
TPI	183.250.699	
AHT	12.360.940	
Transfer to tangible and intangible assets(*)	(220.937.355)	
FDI	(93.380.930)	
TPI	(121.298.940)	
AHT	(6.257.485)	
Currency translation difference	10.791.664	
Balance at the end of the year	171.912.390	45.595.167

^(*) Pre-acquisition carrying amount of FDI, TPI and AHT were determined based on applicable TFRSs immediately before the acquisition. As at 31 December 2018, 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 IFRS 3, TL 186.087.977 has been transferred to customer relationships and other intangible assets in intangible assets after acquisition transactions of FDI, TPI and AHT and recognized amortization over determined useful lives. Additionally, TL 34.849.378 have been transferred to trademarks in intangible assets after the acquisition.

As disclosed in Note 2.6 with the details of assessment for the impairment of goodwill and there is no change in the book value of the goodwill, which is TL 45.595.167 for the year ended as of 31 December 2018 and 2017.

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 2017: +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 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

a) Guarantees given	31 December 2018	31 December 2017
Pledges given to banks	337.007.048	241.623.300
Security (*)	209.657.000	-
Letter of credits	93.164.382	52.028.106
Letter of guarantees	75.933.268	41.682.024
Commitments	1.391.816	1.137.483
	717.153.514	336.470.913

^(*) As at 13 July 2018, Kordsa Teknik Teksil A.Ş. have been joint guarantor to long-term borrowings used by Kordsa Inc. amounting to USD 35.000.000 equivalents TL 209.657.000.

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (continued)

b) Guarantees received	_	31 De	cember 2018	31 De	cember 2017
Letter of guarantees			8.620.427		24.178.284
Cheques and notes received as collateral			315.000		913.067
			8.935.427		25.091.351
c) Guarantees, Pledges and Mortgages given by the Grou	p ("GPM")				
31 December 2018	TL Equivalent	TL	USD	EUR	Thai Baht
A. Total amount of GPMs given in the name of its own	507.496.514	10.342.561	79.741.475	12.643.959	8.784.873
legal personality B. Total amount of GPMs given behalf of subsidiaries consolidated in full	209.657.000	10.342.301	35.000.000	12.045.959	0./04.0/3
C. GPM given for continuation of its economic activities on behalf of third parties					
D. Total amounf of other GPM					
 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					

717.153.514

10.342.561

114.741.475

12.643.959

8.784.873

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (continued)

31 December 2017	TL Equivalent	TL	USD	EUR	Thai Baht
A. Total amount of GPMs given in the name of its own					
legal personality	336.470.913	8.410.708	74.253.052	10.369.738	10.055.500
B. Total amount of GPMs given behalf of subsidiaries consolidated in full					
C. GPM given for continuation of its economic activities					
on behalf of third parties					
D. Total amounf of other GPM					
 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					
·	336.470.913	8.410.708	74.253.052	10.369.738	10.055.500

^(*) Group equity ratio to other CPM given by the Group is 0% as of 31 December 2018 (31 December 2017: 0%).

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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NOTE 17 - EMPLOYEE BENEFITS

Short-term provisions for employee benefits	31 December 2018	31 December 2017
Provision for unused vacation	13.901.403	9.468.393
Provision for bonus accrual	13.306.218	10.894.966
Provision for capital contribution plan (*)	3.945.660	3.249.380
	31.153.281	23.612.739

^(*) 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 reimbursible 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:

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at 1 January	9.468.393 10.706.330	9.361.820 7.895.006
Increase during the year Decrease during the year	(4.750.933)	(6.266.737)
Currency translation differences	(1.522.387) 13.901.403	(1.521.696) 9.468.393
Long-term provisions for employee benefits	31 December 2018	31 December 2017
Provision for employment termination benefits (*)	43.447.834	38.353.012
Accruals for employee retirement benefit plans (**)	24.848.813 68.296.647	21.480.152 59.833.164

^(*) 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 15th year in the company has been calculated as 100%.

As at 31 December 2018 the amount payable consists of one month's salary limited to a maximum of TL 5.432,42 (31 December 2017: TL 4.732,48) for each year of service.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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NOTE 17 - 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:

	2018	2017
Discount rate (%)	4,26	3,70
The probability of retirement (%)	97,90	97,96

2040

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 6.017,60 (1 January 2018: TL 5.001,76), which is effective from 1 January 2019, 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:

	1 January -	1 January -
	31 December 2018	31 December 2017
Balance at 1 January	38.353.012	35.875.121
Increase during the year	17.559.849	3.779.341
Payment during the year	(4.810.728)	(3.563.819)
Actuarial (gain)/loss	(7.654.299)	2.262.369
Balance at 31 December	43.447.834	38.353.012

^(**) 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:

Duration of Employment/Service	Payable salary provision
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 17 - EMPLOYEE BENEFITS (continued)

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

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at 1 January	21.480.152	15.854.431
Addition during the year	532.730	4.149.239
Payment during the year	(3.467.609)	(335.445)
Currency translation differences	6.303.540	1.811.927
Balance at 31 December	24.848.813	21.480.152
Employee benefit obligations	31 December 2018	31 December 2017
Wage accruals	5.184.119	1.799.111
Due to personnel	5.628.476	9.395.770
Due to personnet	10.812.595	11.194.881
NOTE 18 - OTHER ASSETS AND LIABILITIES		
Other current assets	31 December 2018	31 December 2017
De destille MAT	42.145.020	20.262.026
Deductible VAT Deferred VAT	42.145.829 42.159.927	30.362.936
Prepaid taxes and funds	7.919.936	25.525.125 1.552.757
Receviables from insurance company	419.106	1,552,757
Advances given to personnel	351.338	732.569
Other		6.848.859
Office	92.996.136	65.022.246
Other non-current assets	31 December 2018	31 December 2017
Long-term spare parts	55.088.735	41.269.024
Long-term deposits	293.284	402.271
	55.382.019	41.671.295
Other current liabilities	31 December 2018	31 December 2017
Expense accruals	11.015.585	7.893.452
Sales discounts and commission accruals (*)	9.766.109	5.862.615
Other tax accruals (**)	5.028.589	8.187.984
Other personel expense accruals	614.473	440.558
Other	9.269.908 35.694.664	2.543.174 24.927.783

^(*) 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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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NOTE 19 - 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 (2017: 19.452.907.600 shares). All shares are paid and there is no preferred stock. The Group's shareholders and their shareholdings at 31 December 2018 and 2017 are as follows:

	Ownership		Ownership Own	
	2018	interest %	2017	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
	194.529.076	100,00	194.529.076	100,00

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 Kr1.

Revalution and hedging reserves

	31 December 2018	31 December 2017
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	(454.977)	11.635
	(725.128)	(258.516)

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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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 19 - EQUITY (continued)

Movements of Hedging Reserve:

	1 January -	1 January -
	31 December 2018	31 December 2017
Balance at 1 January	11.635	988.581
Increases/decreases	12.417.392	(11.209.982)
Income tax related to gains/losses recognized in other comprehensive income	131.534	244.303
Amounts reclassified to profit or loss	(13.015.538)	9.988.733
Balance at 31 December	(454.977)	11.635

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

Reserve s 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 2018 restricted reserves comprised of legal reserves amounting to TL 69.754.663 (31 December 2017: TL 54.948.350).

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 invesment properties.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 19 - 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;

	2018	2017
Balance at beginning of the period		
Gain from change of fair value	40.027.097	
Balance at closing of the period	40.027.097	

Defined Benefit Plans Remeasurement Fund

As at 31 December 2018, TL 2.881.729 (31 December 2017: TL 8.852.082) consists of actuarial gain or loss of long term employee benefits recognized as other comprehensive income.

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 currency translation difference amounting to TL 576.104.345 (31 December 2017: 289.264.396) in the Group's accompanying consolidated financial statements.

Dividend Payments

Public companies distribute profit in accordance with Profit Share Communique 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:

	31 December 2018	31 December 2017
Accumulated profit or loss	603.432.512	520.026.182
Extraordinary reserve	143.139	138.641
Total retaining earnings	603.575.651	520.164.823

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 19 - EQUITY (continued)

Net profit for the period

Distribution of net profit for the year of 2017 has been approved with the decision of Ordinary General Assembly Meeting which is held on 26 March 2018. According to decision, net period of TL 66.884.932 in accordance with the decision taken first dividend of TL 14.806.313, after the first general legal reserve is set aside, a total of 81.691.245 TL including first and second dividends to the shareholders of the Company has been decided to pay the gross profit share on 2 April 2018.

Net profit for the period of the Group amounting to TL 338.544.645 (2017: TL 212.223.019).

Minority 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:

	2018	2017
Balance at the beginning of the period	371.020.900	317.550.556
The portion of total comprehensive income attributed to non-controlling interest	183.235.364	76.745.546
Dividend paid to non-controlling insterest	(50.236.835)	(23.275.202)
Closing at the beginning of the period	504.019.429	371.020.900

NOTE 20 - REVENUE AND COST OF SALES

	1 January- 31 December 2018	1 January- 31 December 2017
Sales income (gross)	4.019.612.631	2.522.184.022
Sales returns (-)	(9.002.128)	(4.302.979)
Sales discounts (-)	(22.907.268)	(13.442.175)
Other sales discounts (-)	(40.979.047)	(19.273.245)
Sales income (net)	3.946.724.188	2.485.165.623
Cost of sales (-)	(3.153.040.828)	(2.035.686.160)
Gross Profit	793.683.360	449.479.463

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 21 - EXPENSES BY NATURE

	1 January- 31 December 2018	1 January- 31 December 2017
Raw materials and consumables used	2.158.586.539	1.145.002.585
Personnel expenses	463.502.160	360.518.754
Energy expenses	337.623.878	216.890.541
Depreciation and amortization expenses	139.595.585	103.141.306
Distribution expenses	92.613.998	60.093.541
Packaging expenses	76.845.660	48.924.624
Consultancy expenses	37.860.463	23.171.439
Idle mill expenses	10.764.782	16.622.954
Maintenance expenses	4.026.885	3.016.513
Rent expenses	3.847.678	3.061.056
Other	139.566.353	268.479.924
	3.464.833.981	2.248.923.237

NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

	1 January-	1 January-
Other operating income	31 December 2018	31 December 2017
Finance income on trade receviables	37.618.794	13.628.544
Domestic production incentive income (*)	34.063.299	23.659.648
Fx income on credit sales	15.901.872	24.288.881
Rent income	2.763.456	1.296.135
Export incentive income	1.574.026	578.116
Income from insurance claims	48.212	
Other	7.053.946	11.420.885
	99.023.605	74.872.209

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

Other operating expenses	1 January- 31 December 2018	1 January- 31 December 2017
Donations	24.221.808	12.371.425
Finance expense on credit purchases	19.419.462	7.586.459
Taxes and duties	7.010.969	6.994.685
Expenses of defective goods	664.877	44.419
Other	4.066.744	6.429.421
	55.383.860	33.426.409

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 23 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January-	1 January-
Gains from investing activities	31 December 2018	31 December 2017
Gain from fair value of invesment properties	5.950.915	10.762.712
Gain from sale of investment properties	2.109.692	10.702.712
Gain on sale of property, plant and equipment	2.284.480	7.761.063
Interest income	3.622.252	2.417.327
interest income	13.967.339	20.941.102
Losses from investing activities	1 January- 31 December 2018	1 January- 31 December 2017
Loss on sale of property, plant and equipment	1.165.711	3.804.666
1 1 3/1 1 1	1.165.711	3.804.666
Finance income	1 January- 31 December 2018	1 January- 31 December 2017
Finance income		
	14 2 40 510	5 770 500
Gain on derivative instruments	11.248.610	5.770.580
Other	181.747	 F 770 F00
	11.430.357	5,770,580
	1 January-	1 January-
Finance expense	31 December 2018	31 December 2017
Interest expenses	72.295.456	31.440.493
Foreign exchange losses	72.293.430 38.740.221	20.623.659
Losses on derivative instruments	24.264.148	2.342.323
Other	2.575.369	1.640.241
Otilei —	137.875.194	56.046.716

NOTE 25 - TAXATION ON INCOME

Corporate Tax

	31 December 2018	31 December 2017
Corporate tax payable	9.459.018	18.909.161
Less: Prepaid taxes (*)	(6.649.729)	(24.393.155)
Current tax (asset)/liability, net	2.809.289	(5.483.994)

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 condesned 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 (carryforwad losses, if any, and if utilized exemptions for investment incentives).

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 25 - TAXATION ON INCOME (continued)

Corporate Tax (continued)

In Turkey, corporate tax rate is 22% as at 31 December 2018 (2017: 20%). 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% (2017: 20%) to be calculated and paid based on earnings generated for each quarter for the three month period ended 31 December 2018. 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.

The taxes on income reflected to consolidated income statements for the years ended 31 December 2018 and 2017 are summarized as follows:

	1 January-	1 January-
	31 December 2018	31 December 2017
Current period corporate tax expense	(47.887.560)	(36.933.461)
Deferred tax income/(expense)	(25.377.917)	1.104.652
	(73.265.477)	(35.828.809)

The reconciliation of tax on the consolidated profit or loss tables for the years ended 31 December 2018 and 2017 is as follows:

	1 January-	1 January-
	31 December 2018	31 December 2017
Profit before tax in the consolidated financial statements	411.787.344	244.548.486
Tax charge according to parent company's tax rate 22%	90.593.216	48.909.697
Tax rate differences of subsidiaries	(6.746.556)	(5.490.881)
Expected tax charge of the Group	83.846.660	43.418.816
Disallowable expenses	5.572.180	57.839
Other exempt income	(6.092.472)	(29.648)
Exemption of real estate sales		(500.141)
Lump-sum expense provision	(1.153.458)	(538.061)
Research and development incentive allowance	(5.716.728)	(3.062.226)
Consolidation eliminations without tax effect	(3.190.705)	(3.517.770)
Current period tax expense	73.265.477	35.828.809

The Group recognises 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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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 25 - 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:

Country	31 December 2018	31 December 2017
Turkey	20%-22%	20%
Egypt	30%	30%
United States of America	25%	25%
Brazil	21,5%	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 2018 and 31 December 2017 using the enacted tax rates are as follows:

	Deferred tax asset	Deferred tax assets/(liabilities)	
	31 December 2018	31 December 2017	
Provision for employment termination benefits	52.128.558	15.948.789	
Consignment sales adjusment	18.042.683	1.224.304	
Finance income	1.936.018	397.680	
Other, net	552.729	20.845.007	
Deferred tax assets	72.659.988	38.415.780	
Property, plant and equipment	(105.365.941)	(81.679.888)	
Inventories	(34.051.622)		
Other, net	(50.966.805)	(28.150.027)	
Deferred tax liabilities	(190.384.368)	(109.829.915)	
Net deferred tax liabilities	(117.724.380)	(71.414.135)	

	1 January-	1 January-
	31 December 2018	31 December 2017
Balance at 1 January	(71.414.135)	(69.115.130)
Current year deferred tax income - net	(25.377.917)	1.104.652
Charges to equity	(1.552.412)	157.893
Currency translation differences	(19.379.916)	(3.561.550)
Balance at 31 December	(117.724.380)	(71.414.135)

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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NOTE 26 - EARNING 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.

	1 January- 31 December 2018	1 January- 31 December 2017
Net income attributable to equity holders of the parent	292.457.708	165.102.073
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	15,03	8,49
Earning per share from continiuning operations		
Net income attributable to equity holders of the parent	292.446.091	163.315.369
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	15,03	8,40
Earning per share from discontinued operations		
Net income/(loss) attributable to equity holders of the parent	11.617	1.786.704
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks		0,09
Nominal values of ordinary shares for the years ended 31 December 2018 and 2017 a	are assumed to be Kr 1 each.	
NOTE 27 - RELATED PARTY DISCLOSURES		
Bank balances:	31 December 2018	31 December 2017
Akbank T.A.Ş time deposit	60.464.057	
Akbank T.A.Ş demand deposit	203.916	1.316.653
The state of the s	60.667.973	1.316.653
	31 December 2018	31 December 2017
Akbank T.A.Ş bank borrowings		142.989.264
		142.989.264
Derivative instruments:	31 December 2018	31 December 2017
Akbank T.A.Ş.		5.482.795
		5.482.795
Due from related party:	31 December 2018	31 December 2017
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	68.387.355	26.716.953
Sabancı Üniversitesi	303.104	99.427
Akçansa		827.263
Enejisa Enerji Üretim A.Ş.		173.735
Other	209.245	100.907
	68.899.704	27.918.285

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 27 - RELATED PARTY DISCLOSURES (continued)

Due to related party:	31 December 2018	31 December 2017
Enerjisa Enerji Üretim A.Ş.	4.415.884	4.569.248
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	3.656.500	1.219.629
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	183.197	67.211
Sabancı Üniversitesi		1.891.031
Teknosa İç ve Dış Ticaret A.Ş.		156.947
Other	286.691	37.643
	8.542.272	7.941.709
	1 January-	1 January-
Product sales:	31 December 2018	31 December 2017
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	108.293.005	76.117.789
Other	259.628	1.167.784
	108.552.633	77.285.573
		1 January-
Service sales:	1 January- 31 December 2018	1 January- 31 December 2017
	1 January-	
Service sales: Enerjisa Enerji Üretim A.Ş. Hacı Ömer Sabancı Holding A.Ş.	1 January- 31 December 2018	31 December 2017

Service sales arise from invoicing of common services incurred for the	above companies which operate in the same a	area.
Product purchase:	1 January- 31 December 2018	1 January- 31 December 2017
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	454.819	379.777
Sabancı Universitesi		39.910
	454.819	419.687
	1 January-	1 January-
Service received:	31 December 2018	31 December 2017
Enerjisa Enerji Üretim A.Ş.	60.685.395	46.570.658
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	3.191.697	4.194.028
Aksigorta	384.452	6.386.927
AvivaSA Emeklilik ve Hayat A.Ş.		411.773
Other	1.484.248	132.648
	65.745.792	57.696.034
	1 January-	1 January-
Property, plant and equipment purchases:	31 December 2018	31 December 2017
	2 22 4 4 5 7	445.440
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	2.884.157	445.149
Sabancı Üniversitesi		133.066
Other	49.807	6.908
	2.933.964	585.063

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 27 - RELATED PARTY DISCLOSURES (continued)

	1 January-	1 January-
Interest income:	31 December 2018	31 December 2017
Akbank T.A.Ş.	1.441.297	778.614
	1.441.297	778.614
	1 January-	1 January-
Interest expense:	31 December 2018	31 December 2017
Akbank T.A.Ş.	5.192.236	6.717.739
	5.192.236	6.717.739
	1 January-	1 January-
Foreign exchange gain/(losses), net	31 December 2018	31 December 2017
	(= === ==)	
Akbank T.A.Ş.	(7.276.937)	5.457
	(7.276.937)	5.457
	1 January-	1 January-
Rent income	31 December 2018	31 December 2017
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	67.893	65.687
	67.893	65.687
	1 January-	1 January-
Donations	31 December 2018	31 December 2017
	24026050	42.252.422
Sabancı Üniversitesi	24.026.050	12.252.120
	24.026.050	12.252.120

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 renumerations provided which is consist of per diem payment, salary and other additional renumerations by the Group for 2018 and 2017 are as follows:

	1 January-	1 January-	
	31 December 2018	31 December 2017	
Short-term employee benefits	14.290.986	14.880.828	
Post-employment benefits	273.885	477.009	
	14.564.871	15.357.837	

Security and guarantee letters given:

31 December 2018

None.

31 December 2017

None.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 28 - 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:

Subsidiaries	31 December 2018					
	Non-controlling interest %	Net profit/loss attributable to non- controlling interest	Accumulated profit/ (loss) allocated to non- controlling interests	Dividend distributed to non-controlling interests		
PT Indo Kordsa Tbk (*)	38,42%	51.144.095	354.559.562	50.236.835		
Other		(5.057.155)	149.459.867			
Total		46.086.940	504.019.429			

	31 December 2017			
Subsidiaries	Non-controlling interest %	Net profit/loss attributable to non-controlling interest	Accumulated profit/ (loss) allocated to non- controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	39,30%	51.883.559	361.079.655	23.275.202
Other		(4.762.613)	9.941.245	
Total		47.120.946	371.020.900	

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

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

Summary of statement of financial position	PT Indo Kordsa Tbk		
	31 December 2018	31 December 2017	
Cash and cash equivalents	30.714.394	12.656.926	
Other current assets	501.116.992	356.058.791	
Non-current assets	1.048.974.617	743.568.836	
Total assets	1.580.806.003	1.112.284.553	
Short-term borrowings	40.157.023	23.159.891	
Other short-term liabilities	217.366.289	114.473.522	
Long-term borrowings	77.684.313	101.309.879	
Other long-term liabilities	76.179.906	62.523.359	
Total liabilities	411.387.531	301.466.651	
Total equity	1.169.418.472	810.817.902	
Total equity attributable to owners of the Company	1.077.687.953	740.919.682	
Non-controlling interest (*)	91.730.519	69.898.220	

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 28 - INTERESTS IN OTHER ENTITIES (continued)

Summary statement of profit and loss:	PT Indo Kordsa Tbk		
	1 January-	1 January-	
	31 December 2018	31 December 2017	
Revenue	1.235.149.633	860.285.984	
Cost of sales	(978.301.661)	(642.457.930)	
Depreciation and amortization expense	(52.584.040)	(38.519.832)	
Operating income	141.942.461	140.679.356	
Finance income/(expense), net	(8.824.048)	(8.660.123)	
Profit before tax	133.118.414	132.019.233	
Tax expenses	(39.640.415)	(36.636.140)	
Non-controlling interests (*)	(42.211.500)	(44.842.494)	
Profit for the year	51.266.499	50.540.599	

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

NOTE 29 - 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.

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

(a) Liquidity risk (continued)

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2018 and 2017 is as follows:

Non-derivative financial liabilities (1)(2):

		Caustina atomat	1 41 2			
31 December 2018	Carrying value	Contractural cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	1.519.280.334	1.721.230.095	70.120.280	1.078.426.003	572.683.812	
Trade payables	572.368.514	572.368.514	572.368.514			
Other payables	3.966.673	13.053.953	13.053.953			
	2.095.615.521	2.306.652.562	655.542.747	1.078.426.003	572.683.812	
		Contractural	Less than 3			
31 December 2017	Carrying value	cash flow	months	3-12 months	1-5 years	Over 5 years
Financial liabilities	632.304.026	731.164.596	353.561.593	165.818.406	211.784.597	
Trade payables	312.393.072	312.393.072	312.393.072			

⁽¹⁾ Maturity analyses have been applied solely to financial instruments and exclude legal liabilities.

370.530

945.067.628

15,499,146

165.818.406

211.784.597

681.453.811

15.499.146

1.059.056.814

(b) Market risk

Other payables

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:

Variable interest financial instruments	31 December 2018	31 December 2017	
Financial liabilities	680 553 332	130 342 246	

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 2018, 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 918.048 (2017: TL 1.390.263), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2018, there is no variable interest rate borrowings in EUR (2017: there is no variable interest rate borrowings in EUR).

⁽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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

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 2018 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 2017 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.

As of 27 November 2017, Group has executed a EUR/TL foreign currency swap for the principal and interest repayment of TL 94,000,000 with a maturity 3 months and an interest rate of 15,75%. In this context, principal repayments to be made on 26 February 2018 were fixed at EUR 20,000,000, interest payments at 4,70% interest rate and EUR/TL: 4,8604. The fair value of this transaction is TL 5.482.795.

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 121.243.000 (31 December 2017: TL 45.672.408) 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 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Assets	1.196.949.265	465.556.999
Liabilities	(1.184.343.960)	(472.718.973)
Net foreign currency position	12.605.305	(7.161.974)

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31 December 2018

					Indonesian		
	Total TL			Thai		Brazilian	Other TL
Assets:	equivalent	US Dollars (*)	Euro (*)	Baht ^(*)	('000) ^(*)	Real (*)	equivalent
Trade receviables	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 receviables and assets	446.005				1.227.660		
Other non- monetary receviables and							
assets	38.524.326		1.189		106.021.206		
Current assets	462.128.915	12.578.419	49.535.668		268.055.690		3.313
Non-current asset held for sale							
Other monetary receviables and assets							
Non-current assets							
Total assets (a)	462.128.915	12.578.419	49.535.668		268.055.690		3.313
Liabilities:							
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	(4.923)			16.402.462		
Current liabilities	872.794.799	20.745.538	115.504.367		170.670.312		5.659.507
Financial liabilities	311.549.161	57.778.025			20.877.554		
Other monetary receviables and assets							
Non-current liabilities	311.549.161	57.778.025			20.877.554		
Total liabilities (b)	1.184.343.960	78.523.563	115.504.367		191.547.866		5.659.507
Off-balance sheet derivative assets (c)	734.820.350	71.500.000	59.500.000				
Off-balance sheet derivative							
liabilities (d)							
Net foreign currency asset/(liability)							
position	12.605.305	5.554.856	(6.468.699)	-	76.507.824	-	(5.656.194)
Fair value of financial instruments							
used for foreign Exchange hedge	3.089.485						
Hedges amount of foreign currency							
Assets							
Hedges amount of foreign currency liabilities	734.820.350	71.500.000	59.500.000				
וומטוווגופט	134.020.330	11.500.000	000,000				

 $[\]ensuremath{^{(*)}}$ The amounts are denominated in the related currency.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31 December 2017

Assets: equivalent US Dollars (*) Euro (*) Baht (*) (*)000) (*) Real (*) Trade receviables 181.228.546 15.520.175 22.166.049 83.520.171 Cash and cash equivalent 3.347.771 163.831 300.988 4.916.222 Other monetary receviables and assets 1.708.451 1.677 96.992.448 Current assets 25.718.156 1.677 96.992.448 Current assets 212.002.924 15.684.006 22.468.714 186.920.740 Other monetary receviables and assets Other monetary receviables and assets Other monetary receviables and assets Non-current assets	Indonesian Thai Rupiah Brazilian Other TL			Total TL	
Cash and cash equivalent 3.347.771 163.831 300.988 4.916.222 Other monetary receviables and assets 1.708.451 1.491.900 Other non- monetary receviables and assets 25.718.156 1.677 96.992.448 Current assets 212.002.924 15.684.006 22.468.714 186.920.740 Non-current asset held for sale Other monetary receviables and assets	· · · · · · · · · · · · · · · · · · ·	Euro	US Dollars (*)		Assets:
Cash and cash equivalent 3.347.771 163.831 300.988 4.916.222 Other monetary receviables and assets 1.708.451 1.491.900 Other non- monetary receviables and assets 25.718.156 1.677 96.992.448 Current assets 212.002.924 15.684.006 22.468.714 186.920.740 Non-current asset held for sale Other monetary receviables and assets	, ,			•	
Other monetary receviables and assets 1.708.451 1.491.900 Other non- monetary receviables and assets 25.718.156 1.677 96.992.448 Current assets 212.002.924 15.684.006 22.468.714 186.920.740 Non-current asset held for sale Other monetary receviables and assets	5.520.175 22.166.049 83.520.171	22.166.0	15.520.175	181.228.546	Trade receviables
Other non- monetary receviables and assets 25.718.156 1.677 96.992.448 Current assets 212.002.924 15.684.006 22.468.714 186.920.740 Non-current asset held for sale Other monetary receviables and assets	163.831 300.988 4.916.222 1.982	300.9	163.831	3.347.771	Cash and cash equivalent
assets 25.718.156 1.677 96.992.448 Current assets 212.002.924 15.684.006 22.468.714 186.920.740 Non-current asset held for sale	1.491.900			1.708.451	Other monetary receviables and assets
Current assets 212.002.924 15.684.006 22.468.714 186.920.740 Non-current asset held for sale					Other non- monetary receviables and
Non-current asset held for sale Other monetary receviables and assets	1.677 96.992.448	1.6		25.718.156	assets
Other monetary receviables and assets	.684.006 22.468.714 186.920.740 1.982	22.468.7	15.684.006	212.002.924	Current assets
					Non-current asset held for sale
Non-current assets					Other monetary receviables and assets
					Non-current assets
Total assets (a) 212.002.924 15.684.006 22.468.714 186.920.740	.684.006 22.468.714 186.920.740 1.982	22.468.7	15.684.006	212.002.924	Total assets (a)
Liabilities:					Liabilities:
Trade payables 119.740.271 23.530.995 5.012.971 19.985.917 85.260	3.530.995 5.012.971 19.985.917 85.260 2.659.229	5.012.9	23.530.995	119.740.271	Trade payables
Financial liabilities 336.781.635 22.111.886 55.150.259 17.977.739	2.111.886 55.150.259 17.977.739	55.150.2	22.111.886	336.781.635	Financial liabilities
Other monetary payable and liabilities 2.370.858 6.332 8.429.916	6.332 8.429.916		6.332	2.370.858	Other monetary payable and liabilities
Current liabilities 458.892.764 45.649.213 60.163.230 46.393.571 85.260	.649.213 60.163.230 46.393.571 85.260 2.659.229	60.163.23	45.649.213	458.892.764	Current liabilities
Financial liabilities 13.826.208 49.657.695	49.657.695			13.826.208	Financial liabilities
Other monetary receviables and assets					Other monetary receviables and assets
Non-current liabilities 13.826.208 49.657.695	49.657.695			13.826.208	Non-current liabilities
Total liabilities (b) 472.718.972 45.649.213 60.163.230 96.051.266 85.260	.649.213 60.163.230 96.051.266 85.260 2.659.229	60.163.2	45.649.213	472.718.972	Total liabilities (b)
Off-balance sheet derivative assets (c) 253.554.075 181.891 56.000.000	181.891 56.000.000	56.000.00	181.891	253.554.075	Off-balance sheet derivative
Net foreign currency asset/(liability)					
	783.316) 18.305.484 90.869.474 (85.260) (2.657.247)	18.305.48	(29.783.316)	(7.161.974)	
Fair value of financial instruments					Fair value of financial instruments
used for foreign Exchange hedge 5.893.324				5.893.324	used for foreign Exchange hedge
Hedges amount of foreign currency assets					
Hedges amount of foreign currency 253.554.075 181.891 56.000.000	181.891 56.000.000	56.000.00	181.891	253.554.075	-

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

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

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

Closing rates	31 December 2018	31 December 2017
LIC Dellare	F 3600	2 7710
US Dollars	5,2609	3,7719
Euro	6,0280	4,5155
Indonesian Rupiah (1000 units)	0,3633	0,2784
Brezilian Real	1,3577	1,1402
Thai Baht	0,1621	0,1154
Egyptian Pound	0,2941	0,2125
Average rates	31 December 2018	31 December 2017
Avoiago rates	5 / 5 c c c i i 5 c i 5	31 December 2017
US Dollars	4,8135	3,6477
Euro	5,6627	4,1164
Indonesian Rupiah (1000 units)	0,3381	0,2691
Brezilian Real	1,3172	1,1428
Thai Baht	0,1490	0,1075
Egyptian Pound	0,2705	0,2076

Foreign currency position as of 31 December 2018 and 2017 in regard to the 10% changes in foreign currency rates is depicted in the table below:

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

KORDSA TEKNIK TEKSTIL ANONIM ŞIRKETI AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

	Profit/	(Loss)	Equ	iity
31 December 2017	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset/liability	(11.233.969)	11.233.969	41.373.078	(41.373.078)
2-Hedged portion of US Dollar amounts(-)				
3-Net effect of US Dollar (1+2)	(11.233.969)	11.233.969	41.373.078	(41.373.078)
Increase/(decrease) 10% of EUR parity				
4-EUR net asset/liability	8.265.841	(8.265.841)		
5-Hedged portion of EUR amounts(-)				
6-Net effect of EUR (4+5)	8.265.841	(8.265.841)		
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset/liability	2.251.931	(2.251.931)		
8-Hedged portion of other foreign currency amounts(-)				
9-Net effect of other foreign currencies (7+8)	2.251.931	(2.251.931)		
TOTAL (3+6+9)	(716.197)	716.197	41.373.078	(41.373.078)

Export and import balances from Turkey as of 31 December 2018 and 2017 is as follows:

	31 Decemb	31 December 2018		er 2017
	Original Amount	TL Equivalent	Original Amount	TL Equivalent
Euro	139.903.998	792.230.175	131.929.852	542.303.927
US Dollars	72.875.912	350.784.558	67.933.118	247.596.170
TL	8.976.860	8.976.860	27.678.685	27.678.685
Total export		1.151.991.593		817.578.782
		1 January-		1 January-
	31	December 2018	31	December 2017
Total import		895.302.212		555.055.444

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

(c) Funding risk

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. The borrowings of the Group are from financially strong various financial institutions.

(d) Credit risk

Credit risk arises from deposits with banks, as well as credit exposures to customers, including outstanding receivables.

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.

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 2018 and 2017, 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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31 December 2018

	Receivables						
	Trade Re	ceivables	Other Rec	eivables		eposits	
	Related Party	Third Party	Related Party	Third Party	Derivatives	Related Party	Third
As of reporting date, credit risk exposure (A+B+C+D) (**)		760.775.239			2.678.327		Party 67.795.108
- The part of maximum risk under guarantee with collateral							
A. 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. Net book value of financial assets that are renegotiated, if not that will be							
accepted as past due or impaired		47.560.085					
C. 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							
D. 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.

Financial Information

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31 December 2017

	Receivables						
	Trade Red	ceivables	Other Recei	ivables (*)		Bank D	eposits
	Related	Third	Related	Third		Related	Third
	Party	Party	Party	Party	Derivatives	Party	Party
As of reporting date, credit risk exposure (A+B+C+D) (**)	27.918.285	455.577.698			5.893.324	1.316.653	14.221.110
 The part of maximum risk under guarantee with collateral 							
A. Net book value of financial assets that are neither past due nor impaired	27.918.285	429.665.040				1.316.653	14.221.110
B. Net book value of financial assets that are renegotiated, if not that will	27.510.203	429,003,040				1.5 10.055	14,221,110
be accepted as past due or impaired		25.912.658					
C. Net book value of impaired assets							
 Past due (gross carrying amount) 		1.729.331					
Impairment(-)The part under guarantee with collateral		(1.729.331)					
- Not past due (gross carrying amount)							
- Impairment (-)							
 The part under guarantee with collateral D. 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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 29 - 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:

	31 December 2018	31 December 2017
Less than 1 month	35.358.192	21.646.141
Between 1-3 months	10.198.485	2.902.520
Between 3-12 months	2.003.408	1.363.997
	47.560.085	25.912.658

(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 2018 and 2017 net debt/(equity+net debt+non-controlling interest) ratio is:

	31 December 2018	31 December 2017
Total financial liabilities	1.519.280.334	632.304.026
Cash and cash equivalents	(130.801.662)	(15.561.882)
Net debt	1.388.478.672	616.742.144
Equity	1.834.894.542	1.276.950.976
Non-controlling interest	504.019.429	371.020.900
Equity+net debt+non-controlling interest	3.727.392.643	2.264.714.020
Net debt/(Equity+non-controlling interest) ratio	37%	27%

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 30 - 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.

	Financial		Financial	Derivative		
31 December 2018	assets at		liabilities at	financial	Carrying	
Financial assets	amortised cost	FVOCI	amortized cost	instruments	value ^(*)	Note
Cash and cash equivalents	130.801.662				130.801.662	5
Trade receviables	760.775.239				760.775.239	8
Receivables from related parties	68.899.704				68.899.704	27
Financial investments		528.396			528.396	6
Derivative financial instruments				2.678.327	2.678.327	30
Financial liabilities						
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	27
Other financial liabilities (**)			22.853.343		22.853.343	9

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 30 - FINANCIAL INSTRUMENTS (continued)

	Financial		Financial	Derivative		
31 December 2017	assets at		liabilities at	financial	Carrying	
Financial assets	amortised cost	FVOCI	amortized cost	instruments	value ^(*)	Note
Cash and cash equivalents	15.561.882				15.561.882	5
Trade receviables	455.577.698				455.477.698	8
Receivables from related parties	27.918.285				27.918.285	27
Financial investments		411.103			411.103	6
Derivative financial instruments				5.893.324	5.893.324	30
Financial liabilities						
Borrowings			632.304.026		632.304.026	7
Trade payables			306.360.311		306.360.311	8
Payables to related parties			7.941.709		7.941.709	27
Other financial liabilities (**)			11.783.607		11.783.607	9

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

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).

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

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 30 - FINANCIAL INSTRUMENTS (continued)

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 2018	31 December 2017		
Foreign currency forward/ swap contracts	2.678.327	5.893.324	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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 31 - 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 2018 and 31 December 2017.

For the year ended 1 January- 31 December 2018 and 1 January- 31 December 2017, the result of the operating activities shown at below:

	1 January -	1 January -
Nile Kordsa	31 December 2018	31 December 2017
Revenue		
Cost of sales		
Gross profit		
General and administrative expenses		
Selling, marketing and distribution expenses		
Research and development expenses		
Other income from operating activities	22.778	4.253.342
Other expense from operating activities (*)		(750.000)
Operating profit	22.778	3.503.342
Gain from investing activities		
Loss from investing activities		
Operating profit before finance costs		
Finance income		
Finance costs		
Profit before tax from continuing operations	22.778	3.503.342
Tax expense/income from continuning operations		
Current tax expense		
Deferred tax benefit		
Profit/(Loss) for the period	22.778	3.503.342

 $^{^{(1)}}$ Refers to provision expenses which are related to impairment of property, plant and equipment of Nile Kordsa.

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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

NOTE 32 - EVENTS AFTER THE REPORTING PERIOD

Kordsa Inc., a wholly-owned subsidiary of the Group and resident in the United States of America, decided to purchase Axiom Materials Acquisition LLC that operates in the space and aerospace industry, as well as the next generation of transportation, which provides advanced composite materials. The receipt of all regulatory approvals in Turkey and the United States to create the conditions and registration with 95.83% for a total consideration of USD 174.830.000, excluding closing adjustments decision to be taken and completion of transactions after completion of approvals are met. The final purchase price will be finalized, after US competition law and Foreign Investments Authority in America approvals.

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