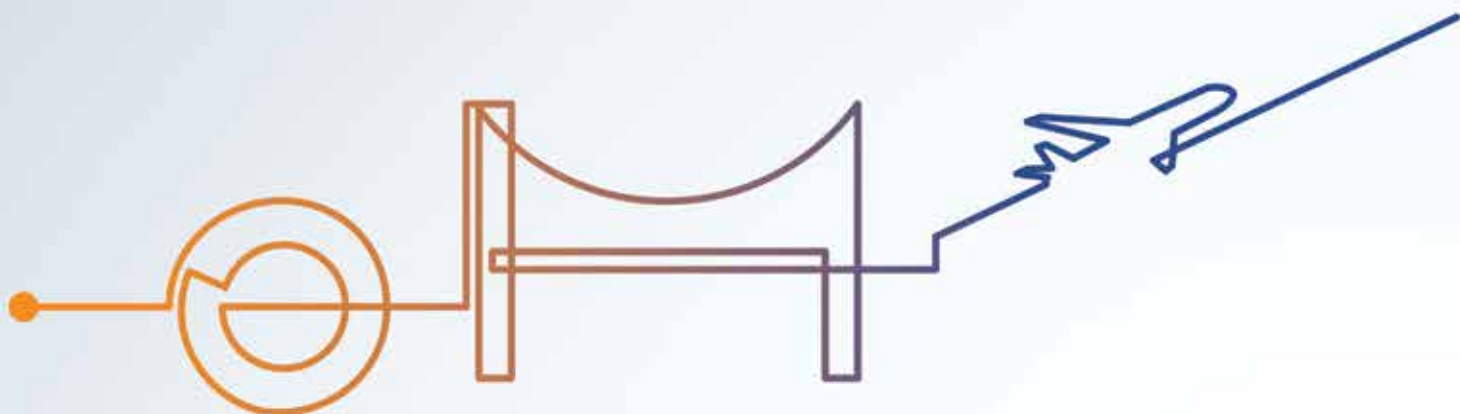


WE REINFORCE LIFE





Kordsa corporate
website:
www.kordsa.com



Kordsa blog:
www.reinforcer.com

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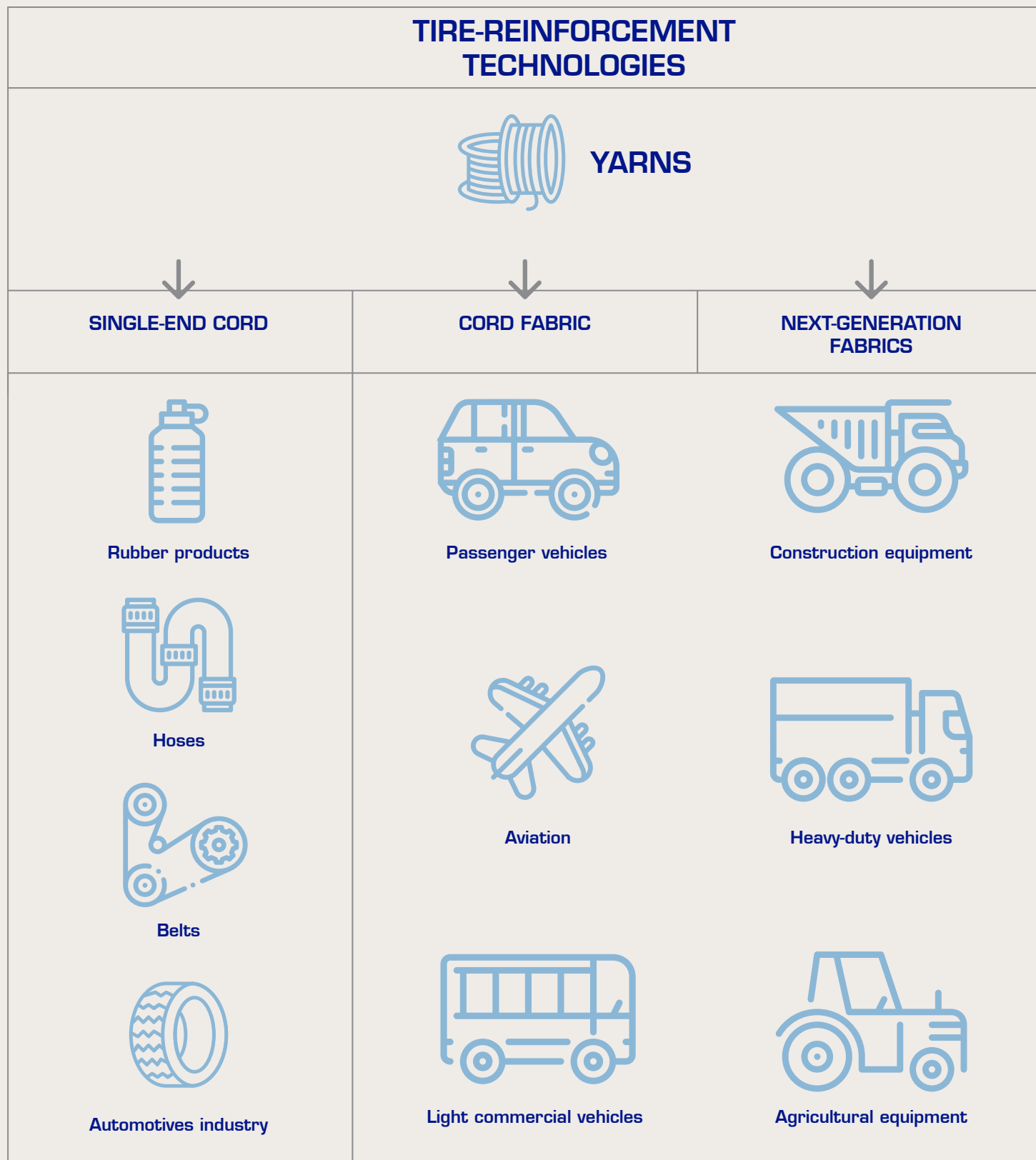
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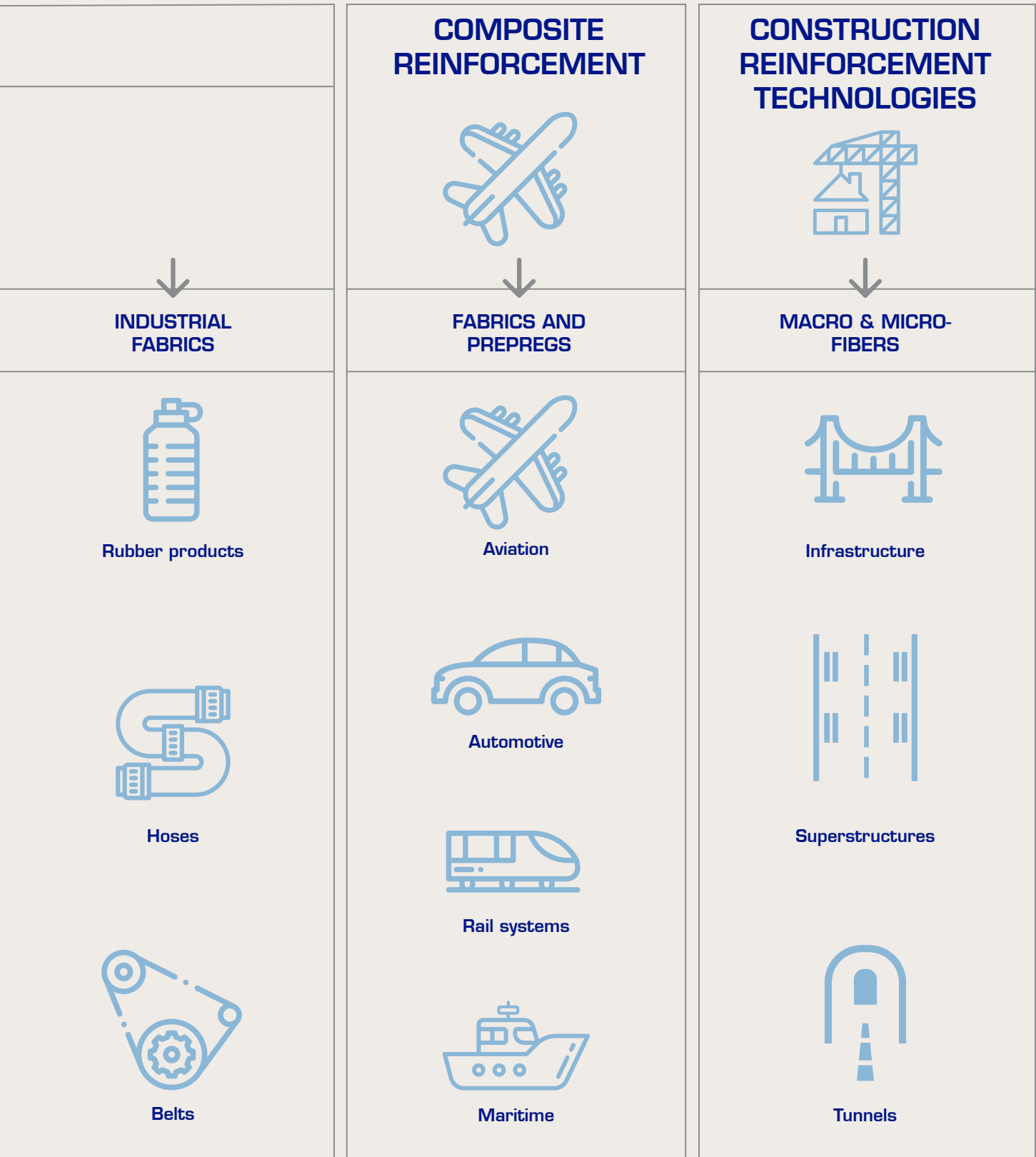
“ We Reinforce Life!

Making life safer and more productive through our innovative reinforcement technologies, we also strive for the sake of a sustainable future. At Kordsa, we develop reinforcement technologies for a sustainable world. Our tire reinforcement technologies reduce fuel consumption by decreasing rolling resistance; our composite technologies help make vehicles lighter; our construction reinforcement technologies make buildings more sustainable by reducing their carbon emissions and enhancing their durability. We reinforce 1 out of every 3 automobile tires and 2 out of every 3 aircraft manufactured globally thanks to our technologies spread worldwide.

”

Kordsa in Brief





Strategy House

Our Vision

Agile Kordsa Global in High Value Businesses for Sustainable Growth

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

Agile Kordsa in High Value Businesses for Sustainable Growth

Mission

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.

Global Footprint

North America

- The **market leader** in nylon cord fabric manufacturing
- 2017 turnover:
TL 421 million

South America

- The **only manufacturer** of polyester and cord fabrics
- 2017 turnover:
TL 337 million

USA

- Kordsa Inc Laurel Hill
- N.C. Chattanooga, TN

NY 6.6, TCF

BRAZIL

Kordsa Brazil Salvador De Bahia, Brazil

PET, SEC, TCF

“

Kordsa serves its customers on four continents with about 4,000 employees working in eight factories and two R&D centers.

”

Europe, Middle East, Africa

- The **market leader** in nylon cord fabric and polyester cord fabric manufacturing
- 2017 turnover:
TL 922 million

Asia-Pacific

- The **second-biggest manufacturer** of nylon cord fabrics and polyester cord fabrics
- 2017 turnover:
TL 805 million

TURKEY

- Composite Technologies Center of Excellence, İzmit factory

NY 6.6, PET, SEC, TCF, KraTos, Composite

CHINA

Shanghai Representative Office

THAILAND

Thai Indo Kordsa Co Ltd, Ayutthaya, Thailand

TCF

INDONESIA

PT Indo-Kordsa Tbk, Bogor, Indonesia

NY 6.6, PET, TCF

TCF: Tire Cord Fabric
SEC: Single-End Cord

Kordsa in 2017



Kordsa preparing to make two major acquisitions in the USA

Following the opening of its Composite Technologies Center of Excellence, an exemplary model for industry-university collaboration in Turkey, Kordsa decided to acquire, at an investment cost of about USD 100 million, two US companies—Fabric Development Inc (FDI) and Textile Products Inc (TPI)—both of which supply advanced composite materials to the commercial aviation industry.



Groundbreaking ceremony

At a ceremony held on 19 December 2017, Kordsa marked the start of work on two new production line projects at its İzmit factory. One is an auxiliary line that will increase the plant's polyester yarn output by 7 thousand tons a year. The other will be producing polypropylene monofilament for use as a construction reinforcement material.



"We Reinforce Life" communication campaign

A leader in tire, construction, and composite reinforcement technologies, Kordsa has launched a "We Reinforce Life" communication campaign that draws attention to how Kordsa products and technologies make our lives safer, more productive, more comfortable, and easier.



Kordsa and Sabancı University included in EU-supported project

Kordsa and Sabancı University have been included in a EU-supported “Directional Composites Through Manufacturing Innovation” (DiCoMi) project that is being carried out by an international consortium.



“Best R&D Center” award

In the awards handed out on the occasion of the sixth Private Sector R&D and Design Centers Summit, Kordsa was granted “Best R&D Center” award in the “Textiles” category. Kordsa’s CEO Ali Çalışkan accepted the award from Minister of Science, Industry and Technology Faruk Özlu.



İnovaLiG award

Kordsa placed third in the “Innovation Strategy” category in the 2017 round of İnovaLiG awards handed out during Turkey Innovation and Entrepreneurship Week. Kordsa CEO Ali Çalışkan accepted the award from Minister for the Economy Nihat Zeybekci and President of the Turkish Exporters Assembly Mehmet Büyükekşi.



“Great Place to Work” Award

Kordsa Brasil rose to third place in the 2017 “Great Place To Work Brazil” ranking of the Bahia region’s best employers, making this also the second year in a row that the company has been included in the list.

Kordsa in 2017



“Most Powerful Public Companies of 2017” award

Seeking to pursue sustainable growth in the Asia-Pacific market just as it does everywhere else in the world, Kordsa's Indonesian subsidiary Indo Kordsa received an award as one of the country's “Most Powerful Companies in 2017”. The Indonesia Most Powerful Companies Award (IMPCA) is given by the publication Warta Ekonomi to companies whose shares have performed the best on the Indonesia Stock Exchange during the most recent three years.



“Quality Circles” award

At the 20th Quality Circles Sharing Conference organized by KalDer, the Quality Association of Turkey, Kordsa received the grand prize in the “Quality Circles” category.



Kordsa Brasil receives human resources awards

Kordsa Brasil was one of the 150 best employers recognized by Você S/A, a Brazilian monthly business magazine. Included in the ranking for the first time with an employee-satisfaction score of 80.5, Kordsa Brasil also received a special citation as the “Best Breakthrough Company”, which is only given to the employer who ranks highest among newcomers to the list. Kordsa Brasil was also recognized by Instituto Euvaldo Lodi as having the best internship practices in industry.



“Branding & Exports Support” award

At “2017 Brand Turkey” an event organized by the Turkish Exporters Assembly that is attended by representatives of Turkey's leading brands, Kordsa received an award in the “Branding & Exports Support” category.



"100 Global Companies" award

Kordsa placed first in the "Textile Industry" category in the "Global 100 Companies" ranking of Turkish companies that are the most successful in going international by Platin, an economics and business magazine. At the awards ceremony, which was broadcast live on television, Cenk Alper talked about the company's success in his acceptance speech.



Kordsa leaders continue to reinforce the future

Kordsa Reinforcers have renovated another school in İzmit. Besides replacing the kindergarten and primary school's heating system, the reinforcers also revamped the school's library and each and every one of its classrooms with new cabinets and shelves, equipment, and books.



Third Kordsa sustainability report published

Kordsa's third sustainability report, which was released in October 2017, complies with the new standards that were published by the Global Reporting Initiative in 2016.



University sponsorships

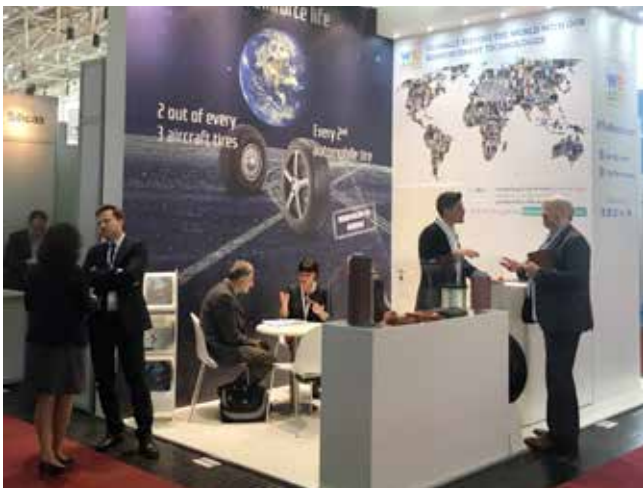
In keeping with its mission of reinforcing the future, Kordsa is a sponsor of Yıldız Technical University's racing team. The fourth vehicle built by the YTÜ team was entered in Formula Student, an annual student engineering competition in the UK in which student teams from around the world design, build, test, and race a small-scale formula style racing car. A vehicle entered by Kocaeli University's Turkish Mechatronics Team, of which Kordsa is a platinum sponsor and to which the company provides composite materials support, placed first in the design category at TÜBİTAK Energy Efficiency Race.

Kordsa in 2017



“Every kid has the right to learn”

Kordsa participated in the 39th İstanbul Marathon on behalf of TOÇEV, an educational foundation whose slogan is “Every kid has the right to learn”. The foundation supports children who want to study but whose means don’t permit them to.



Tire Technology Expo

Kordsa participated in Tire Technology Expo 2017 in Hanover on 14-16 February, where it displayed its latest tire reinforcement technologies at its booth. The company also made a presentation about its multi-ply monofilament cord Monolox at the Tire Technology Conference.



JEC World 2017

On 14-16 March, Kordsa took part in JEC World 2017, the largest composites show in the world, where it showed off its composite materials to visitors at its stand. During a gathering with nine economics journalists from Turkey in Paris, the company also launched its new resin technology that brings efficiency into automotive industry.



Techtextil 2017

On 9-12 May, Kordsa was in Frankfurt to take part in Techtextil 2017, the technical textiles industry’s leading trade fair and an event at which examples of current and future textile technologies are displayed. During the fair, Kordsa exhibited visitors the innovative composite and construction reinforcement products that it has to offer.



40th Turkeybuild Exhibition

On 23-27 May 2017 Kordsa took part in the 40th Turkeybuild Exhibition at the TÜYAP Beylikdüzü exhibition center, where the company showed off KraTos, its innovative, high-tech synthetic fiber product, to construction industry professionals.



Composites Europe 2017

At the 2017 Composites Europe fair held in Stuttgart on 19-21 September, Kordsa showed off to visitors not only its latest composite technologies but also solutions that bring new opportunities for greater efficiency not just in the automotive and aviation industries, the two sectors where composite materials are the most used nowadays, but in other areas as well.



ITEC in Focus Conference

Kordsa attended the 2017 ITEC in Focus Conference held in Akron in the USA on 13-14 September, where it also served as one of the conference's sponsors. Numbering among the leading players in the industry, visitors to Kordsa exhibited its innovative tire reinforcement solutions as well as sharing given information about Kordsa's business partnership approaches and background.



Türk Kompozit 2017

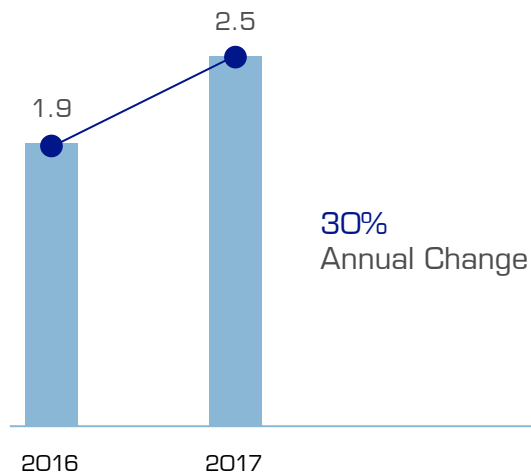
On 5-7 October Kordsa attended Türk Kompozit 2017, a composites industry event organized by the Turkish Composites Manufacturers Association.

Key Financial Highlights

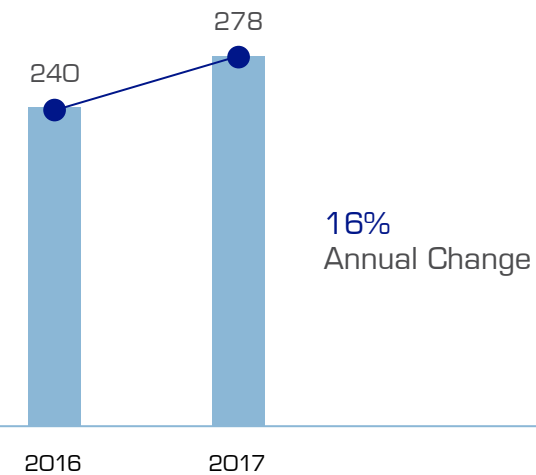
Financial Indicators (TL million)	2016	2017
Turnover	1,908	2,485
Gross Profit	397	449
Operating Profit	240	278
Earnings per Share	7.36	8.49
Net Debt	496	617
Shareholders' Equity	1,472	1,648

Summary Ratios	2016	2017
Gross Profit Margin	20.8%	18.1%
Operating Profit Margin	12.6%	11.2%
Net Profit Margin	9.3%	8.5%
Return on Assets	7.6%	7.6%

Turnover (TL billion)



Operating Profit (TL million)



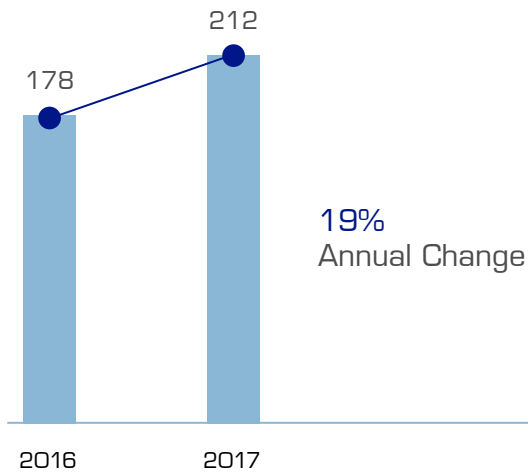
TL 2.5 billion

Kordsa's turnover was up by 30.2% year-on and reached TL 2.5 billion in 2017.

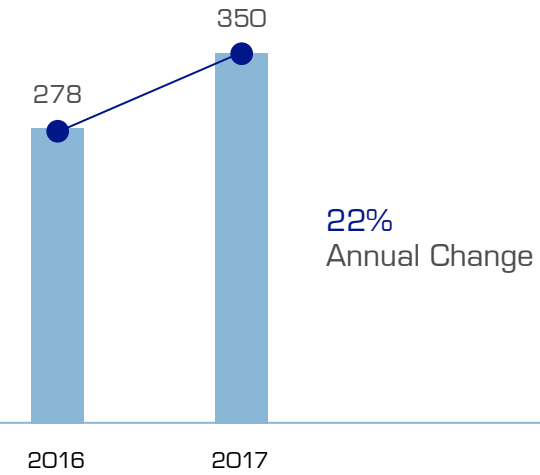
TL 350 million

Kordsa's EBITDA increased by 21.5% year-on to TL 350 million.

Net Profit (TL million)

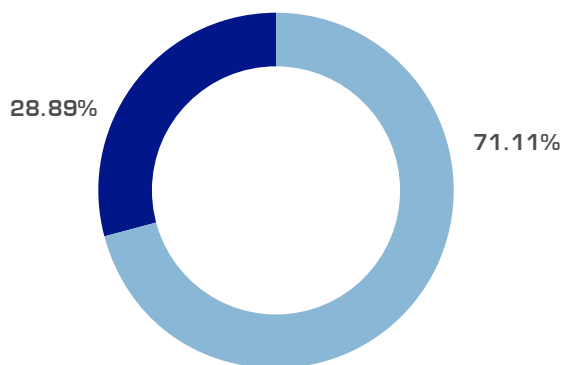


EBITDA (TL million)



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



● Hacı Ömer Sabancı Holding A.Ş. ● Others

Strong capital structure

A subsidiary of Sabancı Holding, one of Turkey's leading conglomerates, Kordsa's 28.89% shares are traded on Borsa İstanbul under the KORDS ticker symbol.



Sabancı 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.

Sabancı Group companies currently operate in 13 countries and market their products in regions across Europe, Middle East, Asia, North Africa, North and South America. Sabancı 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.

In 2017, the combined revenue of Sabancı Holding was TL 66 billion with consolidated net income TL 3.5 billion.

Market leaders

Sabancı Group companies are market leaders in their respective sectors.

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 Turkish liras.

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.

“Sabancı 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.”

Chairman's Message



“We are developing reinforcement technologies to sustain greener mobility. We reinforce the whole world with our eco-friendly tire reinforcement technologies as well as our composite technologies to make vehicles lighter.”

Esteemed investors, business partners and employees:

Our world is undergoing a rapid political, economic, technological, and social transformation. Having grown quite slowly in the wake of the global economic crisis, both the world economy and global trade began to perk up again in 2017. With economic growth increasing first in the US and then in Europe as well, unemployment rates fell to their lowest levels since the onset of the global economic crisis. Benefiting from these developments, the world's developing countries saw their growth rates accelerate. According to the IMF, global growth was 3.6% in 2017 and is expected to reach 3.7% in 2018. Even though that is still below pre-crisis levels, the growth is impacting favorably on expectations.

As the world undergoes this major transformation, we, at Sabancı Holding, have embarked upon on a new course with our “Sabancı of New-Generation” vision, which involves significant efforts to develop new business models while also adding depth to our existing business lines by focusing on technology and digitalization. Kordsa, a member of the Sabancı Industrial Group, is striving to make its own contributions to this vision by deploying its culture of innovation and R&D to map out the future's business lines and the new-generation ways of conducting them.

In 2017, Kordsa made respectable progress in terms of both financial and technological leadership in its lines of business. The company registered yet another successful year thanks to the contributions of all of our stakeholders with a mission to reinforce life.

While the world undergoes its technological and digital transformation, momentous developments are also taking place in two industries that are of close concern to Kordsa: automotives and aviation. As “smart cities” continue to grow and develop, the concept of “smart mobility” also gains more importance everyday. Today's agendas are occupied by issues such as driverless cars,

Open innovation

As a company that keeps its finger the most firmly on worldwide trends, we recognize that innovation is a long way to walk alone. Our open innovation approach is what enables us to come up with and offer game-changing new products and features.

autonomous transport, and shared mobility while the transportation industry is being reshaped by concerns about sustainability and minimizing environmental impact. In parallel with these worldwide trends, we are developing more eco-friendly reinforcement technologies. We reinforce the whole world with our eco-friendly tire reinforcement technologies as well as our composite technologies to make vehicles lighter.

Our investments and R&D efforts in composite technologies help distinguish our group's companies from their competitors. Inorganic growth opportunities in line with our strategic objectives continue to expand our composites market. As you are probably aware, in 2016 Kordsa and Sabancı University had jointly created a new business model . Composite Technologies Center of Excellence, which brings together industry, university, R&D, basic research, applied research, product and technology development, prototype manufacturing, and production processes together under a single roof, is one of Europe's leading manufacturers as well as very few test center in the world today. Our recent decision to acquire and to add to our group two of the world's leading firms in the composites technology market is informed by our goals of reinforcing our position in North America and of becoming a strong player in the commercial aviation industry supply chain. This investment, whose combined value is expected to be on the order of USD 100 million, will put us in a strategic position within the aerospace industry's supplier ecosystem. As the Sabancı Group, we believe that this investment will make a big contribution to our open innovation-focused growth strategy. It will give us access to new technologies, make it possible to bring those technologies into our own country, and even enable us to export new technologies that are an output of open innovation approach. While developing new composite technologies in Turkey and exporting them, we will also be on the lookout for new company acquisition opportunities as well.

Industry 4.0

As a global brand that sets the quality standards of our sector, we are also breaking new ground in the sector's production models through the Industry 4.0 practices that we develop.

As a global brand that sets the quality standards of a sector whose business models are constantly evolving, we are also breaking new ground in that sector's production models through the Industry 4.0 practices that we develop. We continue to introduce smart manufacturing systems with the aims of improving production quality, reducing defects, and speeding up manufacturing and innovation processes.

As a company that keeps its finger the most firmly on worldwide trends, we recognize that innovation is a long way to walk alone. Our open innovation approach is what enables us to come up with and offer game-changing new products and features . We are now gearing up to transform the tire-manufacturing sector by means of innovative reinforcement technologies that we have been working on since 2008.

Believing in the value of the synergies that we have worked together to create, we will continue to take Kordsa forward into an even better future with the same determination, conviction, and responsibility. We will continue to advance towards our goal of creating a sustainable world for future generations in keeping with our mission to reinforce life.

As Kordsa continues to evolve and transform itself, I thank all of our stakeholders for having confidence in us, for bolstering our strength by standing by us at all times, and for helping to make our successes sustainable.



Cenk Alper
Chairman

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 in 2007, worked as Global Technology Director, Vice President of Technology and Market Development and Vice President in charge of operations. On 17 June 2013, he was appointed as the CEO of Kordsa. Mr. Alper was appointed as the Sabancı Holding Industry Group President on 1 April 2017.



Barış Oran
Deputy Chairperson

Barış Oran graduated from Boğaziçi University, Department of Business Administration and completed his MBA studies at the University of Georgia. In 1995, he started his career as an auditor at Price Waterhouse Coopers and from 1998 to 2003, worked at Sara Lee Corp in Chicago IL, as an auditor and in finance and treasury/capital markets. Between 2003 and 2006, he worked as Senior Manager at Ernst and Young first at Minneapolis, MN and then in Europe, Middle East, Africa and India regions.

He started working at Kordsa in 2006, and held positions of Internal Audit Director, Global Finance Director and CFO respectively. Oran was appointed as Budgeting, Consolidation and IR Director of Sabancı Holding in 2011; as the Head of Finance of Sabancı Holding in 2012 and as the Chief Financial Officer of Sabancı Holding in 2016. He is the member of Akçansa, Avivasa, Brisa, Carrefoursa, Çimsa, Enerjisa and Teknosa Board of Directors.



Mehmet Yıldız
Board Member

Born in Diyarbakır in 1972, and received his primary, secondary and high school education in Ereğli/Zonguldak, Mehmet Yıldız completed his undergraduate education in 1996 with 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. He worked in two different companies between 1996-2000 as an R&D engineer and a project leader in the fields of welding and non-destructive 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 mechanics and single crystal semiconductor growth and then worked as a postdoctoral researcher and lecturer in the same department until 2007. In 2007, he joined Sabancı University, Faculty of Engineering Natural Sciences as a faculty member and since 2014, has been leading the effort of establishing SU-Kordsa Composite Technologies Center of Excellence, which is an industrial leg of SU-Integrated Manufacturing Technologies Research and Application Center. Currently, he is serving as the founding director of these centers. He has contributed to the establishment of Manufacturing Engineering graduate program. Dr. Yıldız's areas of expertise include advanced composite materials, nanocomposites, structural health monitoring and computational mechanics. He published more than 60 SCI indexed high impact factor journals, prepared and presented over 100 conference papers and graduated around 28 MSc. and Ph.D. students.

* Meral Kurdaş resigned her seat on the Board of Directors as of 31 January 2018.



Atıl Saryal
Independent Board Member

Born in 1938 in Ankara, Atıl Saryal completed his elementary and high school education in Ankara and later received his engineering degree from the University of Texas. On his return to Turkey, he first began working in the banking industry, and then joined Sabancı Group. He served as General Manager at Adana Sasa and Marsa, and he was the President of Adana Chamber of Industry for 8 years. He was also Board Member at Philsa, Exsa, and Plassa. Mr. Saryal was later appointed as the President of Food and Retail Group, and served as Chairman of Kraftsa, Danonesa, Diasa, Carrefoursa, Marsa, and Sapeksa. In 2002 Mr. Saryal retired from his duties as Group President, and in 2004 from his duties as Chairman and Board Member. He also quit his Board Membership at TÜSIAD (Turkish Industry and Business Association). Mr. Saryal currently serves as Independent Board Member at Kordsa, Akçansa and Teknosa, and also as consultant at Carrefoursa France Turkey.



Hüsnü Ertuğrul Ergöz
Independent Board Member

Hüsnü Ertuğrul Ergöz graduated from Robert College, Department of Chemistry in 1963.

He received his Master's degree from Middle East Technical University (METU) in 1965 and his PhD degree from Florida State University in 1970. Between 1972 and 1976, Mr. Ergöz was a professor at METU, Department of Chemistry. He began his professional career as Technical Studies and Projects Specialist at Kordsa and later assumed various roles within Sabancı Holding and its companies, such as Brisa. Mr. Ergöz retired from his latest position as General Secretary of Sabancı Holding in 2003. After his retirement, Mr. Ergöz served as Board Member at Pressan A.Ş. and he currently carries out studies on "Institutionalization of Family Businesses".

CEO Message



“We continue to create sustainable value for our customers, employees, and shareholders as well as for the community in which we live by deploying our value-adding and innovative reinforcement technologies.”

Esteemed Stakeholders,:

As one of the enduring engines of the Turkish economy in 2017, Kordsa continued to blaze new trails and make excellent progress in the global market as well. Last year, we authored new successes that set new milestones on our journey to fulfill our “We Reinforce Life” vision.

Looking at the economic dynamics of the markets in which we operate, we see that last year's growth in the light-duty vehicle segment continued to be fueled by the EMEA region and by China. Asia was the fastest-growing market for tires. Owing to strong demand for the raw materials used to manufacture nylon 6.6 combined with their supply-demand imbalance, increase in raw material prices was above the expectations in the second half of the year. In addition to this upward trend in raw material prices, an abundance of low-priced products using nylon 6.6 yarn in the Asian market prompted severe competition that drove up nylon 6.6 prices. Confronted by such difficult market conditions as these however, Kordsa registered above-market growth in 2017.

Our 2017 financial results paralleled the expectations that we announced at the beginning of the year. Our turnover was up by 30.2% year-on and reached TL 2.5 billion. With our robust capitalization continuing to support our growth, our net profit grew by 19.2% and amounted to TL 212 million in 2017 while our EBITDA was up by 21.5% and reached TL 350 million.

We continue to create sustainable value for our customers, employees, and shareholders as well as for the community in which we live by deploying our value-adding and innovative reinforcement technologies. All these efforts on our part also impacted favorably on our financial indicators; thereby, we continue to grow sustainably in our three business lines. In that of tire reinforcement technologies, in January 2018, we commissioned polyester yarn manufacturing line in Indonesia, one of the additional lines that we decided to invest in back in 2016 in order to cope with rising demand. We plan to commission the new production line investment that we initiated in Turkey in late 2017 in 2018 as well. With the completion of the projects, we will have increased our polyester yarn manufacturing capacity by 7 thousand tons a year both in Indonesia and Turkey. In the construction reinforcement technologies,

19.2%

Our net profit grew by 19.2% and amounted to TL 212 million in 2017.

the commissioning of our polypropylene monofilament manufacturing investment in 2018 will enable us to expand our product portfolio with products whose ease of handling, long-lasting durability, and high-performance advantages distinguish them from those of our competitors. Following up our Composite Technologies Center of Excellence investment and in order to establish ourselves as one of the leading players in the production of composite materials for the aviation industry, we decided to acquire, at an investment cost of about USD 100 million, two US companies—Fabric Development Inc (FDI) and Textile Products Inc (TPI)—both of which supply advanced composite materials to the commercial aviation industry. Henceforth we will also be reinforcing the wings and bodies of the aircraft whose tires we are already reinforcing.

As a company that distinguishes itself and creates value through R&D and innovation, 2017 was also a year in which we introduced our industry to more new products and technologies. As a company whose open innovation approach enables it to author global business partnerships and projects as well as to export technology to the whole world, we take pleasure in strengthening our reputation as the “Reinforcer”. In 2017, we filed a record-breaking number of patent applications and increased the overall size of our patent portfolio by about 60%. We have registered 167 inventions we hold 168 approved patents, and we have filed 664 patent applications worldwide.

We are set to revolutionize the tire-manufacturing industry with the RF free dipping technology, which is an output of the collaboration nourished by our open innovation approach. In line with our mission to create sustainable products that are better for future generations, we have developed this eco-friendly adhesive which is an alternative to 80 year-old formula. We aim to make this new technology the standard adhesive used by the tire-reinforcement materials industry via free-licensing to anyone in the industry. In the area of automotive composites, we came up with another innovation that speeds up manufacturing. We have developed a new resin technology that saves energy and increases production efficiency by reducing the required curing time from nine minutes to three. Besides allowing composites to have a smoother and higher-quality surface, this new resin improves automotive manufacturers’ production speed and efficiency.

21.5%

Our EBITDA was up by 21.5% and reached TL 350 million.

Having embarked upon our journey as a manufacturer of tire cord fabric for tire-makers in 1973, we have since then become a leader of tire-reinforcement technology. Today as that journey expands into new pathways in the direction of composite and construction reinforcement technologies, we are undergoing a most important transformation in line with our mission to reinforce life. Our aim is to contribute to a more sustainable life thanks to the products and technologies that we create. Through more eco-friendly tire-industry products that reduce fuel requirements and grip the road better, through composites-industry technologies that allow vehicles to use less fuel and to generate lower emissions because they weigh less, and through more durable and more practical reinforcement solutions for the construction industry, we continue to touch upon every aspect of people's lives. As always, our efforts are informed by our vision of making everyday life more livable, easier, and safer for ourselves and for those we love.

With that vision in mind, in 2018, we intend to continue pursuing sustainable growth in the area of tire-reinforcement technologies in the Europe-Middle East-Africa region while also concentrating on increasing market share in the Asia-Pacific and North America. In construction reinforcement technologies, our aim is to pursue growth by means of products which distinguish us from our competitors and which have been made possible by the commissioning of our polypropylene monofilament production line. In composite technologies, our strategy remains to rank among the leading players in the global market.

On behalf of Kordsa, I take this opportunity to thank all of our employees, business partners, customers, and shareholders for the efforts and support that made our successful 2017 results possible.



Ali Çalışkan
CEO

Executive Management



Ali Çalışkan
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 (Sabancı-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 & Nile Kordsa (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.



Abdülkadir Toplu
Chief Operating Officer - Europe, Middle East and Africa

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. He served as Global Supply Chain Director from 2015 to 2017. Mr. Toplu has been the Chief Operating Officer - Europe, Middle East, Africa (EMEA) since April 2017.



Volkan Özkan
Chief Financial Officer

Volkan Özkan graduated from İstanbul 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.



İbrahim Özgür Yıldırım
Chief Technology Officer, Chief Operating Officer - South America and Composite Business Unit Leader

İbrahim 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 between 2015-2017. He has been Chief Technology Officer, Chief Operating Officer - South America and Composites Business Unit Leader since October 2017.



Mehmet Zeki Kanadıkırık
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.



James Thomas Del Piano
Chief Operating Officer - North America

James Thomas Del Piano received his BS degree in Chemical Engineering from Drexel University in Philadelphia, PA in 1979. He started his professional career with Milliken and joined Celanese as Process and Quality Engineer with Cellulose Acetate in 1980, moved to Polyester production with Hoechst Celanese in 1988 as Site Engineering and Maintenance Manager and Operations Manager for Polyester Staple. In 2000, he became Tire Cord Business Director with Kordsa, Technology Licensing Business Director and then Director of Manufacturing PET Bottle Resin with Invista and joined Western Nonwovens as Director of Operations in 2004. He was appointed as Regional Manufacturing Manager of Kordsa North America in 2009. He served as Operations Director of North America between November 2009-July 2015. Mr. Del Piano has been the Chief Operating Officer, North America since July 2015.



Ufuk Uzel
Global Supply Chain Director

Ufuk Uzel received his BSc degree from İstanbul Technical University, Department of Mechanical Engineering in 1997. He also received his MSc degree at İstanbul Technical University, Department of Mechanical Engineering and MBA degree at Sabancı 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-Continental, 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 Marketing Director

Vahe Hanamirian graduated from İstanbul 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) and Global Marketing Director (2014-2015). Mr. Hanamirian has been Global Accounts and Marketing Director since July 2015.



Murat Oğuz Arcan
Business and Market Development Director, Construction Business Unit Leader

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. Mr. Arcan has been Business and Market Development Director and Construction Business Unit Leader since July 2015.



Nazan Keskin
Global Human Resources and IT Director

Nazan 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.

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We reinforce life with our tire reinforcement technologies.

Kordsa manufactures nylon 6.6 and HMLS polyester yarn. Kordsa also produces tire cord fabric and single end cord by using nylon 6.6, HMLS polyester, rayon and aramid yarn, which form the skeleton of the tires that provides flexibility and durability.

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For future generations

Kordsa has adopted the mission of developing sustainable tire reinforcement technologies for future generations.

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.

Technology leader

Kordsa is the acclaimed holder of “The Reinforcer” title globally thanks to its leading market position, strong global presence, technology leadership, and expertise in reinforcement technologies.



Tire Reinforcement Technologies

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 transformed Kordsa's domestic-market knowledge, experience, and leadership in reinforcement technologies and processes into those of a global leader.

Kordsa-developed technologies are used around the world to reinforce one out of every three automobile tires and one out of every two aircraft tires that are made today. Thanks to its leading market position, its strong global presence, its stature as a technology leader, and its reinforcement technology experience, Kordsa is known throughout the world as "The Reinforcer".

“By virtue of its vast knowledge and experience in reinforcement technologies, its leading market position, its strong focus on R&D, its open innovation culture, and its strategic approaches in the tire reinforcement industry, Kordsa is the industry's technology leader today.”



Kordsa is the leading manufacturer of nylon cord fabric and polyester cord fabric in Europe, the Middle East, and Africa and is the also 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 manufacturer of nylon cord fabric in North America.

With its mission to develop sustainable tire reinforcement technologies for future generations, Kordsa has been working on an eco-friendly adhesive formula that does not contain resorcinol and formaldehyde since 2008. In line with its open innovation approach, Kordsa leveraged its expertise with a leading tire manufacturer and accomplished to make a change in the 80-year formula widely applied in the dipping of tire cord fabrics. They aim to make this eco-friendly formula the standard adhesive used by the tire-reinforcement materials industry as well as to introduce a free-licencing concept for the new adhesion system.

Leader

Kordsa reinforces one out of every three automobile tires and one out of every two aircraft tires that are made today.



Carrying out its operations across a wide region from the Americas to the Asia-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, durable 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 tire cord fabrics that sustain tires superior safety, high performance and durability.

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 regular industry standards. The products tailor-made for customers' exact specifications take place under the supervision of advanced quality control systems. Kordsa single-end cord products are supplied to the world's leading high-performance tire manufacturer.

Tire Reinforcement Technologies



Capmax

A Kordsa registered trademark, Capmax is a ready-to-use tape designed to replace existing calendered cap ply strips in tires, thereby making it possible to use less rubber. Besides saving on manufacturing costs, the lower rolling resistance of Capmax-clad tires means to reduce fuel consumption.

Capmax is intended for light vehicles equipped with tires that currently use calendered cap ply strips.

Since 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 tire manufacturers, 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 usable lifetimes because of the way that the material protects the steel elements.



Technology trailblazer

The cord fabric products developed by Kordsa that contains neither resorcinol (R) or formaldehyde (F) are widely regarded as a truly revolutionary advance in the tire manufacturing industry.

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 has also readied itself so as to respond to the tire manufacturing industry's need to comply with impending new regulations as well as to customer 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 its product diversity.

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.

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We reinforce life with our construction reinforcement technologies.

Kordsa Construction Reinforcement Business Unit
is responsible for developing innovative construction
reinforcement technologies.

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KraTos

KraTos that is produced locally using high technologies and with the Kordsa quality is a new concrete reinforcement synthetic fiber for use in the construction industry.

Combining its knowledge and experience in industrial fiber technology with its overall reinforcement mission, Kordsa introduced KraTos, the first line of products created by the Construction Reinforcement Business Unit.

Long-lasting durability

KraTos's 3-D homogeneous dispersion feature provides superior toughness and more effective crack control.



Construction Reinforcement Technologies



“KraTos is an innovative concrete reinforcement synthetic fiber for use in the construction industry. KraTos was the first product made in Turkey to meet the needs of a concrete reinforcement market that is estimated to be worth USD 500 million a year.”

Concrete Reinforcement with KraTos Macro and KraTos Micro Synthetic Fibers

Kordsa Construction Reinforcement Business Unit is responsible for carrying out construction reinforcement product market research and for developing innovative construction reinforcement technologies.

Combining its knowledge and experience in industrial fiber technology with its overall reinforcement mission, Kordsa introduced KraTos, the first line of products created by the Construction Reinforcement Business Unit.

Providing ease of use, speed, labor savings, increased equipment and energy efficiency, superior concrete toughness, long-lasting durability, and low carbon emissions for more successful construction projects, KraTos is an innovative concrete reinforcement synthetic fiber for use in the construction industry. KraTos was the first product made in Turkey to meet the needs of a concrete reinforcement market that is estimated to be worth USD 500 million a year.

Rapid growth

Thanks to its labor and cost savings the demand for synthetic fibers in concrete reinforcement is likely to grow even faster in the decade ahead.



KraTos is one of the most innovative solutions in concrete reinforcement technology to emerge in recent years. Fueled by construction market growth as well as by increasing awareness of new technological solutions, the demand for synthetic fibers in concrete reinforcement is likely to grow even faster in the decade ahead.

Besides being less labor-intensive and easier to use, KraTos also disperses homogeneously through concrete. This significantly increases the concrete's load-carrying capacity while also making it more durable thanks to superior toughness and more effective crack control. Because it prevents structural cracks, concrete reinforced with KraTos Macro is widely used instead of wire mesh or anchoring in infrastructure and superstructure projects. Similarly since 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 provides

the best solution to the problem of shrinkage cracks in concrete. According to accredited laboratory test results, the homogeneity and superior high-performance characteristics of concrete reinforced with KraTos Micro reduces both plastic shrinkage and long-term drying shrinkage by 99%. Awarded CE certification, KraTos's ease of use and its superior performance, toughness, and durability have made it the preferred choice in numerous high-prestige public and private sector projects in the Turkish market.

In 2017, Kordsa initiated an investment to make a new variety of KraTos containing polypropylene monofilament. The robust characteristics of this product, which will be introduced to the market in 2018, not only result in sustainably higher performance but also offer cost advantages over comparable options available today. Kordsa intends to market this new version of KraTos both in its home market and in Europe.



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We Reinforce Life with our composite technologies.

Kordsa develops innovative and unique intermediate products and solutions suitable for the aviation and automotive industries as well as for sporting goods and maritime applications.

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One of the very few test centers

Composite Technologies Center of Excellence is one of the few test centers in the world.

Kordsa distinguishes itself in the composite materials industry by virtue of its agility, its technical knowhow, and its infrastructural resources.

Tomorrow's materials

Kordsa regards composite materials as the wave of the future while also pioneering technologies which reflects its open innovation approach.



Composite Technologies

Putting its knowledge and experience in tire reinforcement technologies to work in composite technologies, Kordsa entered the composite technologies market in 2014 with the introduction of resin-coated carbon fiber fabric.

Kordsa develops innovative and unique intermediate products and solutions suitable for the aviation and automotive industries as well as for sporting goods and maritime applications. Kordsa manufactures composite intermediary products such as prepregs and fabrics by weaving high-strength materials such as carbon fiber, aramid, and s-cam and then coating them with the appropriate resins that it develops.

Capable of quickly developing and diversifying new fabrics, resins, and prepregs in line with different sectors' requirements, Kordsa distinguishes itself in the composite materials industry by virtue of its agility, its technical knowhow, and its infrastructural resources.

The company's portfolio contains a wide range of high-quality and durable products for the aviation industry, mass-producible products and visual parts for the automotive industry, flexible products for the sporting goods industries, and long-lasting products for the maritime industry.

Taking a solution-partner approach, Kordsa provides design, analysis, materials library, prototyping support, and similar services to customers while also developing prepregs, fabrics, and resins for them. This attitude is what enables the company to develop composite intermediate materials that are both needs-specific and cost-effective.



“Composite Technologies Center of Excellence brings university and industry together under the same roof in order to deal with all of the basic research, applied research, technology development, product development, resourcing, and manufacturing process issues associated with composite products.”

Lightweight & durable

Evolving mobility trends as well as tomorrow's vehicles will demand composite materials that are 10 times lighter and 3 times more durable than steel.

Speed & efficiency

Kordsa has developed a resin technology that speeds up manufacturing and improves productivity in the automotive industry.



Composite Technologies Center of Excellence, one of the few test centers in the world, brings university and industry together under the same roof in order to deal with all of the basic research, applied research, technology development, product development, resourcing, and manufacturing process issues associated with composite products. Also present in this ecosystem are all of the designers, engineers, production process managers and personnel, doctoral students, postdoctoral researchers, faculty members, and incubators/entrepreneurs who play a vital role in the overall process. Thus, Composite Technologies Center of Excellence serves customers at every stage of the research and development cycle beginning with basic research, continuing with prototyping, and ending with mass production.

Kordsa's second R&D center is located at Composite Technologies Center of Excellence, conjointly established by Kordsa and Sabancı University as a reflection of their open innovation approach. As an output of its R&D efforts in this R&D center, Kordsa has developed a resin technology that speeds up manufacturing and improves productivity in the automotive industry at this R&D center. This new resin makes it possible to reduce

mold-curing times from 9 minutes to 3 while also eliminating the additional time needed to allow molds to cool off. This product was launched at the JEC fair in Paris in 2017, where it attracted much attention from the industry. The most outstanding features of this resin are shorter part cycle and mold depreciation periods, faster production, and lower coating costs made possible by first-class surface quality.

At the JEC World 2018 fair Kordsa announced that it had commercialized its thermoset prepreg products that are of importance for the automotive and aviation industries. Having developed various types of resins that are tailored according to areas of usage of thermoset prepreps, Kordsa carries on its studies in the field of thermoplastic prepreps.

Evolving mobility trends as well as tomorrow's vehicles will demand composite materials that are 10 times lighter and 3 times more durable than steel. Regarding composite materials as the wave of the future while also pioneering technologies that are in line with its open innovation approach, Kordsa intends to continue pursuing growth in composite technologies by means of its investments and its advanced R&D competencies.

R&D

Having made the concepts of “innovation” and “excellence” touchstones of its corporate culture, Kordsa has a team of about 100 people at its two R&D centers to explore and develop the future’s reinforcement technologies.



A new record in patent applications

In 2017, Kordsa's patent portfolio expanded by about 60% bringing the total number of worldwide patents in it to 664.



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 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, which is why the company's investment incentives certificates are regularly renewed every year. Most recently, sixty-four Kordsa projects were granted R&D status in December 2017 and the center was also approved for its ninth operation year.

Kordsa has two R&D centers in the areas of tire reinforcement, construction and composites, and composite technologies. At the first R&D center at İzmit plant, which opened in 2008, 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 focuses on tire and construction reinforcement technologies for both the Turkish and the global markets, Kordsa's second R&D center, approved by the ministry, investigates composite technologies. This second R&D center is located in the Composite 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 Composite Technologies Center of Excellence is an integrated ecosystem in which designers, production engineers, production process managers and personnel, doctoral students, 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 university-industry collaboration.

“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.”

R&D

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 sustainable tire reinforcement technology products for future generations as well as with its "Reinforcer" title, Kordsa has been working on eco-friendly adhesive formulas that contain neither resorcinol nor formaldehyde since 2008. Likewise In line with its open innovation approach, Kordsa leveraged its expertise with a leading tire manufacturer and accomplished to make a change in the 80-year formula widely applied in the dipping of tire cord fabrics. They aim to make this eco-friendly formula the standard adhesive used by the tire-reinforcement materials industry as well as to introduce a free-licencing concept for the new adhesion system.

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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.
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Kordsa's R&D center at the Composite Technologies Center of Excellence, the best-equipped composite materials laboratories in Turkey today, enables the company 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 speeds up manufacturing and improves productivity in the automotive industry. This new resin reduces mold-curing times from 9 minutes to 3 while also eliminating the additional time needed to allow molds to cool off. The economic benefits of Kordsa's quicker mold-curing prepreg material include shorter part cycle and mold depreciation periods, faster production, and lower coating costs made possible by first-class surface quality. Kordsa and Sabancı University will carry out the project within the Composite Technologies Center of Excellence. The Directional Composites Through Manufacturing Innovation (DiCoMi) project will be run by a joint consortium that includes Kordsa and

Best-equipped infrastructure

The Composite Technologies Center of Excellence has the best-equipped infrastructure in the field of composite materials in Turkey today.



Sabancı University is supported by the European Union. Within the scope of the project, which will strengthen Kordsa's global reinforcer position, system, software and material development will be carried out in order to produce composite materials with 3D printer technology. The DiCoMi project, which will last 4 years, will enable domestic and foreign qualified human force to be exchanged within the EU member countries and in the associated non-EU countries. The DiCoMi project will be realized with the participation of 16 project partners from 11 countries under Horizon 2020 program.

At its two R&D centers, Kordsa has a team of about 100 people to explore and develop the future's reinforcement technologies. In 2017, Kordsa's patent portfolio expanded by about 60% bringing the total number of worldwide patents in it to 664. Kordsa had 168 registered patents and 167 inventions to its name in 2017. Kordsa's new products and more than 600 patents are intellectual property assets that burnish the company's reputation as a technology leader in the tire,



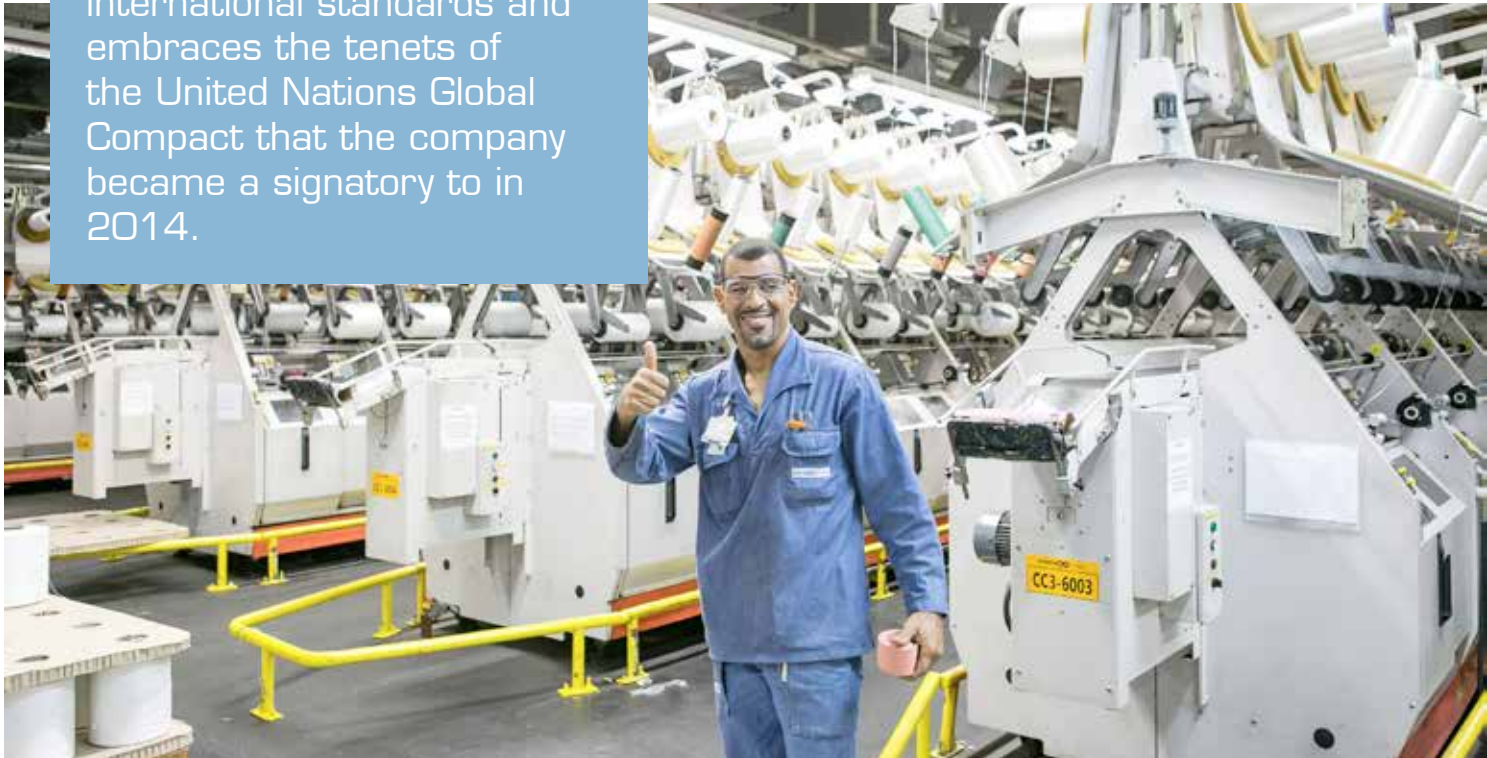
construction, and composite materials reinforcement markets. The company's new-product sales were worth around USD 45 million in 2017.

In the Ministry of Science, Industry and Technology's R&D Center Performance Evaluation survey of all licensed R&D centers in Turkey, Kordsa ranked first in that ministry's list of the country's most successful textile industry R&D centers for the sixth year in a row in 2017. Kordsa also placed third in the "Innovation strategies" category in the 2017 round of İnovaLiG awards handed out during Turkey Innovation and Entrepreneurship Week.

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.

Occupational Health & Safety and the Environment

Kordsa conforms to international standards and embraces the tenets of the United Nations Global Compact that the company became a signatory to in 2014.



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 Perceptual Improvement Classroom, whose aim is to modify employees' safety-related attitudes; and an Ability Enhancement Workshop, which focuses on strengthening employees' 5S, TPM, and process competencies as well as their quality

consciousness through scenarios 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 mission to reinforce the future ; 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.

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.



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.

Dipping Machinery Safety Project

Launched with the aim of preventing machine-related accidents, the project is in operation in all facilities.

Kordsa is prepared to deal with emergencies should they occur and also spearheads 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 combating 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.

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The one OHS goal that all Kordsa employees and departments share is that of zero work-related accidents and illnesses.

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Human Resources

4 continents

Kordsa regards the global human resources that it employs on four different continents as essential components of its ability to achieve its strategic aims.



Global 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.

Kordsa 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.

Kordsa 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.

Kordsa Global Human Resources: Principal responsibilities

Functionally positioned as an "Expertise Center", Kordsa 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.

3,874 employees

At year-end 2017 total headcount at Kordsa was 3,874.

48.8 hours

During 2017, Kordsa employees were provided an average of 48.8 hours' training.

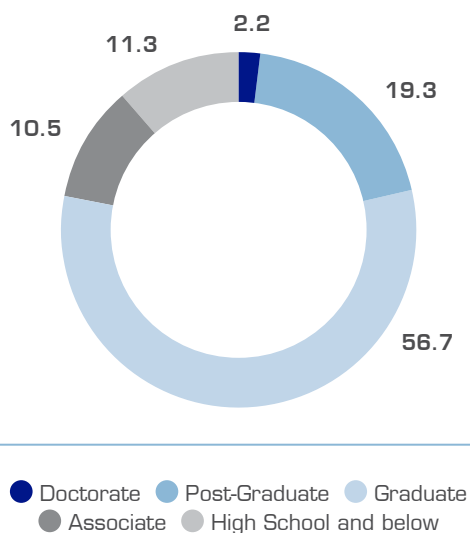


“Functionally positioned as an “Expertise Center”, Kordsa Global Human Resources’ fundamental contributions and functional expectations are dealt with as strategic-level concerns.”

The principal responsibilities of Kordsa 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 the company's and its employees' expectations.

Education Levels of White-Collar Personnel (%)



Progression programs

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 have been completed. The 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.

Convenience Translation into English of the Independent Auditor's Report Related to Annual Report Originally Issued in Turkish

To the Board of Directors of Kordsa Teknik Tekstil Anonim Şirketi

Opinion

We have audited the accompanying annual report of Kordsa Teknik Tekstil Anonim Şirketi ("the Company") and its subsidiaries (together will be referred as "the Group"), for the period 1 January 2017 to 31 December 2017.

In our opinion, the consolidated financial information included in the annual report and the analysis of the Board of Directors about the consolidated financial 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 which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standard 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 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.

Other matter

The annual report for the period 1 January - 31 December 2016 of the Group were audited by another auditor who expressed an unmodified opinion on the consistency of annual report on 20 February 2017.

Auditor's Opinion on Complete Set of Consolidated Financial Statements

We have expressed an unmodified opinion on the complete set of consolidated financial statements of the Group for the period 1 January - 31 December 2017 on 20 February 2018.

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 Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Group ("Regulation") published in the Official Journal dated 1 November 2006 and No. 26333, the Group 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 statement of financial position and submits it to the general meeting.
- b) The Group's management prepares its annual report in such a way that it presents accurately, completely, directly, true and fairly the flow of annual operations and consolidated financial position of the Group. In this report, the financial position of the Group is assessed in accordance with the Group's consolidated financial statements. The annual report shall also clearly state 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:

- Significant events after the reporting period,
- The Group's research and development activities.
- Employee benefits such wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, cash and cash facilities, insurance and similar guarantees.

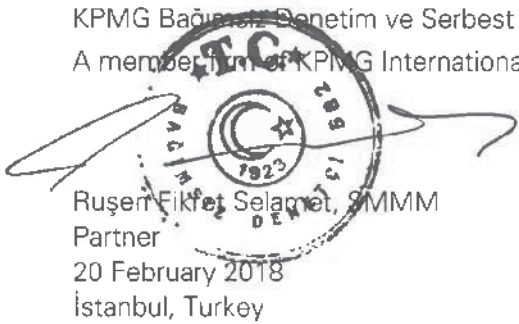
When preparing the annual report, the board of directors also consider the related regulations issued by the Ministry of Customs and Trade and related institutions.

Auditor's Responsibilities 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 and analysis of the Board of Directors in relation to the consolidated financial position of the Group and the information obtained during the audit and give a true and fair view and form a report that include this in accordance with the TCC and the Regulation.

We conducted our audit in accordance with Standards on Auditing issued by POA. Those standards are required that 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 for the consolidated financial 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 A.Ş.
A member firm of KPMG International Cooperative



Ruşen Ekin Selamoğlu, SMMM
Partner
20 February 2018
İstanbul, Turkey

Annual Report of the Board of Directors

ANNUAL REPORT FOR THE ACCOUNTING YEAR OF 1 JANUARY 2017 - 31 DECEMBER 2017

1. General Information:

a) Accounting period of the report: 1 January 2017 - 31 December 2017

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

Addresses of Production Facilities:

Factory: Alikahya Fatih Mahallesi Sanayici Caddesi No: 90 İZMİT 41310/KOCAELİ - TURKEY

Teknopark Branch: Sanayi Mahallesi Teknopark Bulvarı No: 1/1B 34906 Pendik/İSTANBUL - TURKEY

Information regarding our production facility sites abroad can be found at our internet site.

E-Mail Address	info@kordsa.com
Web Address	www.kordsa.com
Registration Date	17.08.1973 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	0577-0053-5640-0013
Trade Registry and Number	T.R. Kocaeli Registry 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.

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 İstanbul 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:

Share Owner	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

c) 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	Beginning	End
Cenk ALPER	CHAIRMAN	27.03.2017	27.03.2017	MARCH 2018
Barış ORAN	DEPUTY CHAIRMAN	24.06.2016	27.03.2017	MARCH 2018
Meral KURDAŞ*	MEMBER	27.03.2017	27.03.2017	MARCH 2018
Mehmet YILDIZ	MEMBER	27.03.2017	27.03.2017	MARCH 2018
Atıl SARYAL	INDEPENDENT MEMBER	18.04.2012	27.03.2017	MARCH 2018
Hüsnü Ertuğrul ERGÖZ	INDEPENDENT MEMBER	18.04.2012	27.03.2017	MARCH 2018

* Meral Kurdaş resigned her seat on the Board of Directors as of 31 January 2018.

Annual Report of the Board of Directors

Senior Management:

Name and Surname	Duty
Ali ÇALIŞKAN	CEO
Abdülkadir TOPLU	Chief Operating Officer - Europe, Middle East and Africa
Volkan ÖZKAN	Chief Financial Officer
İbrahim Özgür YILDIRIM	Chief Technology Officer, Chief Operating Officer - South America and Composite Business Unit Leader
Mehmet Zeki KANADIKIRIK	Chief Operating Officer - Asia Pacific
James T. DEL PIANO	Chief Operating Officer - North America
Ufuk UZEL	Global Supply Chain Director
Vahe HANAMIRIAN	Global Accounts and Marketing Director
Murat Oğuz ARCAN	Business and Market Development Director, Construction Business Unit Leader
Nazan KESKİN	Global Human Resources and IT Director

Number of Personnel (as of the date of 31.12.2017):

Country	Number of Personnel (Including sub-contractors)
Turkey	1,435
USA	354
Brazil	382
Thailand	387
Indonesia	1,312
China	4
Total	3,874

Education Level of White-Collared Employees (%)

Doctorate	2.2%
Post Graduate	19.3%
Bachelor's Degree	56.7%
Two-Year Degree	10.5%
High School and below	11.3%

Collective Contract Applications:

Provisions of Collective Labor Agreement of XXIV. Term Group, signed on the date of 3 June 2016, between Türkiye Tekstil Örne 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 2017, 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).

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 2017 Corporate Governance Principles Compliance Report and also in footnote 26 to the company's independently audited consolidated financial statements for the year beginning on 1 January 2017 and ending on 31 December 2017.

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 Istanbul 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 recently conducted audit (December 2017) as of this reporting date, 64 Kordsa projects were judged to be of “R&D merit” and the center's operations were certified for the ninth time.

As a result of a Ministry of Science, Industry and Technology-appointed commission meeting held on 10 January 2017 for the company's Composite Technologies Center of Excellence, which commenced operations in 2016, Kordsa was awarded its second R&D center license by that ministry.

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 2017.

a) Investments:

In 2017 the company carried out USD 51.9 million worth of investments.

Annual Report of the Board of Directors

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 (Direct and Indirect*), Geographic Distribution and Share of the Affiliated Companies (%)

Subsidiaries	Country	Activity Subject	Geographic Region	Share (%)
Kordsa Inc.	USA	Industrial Fiber and Cord Fabric Production and Trade	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	60.70
PT Indo Kordsa Polyester	Indonesia	Industrial Fiber 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

c) 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 2017 other than the 1 January 2017 - 30 June 2017 Interim Consolidated Financial Report limited independent audit and 1 January 2017 - 31 December 2017 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 2017 - 31 December 2017 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 2017 and ending on 31 December 2017.

At a Kordsa Board of Directors meeting held on 24 March 2017, the board announced its growth expectations for 2017 pursuant to article 10 ("Public disclosure of assessments of future prospects") of Capital Markets Board Public Disclosures Communiqué II-15.1. In its statement the board said that it expected sales and EBITDA to grow by 25-35% and 20-30% respectively in 2017. As required by the same article of the communiqué, this announcement was also publicly disclosed as of the same date. Kordsa's chairman, CEO, and assistant general manager for financial affairs were also individually authorized by the same board decision to make public statements concerning potentially significant changes in these matters as well as about issues involving discrepancies between such expectations and current circumstances.

As of 31 December 2017, sales and EBITDA had actually grown by 30.2% and 21.5% respectively.

A material event disclosure concerning the acquisition of two companies—Fabric Development Inc and "Textile Products Inc—was postponed on the grounds that, if the acquisition process proved to be fruitless, such a disclosure might lead to volatilities in the company's share price and to speculative share trading and that it would be detrimental to the interests of existing shareholders if share prices deviated too greatly from their true value.

6 December 2017 Public Disclosure Platform announcement concerning the acquisition of a financial fixed asset

Subject to the full approval of authorities both in Turkey and in the US and to the satisfaction of all conditions, Kordsa Inc, a wholly-owned subsidiary of our company based in the United States of America, has decided to acquire two separate closely-held partnerships that supply composite materials to the commercial aviation industry—Fabric Development Inc and Textile Products Inc—both belonging to Piyush A. Shah and Abantika P. Shah, at a cost of approximately USD 100 million (one hundred million US dollars) and to finalize the acquisition after all mandatory approvals have been received. The final purchase price will also be determined after all such approvals are forthcoming.

With the completion of these two new acquisitions in the US we expect that there will be an increase in our composite materials sales revenues on the order of more than USD 80 million in 2018.

Detailed information about these matters is provided for the attention of shareholders and other stakeholders at www.kap.gov.tr and at www.kordsa.com.

It was unanimously resolved by the Kordsa Board of Directors to make the following announcement pursuant to article 10 ("Public disclosure of assessments of future prospects") of Capital Markets Board Public Disclosures Communiqué II-15.1 about the company's 2018 growth expectations and the anticipated increases in revenues from new products; to individually authorize Kordsa's chairman, CEO, and assistant general manager for financial affairs to make public statements concerning potentially significant changes in these matters as well as about issues involving discrepancies between such expectations and current circumstances.

Our expectations concerning developments in Kordsa Teknik Tekstil A.Ş.'s operations in 2018 and information about revenues that may be generated by new products are provided below. We expect:

- a) That approximately USD 5 million in revenues will be secured during 2018 from composite material products developed at the Composite Technologies Center of Excellence;
- b) That the construction-reinforcement segment will continue to grow and generate a turnover of somewhere between USD 15-20 million over the next five-year period;
- c) That, having secured approximately USD 45 million worth of revenues from new products in 2017, this figure will increase by approximately 35% and reach USD 60 million with the development of new products in 2018.

Detailed information about these matters is provided for the attention of shareholders and other stakeholders at www.kap.gov.tr and at www.kordsa.com.

ğ) 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.

Annual Report of the Board of Directors

h) Donations and charities made within the period:

Name	Amount
Sabancı University	12,252,120
Bayraktar Primary School	56,805
Akmeşe Primary School	2,068
24 Kasım Primary School	1,593
İzburs	20,000
Boğaziçi University	23,000
İstanbul Technical University	1,500
Six Dots Foundation for the Blinds	6,000
Turkish Education Foundation	2,390
Others	5,950
Total	12,371,425

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 26th footnote of the explanatory report related with Consolidated Financial Statements that went through Company's 1 January 2017 - 31 December 2017 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.

5. Financial position:

(TL million)	1 January - 31 December 2017	1 January - 31 December 2016	Change %
Sales Revenues	2,485	1,908	30.2
Gross Sales Profit	449	397	13.4
Operating Profit	278	240	15.6

Key Ratios	1 January - 31 December 2017	1 January - 31 December 2016
Gross Profit Margin	18.1%	20.8%
Operating Profit Margin	11.2%	12.6%
Net Profit Margin	8.5%	9.3%
RoA	7.6%	7.6%
RoE	13.7%	13.7%

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 2017 and ending on 31 December 2017.

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:

The company's articles of association were amended as follows in 2017.

A proposed amendment to article 2 ("Section I: General: Name of the company") was approved and ratified by Prime Ministry / Capital Markets Board letter 29833736 29833736-110.03.02-E.2496 dated 24 February 2017 and by Ministry of Customs and Trade / General Directorate of Domestic Commerce letter 50035491-431.02-E-00022938034 dated 24 February 2017 while proposed amendments to articles 5 ("Section I: General: Headquarters and branches") and 26 ("Section V: General Assembly of Shareholders: Meeting venues") were approved and ratified by Prime Ministry / Capital Markets Board letter 29833736-110.03.02-E.125 dated 4 January 2017 and by Ministry of Customs and Trade / General Directorate of Domestic Commerce letter 50035491-431.02-E-00021794171 dated 12 January 2017.

The amended texts of these articles of the company's articles of association were submitted to and approved by shareholders at the annual general assembly for 2016 held on 27 March 2017. The amendments were registered by the Kocaeli Commercial Registrar on 10 April 2017 and were announced on pages 748, 749, 750, and 751 of issue 9307 of Türkiye Ticaret Sicili Gazetesi on 17 April 2017.

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 2016 held on 27 March 2017 approved the selection of Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (KPMG International Cooperative) to serve as the company's independent auditors for a one-year period in order to audit the company's 2017 financial statements and reports and to engage in other activities associated with such matters 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 20 June 2017.

9. Issued Stock and Bonds:

None.

10. Legislation Amendments that may Significantly Affect Company Activities:

None.

11. Products:

Detailed information about Kordsa products is provided on pages 26-39.

Conclusion Section of the Affiliation Report

INFORMATION ABOUT 2017 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 26 to the financial report. At its meeting held on 20 February 2018, 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 2017 through 31 December 2017, 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 2017 operating year have been addressed in the form of a report.

In this report prepared by Kordsa Board of Directors and dated 20 February 2018, it has been observed that, in all transactions Kordsa carried out with its controlling company and the affiliated companies thereof during 2017, 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 2017 General Assembly of Shareholders

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AGENDA OF 2017 GENERAL ASSEMBLY OF SHAREHOLDERS THAT WILL TAKE PLACE ON 26 MARCH 2018

AGENDA

- 1- Opening and formation of Meeting Moderation,
- 2- Reading and Discussion of 2017 Board of Directors activity report,
- 3- Reading of conclusion sections belonging to 2017 auditor reports,
- 4- Reading, discussion and approval of 2017 financial statements,
- 5- Individual acquittal of the members of the Board of Directors of their fiduciary responsibilities in relation to the Company's activities in 2017,
- 6- Assignment of utilization of 2017 profit, ratios of distributed profits and dividend shares,
- 7- Election of Board of Directors members and determination of their duty terms,
- 8- Assignment of remuneration, daily allowance, perks and bonuses for Board of Directors,
- 9- Election of independent auditor,
- 10- Informing the shareholders about the Company's donations and grants during 2017 and approval of the same,
- 11- Election of independent auditor,
- 12- Sanctioning of Board of Directors chairman and members for transactions written on 395th and 396th provisions of Turkish Commercial Code.

Meeting Date: 26 March 2018 Monday

Meeting Hour: 10:00

Meeting Place: Sabancı Center, Sadıka Ana 2 Toplantı Salonu
4. Levent, 34330 Beşiktaş - İSTANBUL

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 250,000 (two hundred fifty thousand Turkish liras) on 2017 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 2016 held on 27 March 2017.

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. Coordination of the department is provided by Global Finance Director Serdar SAMSUN, and management of the investor relations department is carried out by Global Finance Expert Ayhan KARAKOCA. 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	Assistant General Manager - Finance	volkan.ozkan@kordsa.com
Serdar SAMSUN	Global Finance Director	serdar.samsun@kordsa.com
Ayhan KARAKOCA	Investor Relations Department Manager	ayhan.karakoca@kordsa.com
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) in accordance with Capital Market Regulations, in a way that will not cause information inequality and without making any discriminations.

Corporate Governance Compliance Report

Work aimed for conveying detailed information related with Company activities to investors in the year of 2017, is summarized in the table below:

Number of investors and analysts spoken via phone	87
Number of investors and analysts answered via e-mail	67
Number of analyst meetings held	12

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 20 February 2018 after preparing it in relation with the activities it carried out in 2017 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 2017, 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 2017.

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.

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 and they are given to ones who demand.

Agenda of the 2017 Ordinary General Assembly was determined on the date of 3 March 2017 with Board of Directors Decision no 2017/9, General Assembly agenda, Board of Directors activity report including the audited numbers of 2015, financial statements and reports of 2016, 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 3 March 2017 Friday, 3 weeks 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 Investor Relations Department and Shareholders Relations Department at Company Head Office located at the address of Sabancı Center, 4. Levent, 34330 Beşiktaş - ISTANBUL. 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 27 March 2017 Monday, at 10:30, in Sadika Ana 2 Meeting Hall located at the Company head office address of Sabancı Center 4. Levent, Beşiktaş, İstanbul, under the supervision of Devrim DEMİRCAN, Representative of Ministry who is tasked by İstanbul Governorate, Provincial Directorate of Commerce with the letter dated 24 March 2017 and numbered as 23687379

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 independent 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 3 weeks 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 2015 Ordinary General Assembly is 80.41% of the company capital.

General assembly of shareholders resolutions

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 Çetin Alper Eke 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 2016 was read, deliberated, and approved.
3. The "Conclusions" section of the statutory auditors' report was read and approved; the "Conclusions" section of the independent auditors' report was read.

Corporate Governance Compliance Report

4. The 2016 consolidated financial statements were read, approved, and ratified.

5. Shareholders were informed about and ratified the TL 8,530,363 worth of donations and assistance provided during 2016.

6. The members of the Board of Directors were acquitted of their fiduciary responsibilities for the company's 2016 operations.

7. 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 2016 dividend totaling TL 57,662,308.71. This corresponds to a gross dividend rate of 29.642% and to a net dividend rate of 25.1957%. It was also decided that this dividend would be paid in cash on 10 April 2017.

8. A decision was made to pay each member of the Kordsa Board of Directors a gross monthly salary of TL 3,500.00 during their term of office.

9. The selections of Mehmet Hacıkamiloğlu, Barış Oran, and Mehmet Mesut Ada, all three of whom are citizens of the Republic of Turkey and who were designated to serve as replacements to fill out the remaining terms of board seats that were vacated during 2016 were voted on and approved.

Decisions were made to set the number of seats on the Kordsa Board of Directors at six and to elect Cenk Alper, Barış Oran, Meral Kurdaş, and Mehmet Yıldız as company directors and Atıl Saryal and Hüsnü Ertuğrul Ergöz as independent directors to serve in those capacities until the annual general meeting for 2017 that is to be held during 2018.

10. A decision was made to appoint the firm of Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi as the company's independent auditors for a period of one year.

11. A proposal to set a limit of TL 250,000 on 2017 donations other than those which must be made in accordance with the company's articles of association was approved.

12. Articles of association amendments were approved to relocate the company's headquarters from Beşiktaş in Istanbul to İzmit in Kocaeli and to change the company's legal name to Kordsa Teknik Tekstil Anonim Şirketi.

13. Internal Directive #1 ("Working principles and procedures of the general assembly of shareholders of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret Anonim Şirketi") was rescinded.

Internal Directive #2 ("Working principles and procedures of the general assembly of shareholders of Kordsa Teknik Tekstil Anonim Şirketi") was ratified.

14. 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.

Extraordinary General Assembly wasn't held in 2017.

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 2017.

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.

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.

Corporate Governance Compliance Report

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.

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 Sabancı 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 (TEKSİF), which our union member employees are members of, and Turkey Textile Industry Employer Union, which our Company is a member of, are taken.

Corporate Governance Compliance Report

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.

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 Sabancı 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 2014 Ordinary General Assembly dated 27 March 2017 to perform their duties until 2016 Ordinary General Assembly that will take place in 2018.

"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 2016 and dated as 27 March 2017 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 30 March 2017 and numbered 2017/13 of our Company's Board of Directors, Board of Directors delegated the duties between themselves in compliance with Company Articles of Association after 2016 General Assembly of the Shareholders dated 27 March 2017.

Structure of our Board of Directors was formed in compliance with principles determined by SPK. Company's Board of Directors Members are as follows according to separation of executives and non-executives and independent members:

1. Cenk ALPER:	Chairman	(executive)
2. Barış ORAN:	Deputy Chairman Corporate Governance Committee Member Early Detection of Risk Committee Member	(executive)
3. Meral KURDAŞ*:	Member Corporate Governance Committee Member	(non- executive)
4. Mehmet YILDIZ:	Member	(non- executive)
5. Atıl SARYAL:	Independent Member Audit Committee Member Corporate Governance Committee Chairman Early Detection of Risk Committee Chairman	(non- executive)
6. Hüsni Ertuğrul ERGÖZ:	Independent Member Audit Committee Chairman Corporate Governance Committee Member Early Detection of Risk Committee Member	(non- executive)

* Meral Kurdaş resigned her seat on the Board of Directors as of 31 January 2018.

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.

Corporate Governance Compliance Report

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 17 April 2017 and numbered 2017/16, signatory circular no. 53 was issued and came into force starting from the date of 26 April 2017.

As stated in provision no 1.3.7. of Capital Market Board Corporate Governance Principles; during the twelve months period of 2017, 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 2016 General Assembly of the Shareholders held on the date of 27 March 2017;

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.

During the twelve months period of 2017, 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 2017.

Board of Directors:

1. Cenk ALPER	Chairman of the Board Of Directors (Executive)
Duty Term:	27 March 2017 - March 2018 (until 2017 Ordinary General Assembly)
Tasks Performed Outside the Company	In-Group HACI ÖMER SABANCI HOLDİNG A.Ş., Industry Group President
	Outside the Group <ul style="list-style-type: none"> • İSO (Industrial Chamber of İstanbul), Member • KalDer (Turkish Quality Association), Member • TÜSİAD (Turkish Industrialists' and Businessmen's Association), Member

2. Barış ORAN	Vice Chairman of the Board of Directors (Executive) Member of the Corporate Governance Committee Member of the Early Detection of Risk Committee
Duty Term:	(24 June 2016) 27 March 2017 - March 2018 (until 2017 Ordinary General Assembly.)
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • AVİVASA EMEKLİLİK VE HAYAT A.Ş., Member of the Board of Directors • BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş., Member of the Board of Directors • CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş., Member of the Board of Directors • ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş., Member 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 • HACI ÖMER SABANCI HOLDİNG A.Ş., Finance Group President • TEKNOSA İÇ VE DIŞ TİCARET A.Ş., Member of the Board of Directors Outside the Group <ul style="list-style-type: none"> • TÜSİAD (Turkish Industrialists' and Businessmen's Association), Member of the Board of Directors • TÜYİD (Turkish Investor Relations Society), Member of the Board of Directors • BÜMED (Boğaziçi University Alumni Association), Member
3. Meral KURDAŞ*	Member Member of the Corporate Governance Committee
Duty Term:	27 March 2017 - March 2018 (until 2017 Ordinary General Assembly.)
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • SABANCI HOLDİNG, Human Resources Group President • AKSİGORTA A.Ş., Member of the Board of Directors • TURSA SABANCI TURİZM VE YATIRIM İŞLETMELERİ A.Ş., Member of the Board of Directors • ANKARA ENTERNASYONEL OTELCİLİK A.Ş., Member of the Board of Directors • AVİVASA EMEKLİLİK VE HAYAT A.Ş., Member of the Board of Directors, Member of the Corporate Governance Committee • CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş., Member of the Board of Directors, Member of the Corporate Governance Committee • BİMSA Vice Chairman of the Board of Directors • TEMSA ULAŞIM ARAÇLARI SAN. VE TİC. A.Ş., Vice Chairman of the Board of Directors Outside the Group <ul style="list-style-type: none"> • TÜSİAD (Turkish Industrialists' and Businessmen's Association) • Social Development Round Table Employment and Social Security Workspace, Member • Services Sector Transformation Round Table Retail Industry Workspace, Member • UK Workspace, Member • Insurance and Pensions System Workspace, Member • DEİK (Foreign Economical Relations Council), UK and France Councils Member • British Chamber of Commerce in Turkey, Alternate Member of the Board of Directors • TOBB (Union of Chambers and Commodity Exchanges of Turkey), Woman and Young Entrepreneurs Board Member • YASED (International Investors Association), Vice Chairman and Member of the Board of Directors responsible for Employment and Education Workspace
* Meral Kurdaş resigned her seat on the Board of Directors as of 31 January 2018.	

Corporate Governance Compliance Report

4. Mehmet YILDIZ	Member
Duty Term:	27 March 2017 - March 2018 (until 2017 Ordinary General Assembly.)
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • Professor: Production Engineering Program, Materials Science and Nano Engineering Program, Engineering and Natural Sciences Faculty, Sabancı University • Director: Sabancı University-Kordsa Composite Technologies Center of Excellence • Director: Sabancı University Integrated Manufacturing Technology Research and Applications Center Outside the Group <ul style="list-style-type: none"> • R&D Advisory Board Member: Kastamonu Entegre
5. Atıl SARYAL	Independent Member Audit Committee Member Corporate Governance Committee Chairman Early Detection of Risk Committee Chairman
Duty Term:	(18 April 2012) 27 March 2017 - March 2018 (until 2017 Ordinary General Assembly)
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • AKÇANSA ÇİMENTO SANAYİ VE TİCARET A.Ş., Independent Member of the Board of Directors, Audit Committee Member, Corporate Governance Committee Chairman and Early Detection of Risk Committee Chairman • TEKNOSA İÇ VE DIŞ TİCARET A.Ş., Independent Member of the Board of Directors, Audit Committee Chairman, Corporate Governance Committee Member and Early Detection of Risk Committee Member Outside the Group <ul style="list-style-type: none"> • CARREFOURSA, France, Turkey Consultant
Independence Declaration	It is given in APPENDIX-1.
6. Hüsnü Ertuğrul ERGÖZ	Independent Member Audit Committee Chairman Member of the Corporate Governance Committee Member of the Early Detection of Risk Committee
Duty Term:	(18 April 2012) 27 March 2017 - March 2018 (until 2017 Ordinary General Assembly)
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • AFYON ÇİMENTO SANAYİ T.A.Ş., Independent Member of the Board of Directors Outside the Group <ul style="list-style-type: none"> • SASA POLYESTER SANAYİ A.Ş., Independent Member of the Board of Directors • BÜMED (Boğaziçi University Alumni Association) Member
Independence Declaration	It is given in APPENDIX-2.

Senior Management:

1. Ali ÇALIŞKAN	CEO (Chief Executive Officer)
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • Kordsa Inc. (USA), Chairman • Nile Kordsa Company SAE (Egypt), Member of the Board of Directors • Kordsa Brasil S.A., Chairman • PT Indo Kordsa Tbk (Indonesia), Chairman of the Executive Board • PT Indo Kordsa Polyester (Indonesia), Chairman of the Executive Board • Thai Indo Kordsa Co. Ltd. (Thailand), Member of the Board of Directors Outside the Group <ul style="list-style-type: none"> • 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 • KalDer (Turkish Quality Association) Member of the Board of Directors.
2. Abdülkadir TOPLU	Chief Operating Officer - Europe, Middle East and Africa
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • Kordsa Brasil S.A., Deputy Vice Chairman • Thai Indo Kordsa Co. Ltd. (Thailand), Member of the Board of Directors Outside the Group <ul style="list-style-type: none"> • KalDer (Turkish Quality Association), Corporate Representative
3. Volkan ÖZKAN	Chief Financial Officer, Member of the Corporate Governance Committee
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • PT Indo Kordsa Tbk (Indonesia), Member of the Board of Directors • PT Indo Kordsa Polyester (Indonesia), Member of the Board of Directors • Thai Indo Kordsa Co. Ltd. (Thailand), A Group Member of the Board of Directors • Kordsa Inc. (USA), Member of the Board of Directors • Kordsa Inc. (USA), Vice President - Finance Outside the Group <ul style="list-style-type: none"> • DEİK (Foreign Economical 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. İbrahim Özgür YILDIRIM	Chief Technology Officer, Chief Operating Officer - South America and Composite Business Unit Leader
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • Thai Indo Kordsa Co. Ltd. (Thailand), Member of the Board of Directors • PT Indo Kordsa Tbk (Indonesia), Executive Board Member • PT Indo Kordsa Polyester (Indonesia), Executive Board Member • Kordsa Brasil S.A., Vice Chairman of the Board of Directors Outside the Group <ul style="list-style-type: none"> • Turkish Composites Manufacturers Association, Member • SAHA İstanbul Defense and Aerospace Cluster Association, Member

Corporate Governance Compliance Report

5. Mehmet Zeki KANADIKIRIK	Chief Operating Officer - Asia Pacific
Tasks Performed Outside the Company	In-Group PT Indo Kordsa Tbk (Indonesia), Chairman and CEO PT Indo Kordsa Polyester (Indonesia), Chairman and CEO Thai Indo Kordsa Co. Ltd. (Thailand), Member of the Board of Directors Outside the Group <ul style="list-style-type: none"> • İstanbul METU Alumni Association, Member • TMMOB (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
6. James Thomas DEL PIANO	Chief Operating Officer - North America
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • Kordsa Inc. (USA), Member of the Board of Directors and CEO • Kordsa Inc. (USA), Vice President - Operations Outside the Group <ul style="list-style-type: none"> • American Fibers Manufacturers Association, Member of the Board of Directors
7. Ufuk UZEL	Global Supply Chain Director
8. Vahe HANAMİRİAN	Global Accounts and Marketing Director
9. Murat Oğuz ARCAN	Business and Market Development Director, Construction Business Unit Leader
Tasks Performed Outside the Company	In-Group <ul style="list-style-type: none"> • Nile Kordsa Company SAE (Egypt), Member of the Board of Directors • Kordsa-Sabancı University Composite Technologies Center of Excellence, Executive Board Member
10. Nazan KESKİN	Global Human Resources and IT Director
Tasks Performed Outside the Company	Outside the Group <ul style="list-style-type: none"> • Turkish Textile Employers' Association Advisory Committee 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.

35 Board of Directors decisions were taken for the Company's twelve months period of 2017, 31 of these decisions were taken via mail and circulation.

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 wasn't a contrary opinion expressed against the decisions taken by Board of Directors members during the meetings held within twelve months period of 2016.

Flaws during the duties performed by Board of Directors members and the losses that may occur in the company due to those are insured with a security deposit of USD 60,000,000 within the scope of management responsibility policy.

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, Barış ORAN, Deputy Chairman of our Company's Board of Directors-Executive, is tasked within Corporate Governance Committee and Risk Committee, Meral KURDAŞ, Member of our Company's Board of Directors - Non-Executive, is tasked within Corporate Governance Committee, Atıl SARYAL, Independent Member of our Company's Board of Directors, is tasked with Audit Committee, Corporate Governance Committee and Risk Committee, Hüsnü Ertuğrul ERGÖZ, Independent Member of our Company's Board of Directors, is tasked with Audit Committee, Corporate Governance Committee and Risk Committee.

AUDIT COMMITTEE, COMMITTEE MEMBERS AND WORKING PRINCIPLES

Name Surname	Duty	Nature of Membership to Board of Directors
Hüsnü Ertuğrul ERGÖZ	Chairman of Audit Committee	Independent Member of Board of Directors Member of Corporate Governance Committee Member of Early Detection of Risk Committee
Atıl SARYAL	Member of Audit Committee	Independent Member of Board of Directors Chairman of Corporate Governance Committee Chairman of Early Detection of Risk Committee

Corporate Governance Compliance Report

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 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.

Organization and Responsibility Fields of the Committee

Atıl SARYAL and Hüsnü Ertuğrul ERGÖZ, who were elected as Independent Members of the Board of Directors at 2016 Shareholders Ordinary General Assembly held on the date of 27 March 2017, were elected as Members of the Audit Committee with the decision of Board of Directors dated 30 March 2017 and numbered 2017/14.

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 or Chairman of the Committee. Auditors and directors can hold meeting with two special agenda. During the twelve months period of 2016, Audit Committee came together four times on the dates of 20 February 2017, 2 May 2017, 31 July 2017 and 6 November 2017, reviewed and approved internal audit reports.

The Committee submitted report to the Board of Directors about the authenticity and accuracy of the following reports: at the 20 February 2016 meeting, consolidated (conglomerate) financial reports that went through the independent audit of 2016, dated 31 December 2016 and shared with the public on the same date; at the 2 May 2017 meeting, summary consolidated financial reports that didn't go through the first three months independent audit of 2017, dated 31 March 2017 and shared with the public on the same date; at 31 July 2017 meeting, summary consolidated financial reports that went through six months limited audit, dated 30 June 2017 and shared with the public on the same date; at the 6 November 2017 meeting, summary consolidated financial reports that didn't go through the nine months independent audit of 2016, dated 30 September 2017 and shared with the public on the same date.

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 4 times during the twelve months of 2017 on the dates of 21 March 2017, 22 June 2017, 6 October 2017 and 15 December 2017.

CORPORATE GOVERNANCE COMMITTEE, MEMBERS OF THE COMMITTEE AND WORKING PRINCIPLES

Name Surname	Duty	Nature of Membership to Board of Directors and Senior Management
Atıl SARYAL	Chairman of the Corporate Governance Committee	Independent Member of the Board of Directors Member of the Audit Committee Chairman of the Early Detection of Risk Committee
Hüsnü Ertuğrul ERGÖZ	Member of the Corporate Governance Committee	Independent Member of the Board of Directors Chairman of Audit Committee Member of the Early Detection of Risk Committee
Bariş ORAN	Member of the Corporate Governance Committee	Deputy Chairman of Board of Directors (Executive) Member of the Early Detection of Risk Committee
Meral KURDAŞ*	Member of the Corporate Governance Committee	Member of Board of Directors
Volkan ÖZKAN	Member of the Corporate Governance Committee	Assistant General Manager, Finance Senior Executive of Investor Relations Department

* Meral Kurdaş resigned her seats on the Board of Directors and on the Corporate Governance Committee as of 31 January 2018.

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).

In compliance with the criteria determined within the scope of II-17.1 "Corporate Governance Notification" of Capital Markets Board, current "4.2. Members" title of the Internal Regulations of Corporate Governance Committee was revised and approved with the decision of Board of Directors dated 15 December 2017 and numbered 2017/33.

Corporate Governance Compliance Report

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

At the 2016 Shareholders Ordinary General Assembly dated 24 March 2017, elected Independent Members of the Board of Directors Atıl SARYAL and Hüsnü Ertuğrul ERGÖZ, elected Members of the Board of Directors Barış ORAN and Meral KURDAŞ and Assistant Financial Affairs and General Manager of the Company Fatma Arzu ERGENE were chosen for Membership to Corporate Governance Committee with the decision of Board of Directors dated 30 March 2017 and numbered 2017/14.

Upon the departure of Assistant General Manager for Financial Affairs and Corporate Governance Committee member Fatma Arzu Ergene from the company, Assistant General Manager for Finance Volkan Özkan was chosen to replace her on the Corporate Governance Committee pursuant to Board of Directors resolutions 2017/25 dated 18 September 2017 and 2017/26 dated 2 October 2017. Information about this issue was published for the attention of shareholders and other stakeholders at the Public Disclosure Platform and on the company's website.

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 seems to be appropriate by the Chairman, can attend to the meetings.

During the twelve months period of 2017, Corporate Governance Committee held meetings 5 times on the dates of 20 February 2017, 24 March 2017, 22 June 2017, 9 October 2017 and 15 December 2017.

With the decision numbered 2017/2 taken at the 22nd meeting held on the date of 20 February 2017, Corporate Governance Committee accepted the Investor Relations Department 2016 Report about their activities carried out within the 2016 activity period, prepared by the Investor Relations Department, which carries out its work directly

depending on Company Finance and Purchasing Deputy Chairman, 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 2017/5 dated 20 February 2017.

- Under resolution 2017/3 dated 24 March 2017 that was passed at meeting number 23 held on the same day, it was ascertained that maximum attention was being given at the company to being in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, tax laws, and other applicable laws and regulations and also that a review of the company's practices determined that they were correct and consistent with regulatory requirements. A report concerning these issues was approved by Board of Directors resolution 2017/12 dated 24 March 2017.
- Under resolution 2017/4 dated 22 June 2017 that was passed at meeting number 24 held on the same day, it was ascertained that maximum attention was being given at the company to being in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, tax laws, and other applicable laws and regulations and also that a review of the company's practices determined that they were correct and consistent with regulatory requirements. A report concerning these issues was approved by Board of Directors resolution 2017/22 dated 22 June 2017.
- Under resolution 2017/5 dated 9 October 2017 that was passed at meeting number 25 held on the same day, it was ascertained that maximum attention was being given at the company to being in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, tax laws, and other applicable laws and regulations and also that a review of the company's practices determined that they were correct and consistent with regulatory requirements. A report concerning these issues was approved by Board of Directors resolution 2017/27 dated 9 October 2017.
- Under resolution 2017/6 dated 15 December 2017 that was passed at meeting number 26 held on the same day, it was ascertained that maximum attention was being given at the company to being in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, tax laws, and other applicable laws and regulations and also that a review of the company's practices determined that they were correct and consistent with regulatory requirements. A report concerning these issues was approved by Board of Directors resolution 2017/33 dated 15 December 2017.

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

Name Surname	Duty	Nature of Membership to Board of Directors
Atıl SARYAL	Chairman of the Early Detection of the Risk Committee	Independent Member of the Board of Directors Member of Audit Committee Chairman of Corporate Governance Committee
Hüsnü Ertuğrul ERGÖZ	Member of the Early Detection of the Risk Committee	Independent Member of the Board of Directors Chairman of Audit Committee Member of Corporate Governance Committee
Bariş ORAN	Member of the Early Detection of the Risk Committee	Board of Directors Deputy Chairman (Executive) Member of Corporate Governance 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 4.3. ("Rapporteur") 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 Communiqué II-17.1. This revision was approved pursuant to Board of Directors resolution 2017/33 dated 15 December 2017.

Corporate Governance Compliance Report

Structure and Liabilities of the Committee

At the 2016 Shareholders Ordinary General Assembly dated 27 March 2017, elected Independent Members of the Board of Directors Atıl SARYAL and Hüsnü Ertuğrul ERGÖZ, elected Members of the Board of Directors Barış ORAN were chosen for Membership to Early Detection of the Risk Committee with the decision of Board of Directors dated 30 March 2017 and numbered 2017/14. 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 with independent member title.

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 the Risk Committee held meetings 6 times during the twelve months period of 2017 on the dates of 24 March 2017, 22 June 2017, 21 July 2017, 9 October 2017, 6 November 2017 and 15 December 2017.

Risk Detection Committee

- At meeting number 21 held on 24 March 2017, the Risk Detection Committee ascertained that maximum attention was being given at the company to being in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, tax laws, and other applicable laws and regulations and also that a review of the company's practices determined that they were correct and consistent with regulatory requirements.

The key risk indicators used to identify and quantify risks with the potential to have an impact on the company were updated as of end-2016 and the company's 2017 insurance policies were also worked on. In view of an increase in terror-related risks in the company's region, it was decided to obtain broader political violence coverage in addition to its existing fixed-asset, manager liability, product liability, and similar coverage.

The committee's report on these matters was approved at Board of Directors meeting 2017/12 held on 24 March 2017.

- At meeting number 22 held on 22 June 2017, the Risk Detection Committee ascertained that maximum attention was being given at the company to being in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, tax laws, and other applicable laws and regulations and also that a review of the company's practices determined that they were correct and consistent with regulatory requirements.

The key risk indicators used to identify and quantify risks with the potential to have an impact on the company were updated taking into account recent market and company development and these changes were reviewed by committee members.

The committee's report on these matters was approved at Board of Directors meeting 2017/22 held on 22 June 2017.

- At meeting number 23 held on 21 July 2017, the Risk Detection Committee ascertained that maximum attention was being given at the company to being in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, tax laws, and other applicable laws and regulations and also that a review of the company's practices determined that they were correct and consistent with regulatory requirements.

The key risk indicators used to identify and quantify risks with the potential to have an impact on the company were updated taking into account recent market and company development and these changes were reviewed by committee members.

The committee's report on these matters was approved at Board of Directors meeting 2017/24 held on 31 July 2017.

- At meeting number 24 held on 9 October 2017, the Risk Detection Committee ascertained that maximum attention was being given at the company to being in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, tax laws, and other applicable laws and regulations and also that a review of the company's practices determined that they were correct and consistent with regulatory requirements.

The key risk indicators used to identify and quantify risks with the potential to have an impact on the company were updated taking into account recent market and company development and these changes were reviewed by committee members.

The committee's report on these matters was approved at Board of Directors meeting 2017/27 held on 9 October 2017.

- At meeting number 25 held on 6 November 2017, the Risk Detection Committee ascertained that maximum attention was being given at the company to being in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, tax laws, and other applicable laws and regulations and also that a review of the company's practices determined that they were correct and consistent with regulatory requirements.

The key risk indicators used to identify and quantify risks with the potential to have an impact on the company were updated taking into account recent market and company development and these changes were reviewed by committee members.

The committee's report on these matters was approved at Board of Directors meeting 2017/29 held on 6 November 2017.

- At meeting number 26 held on 6 November 2017, the Risk Detection Committee ascertained that maximum attention was being given at the company to being in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, tax laws, and other applicable laws and regulations and also that a review of the company's practices determined that they were correct and consistent with regulatory requirements.

The key risk indicators used to identify and quantify risks with the potential to have an impact on the company were updated taking into account recent market and company development and these changes were reviewed by committee members.

The committee's report on these matters was approved at Board of Directors meeting 2017/33 held on 15 December 2017.

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.

Corporate Governance Compliance Report

- 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.

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 Assistant Financial Affairs and General Director 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 will continue in the upcoming periods.

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.16 of the explanatory report related with the Consolidated Financial Statements belonging to 1 January - 31 December 2017 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 2017, 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 2016 Shareholders Ordinary General Assembly held on the date of 27 March 2017; it was decided that TL 3,500 monthly gross wage will be paid to Members of the Board of Directors during their duty term.

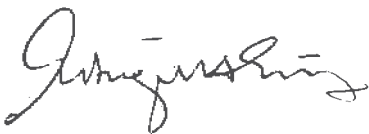
Independence Declarations of Independent Members of the Board of Directors

I declare that I am a candidate for performing the duties of "independent member" at **Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.** (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,
- c) 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,
- d) I am a resident of Turkey in accordance with Tax Income Law dated 31/12/1960 and numbered 193,
- e) 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,
- f) 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,
- g) I wasn't a member of the Board of Directors of the Company more than six months within the last ten years,
- ğ) 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,
- ı) 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.

23.02.2015



Hüsnü Ertuğrul ERGÖZ

I declare that I am a candidate for performing the duties of "independent member" at **Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.** (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,
- d) I am a resident of Turkey in accordance with Tax Income Law dated 31/12/1960 and numbered 193,
- e) 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,
- f) 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,
- g) I wasn't a member of the Board of Directors of the Company more than six months within the last ten years,
- ğ) 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,
- ı) 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.

23.02.2015



Atıl SARYAL

2017 Profit Distribution Proposal and Dividend Table

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ

2017 Profit Distribution Proposal:

Based on our Company's Board of Directors decision no. 2018/8 dated 28 February 2018,

The Company booked TL 248,051,828.00 in consolidated profit for the period according to the Company's financial statements for the fiscal 01.01.2017-31.12.2017, 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 2017 profit distribution table; it has also been decided as follows:

Net distributable profit for the period in the amount of TL 161,017,510.75, which is 2017 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 57,158,478.40
Total Profit Share (Gross):	TL 66,884,932.20
General Statutory Reserves (Second Legal Reserves):	TL 5,715,847.84
Specific Reserves:	TL 5,001,405.13
Extraordinary Reserves:	TL 83,415,325.58

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 66,884,932.20 that will be distributed to shareholders will be covered in its entirety from the net distributable profit for the period;
- Out of the Net Distributable Profit for the Period that descends in our statutory records, TL 5,001,405.13 will be set aside as Specific Reserves in order to benefit from the corporate tax exemption stipulated in Article 5/1 subparagraph (e) of the Corporate Tax Law for the income generated on the properties disposed of in 2017 and TL 4,497.58 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 26 March 2018 that a total of TL 66,884,932.20 in dividends be distributed in cash starting 2 April 2018 to shareholders representing TL 194,529,076.00 capital for 2017, which corresponds to a ratio of 34.383% (gross) and 29.22555 (net) depending on their legal status.

DIVIDEND RATIO TABLE					
TOTAL DIVIDEND PAYOUT		TOTAL DIVIDEND PAYOUT / NET DISTRIBUTABLE PROFIT FOR THE PERIOD		EARNINGS PER SHARE WITH A NOMINAL VALUE OF TL 1	
CASH (TL)	BONUS (TL)	RATIO (%)		AMOUNT (TL)	RATIO (%)
GROSS	66,884,932.20	-	41.54	0.3438300	34.38300
NET*	56,852,192.37	-	35.31	0.2922555	29.22555

* If gross dividends distributed in the amount of TL 66,884,932.20 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).



**KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL
STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 WITH
INDEPENDENT AUDITOR'S REPORT**

(Originally Issued in Turkish)

INDEPENDENT AUDITOR'S REPORT



Akis Bağımsız Denetim ve
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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 2017, 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TASs").

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

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

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>The Group's revenue is primarily generated from sales of industrial fabrics included in the structure of vehicle tires and industrial fabrics to the companies' operates in tyre sector.</p> <p>As explained in Note 2.5, revenue is recognised over the fair value of the considered receivable which is taken on the accrual basis of the financial statement 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 presented by deducting returns, discounts and commissions from sales of goods from sales of goods.</p> <p>Recognition of revenue for the accounting period in which the product is sold depends on an appropriate assessment of whether the product is associated with a sales contract. Since commercial contracts can be complex, important considerations required to be made while selecting the accounting basis for each situation.</p> <p>Recognition of revenue is designated as a key audit matter, since significant contractual obligations are required to reflect the financial statements in the period of the revenue due to the complexity of the commercial contracts.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none"> - Evaluation of the effectiveness of key internal controls for accounting of revenue in 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 to accounting policies and taking of financial statements in the appropriate financial reporting period. - Evaluating the timing of accounting of financial statements for the different shipment arrangements by examining the terms of trade and shipping conditions with contracts made with customers. - Testing trade receivables from third parties by obtaining confirmation letter for selected samples and reconciling to the financial statements. - Performing analytical reviews to determine the existence of unusual transactions. - Testing of the subsequent sales returns transactions after the reporting period of financial statements 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.

INDEPENDENT AUDITOR'S REPORT

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 2017 for the consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2017 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.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 20 February 2017.

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

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

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

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

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

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

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



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

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

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

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

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

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 20 February 2018.
- 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 2017, 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 A.Ş.

A member firm of KPMG International Cooperative



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KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

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

	Notes	31 December 2017 USD (*)	31 December 2016 USD (*)	Audited 31 December 2017	Audited 31 December 2016
Assets					
Current assets					
Cash and cash equivalents	4	4.125.741	10.962.277	15.561.882	38.578.445
Financial investments		32.179	32.179	121.377	113.245
Investments in equity securities		32.179	32.179	121.377	113.245
Trade receivables		128.183.670	105.768.444	483.495.983	372.220.309
Due from related parties	26	7.401.650	5.951.576	27.918.285	20.944.786
Due from third parties	7	120.782.020	99.816.868	455.577.698	351.275.523
Other receivables		1.453.590	3.236.655	5.482.795	11.390.436
Due from third parties	8	1.453.590	3.236.655	5.482.795	11.390.436
Derivatives		1.562.428	347.100	5.893.324	1.221.515
Derivative financial assets	28	1.562.428	347.100	5.893.324	1.221.515
Inventories	9	155.174.011	152.700.519	585.300.852	537.383.667
Prepayments		5.182.764	5.487.597	19.548.866	19.311.952
Prepayments from third parties	10	5.182.764	5.487.597	19.548.866	19.311.952
Current tax assets	24	1.453.908	–	5.483.994	–
Other current assets	17	17.238.592	12.259.190	65.022.246	43.142.543
Other current assets from third parties		17.238.592	12.259.190	65.022.246	43.142.543
Subtotal		314.406.882	290.793.962	1.185.911.319	1.023.362.112
Assets held for sale	30	2.967.943	6.189.015	11.194.785	21.780.383
Total current assets		317.374.825	296.982.978	1.197.106.104	1.045.142.495
Non-current assets					
Financial investments		108.991	109.710	411.103	386.091
Investments in equity securities	5	108.991	109.710	411.103	386.091
Other receivables		8.113.581	5.790.726	30.603.616	20.378.723
Due from third parties	8	8.113.581	5.790.726	30.603.616	20.378.723
Investment properties	13	12.471.479	11.401.373	47.041.172	40.123.712
Property, plant and equipment	11	378.253.557	365.283.627	1.426.734.593	1.285.506.141
Intangible assets		21.878.005	21.640.547	82.521.648	76.157.412
Goodwill	14	12.088.117	12.956.117	45.595.167	45.595.167
Other intangible assets	12	9.789.889	8.684.430	36.926.481	30.562.245
Prepayments		542.982	1.930.497	2.048.075	6.793.806
Prepayments from third parties	10	542.982	1.930.497	2.048.075	6.793.806
Deferred tax assets	24	10.184.729	10.008.859	38.415.780	35.223.175
Other non-current assets	17	11.047.826	9.650.648	41.671.295	33.962.562
Other non-current assets from third parties		11.047.826	9.650.648	41.671.295	33.962.562
Total non-current assets		442.601.151	425.815.987	1.669.447.282	1.498.531.622
Total assets		759.975.977	722.798.965	2.866.553.386	2.543.674.117

(*) US Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

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

	Notes	31 December 2017 USD ^(*)	31 December 2016 USD ^(*)	Audited 31 December 2017	Audited 31 December 2016
Liabilities					
Short term liabilities					
Short term loans and borrowings	6	135.655.486	99.977.967	511.678.928	351.842.461
Short term portion of long term loans and borrowings	6	5.120.553	6.331.727	19.314.214	22.282.612
Trade payables		83.327.241	80.766.973	314.302.020	284.235.131
<i>Due to related parties</i>	7	2.105.493	1.839.414	7.941.709	6.473.265
<i>Due to third parties</i>	26	81.221.748	78.927.559	306.360.311	277.761.866
Payables related to employee benefits	16	2.967.969	1.489.234	11.194.881	5.240.913
Other payables		3.124.051	3.817.543	11.783.607	13.434.699
<i>Due to third parties</i>	8	3.124.051	3.817.543	11.783.607	13.434.699
Deferred revenue		1.907.674	1.974.550	7.195.555	6.948.837
<i>Deferred revenue to third parties</i>	10	1.907.674	1.974.550	7.195.555	6.948.837
Current tax liabilities	24	-	1.111.516	-	3.911.647
Short term provisions		6.272.913	6.600.977	23.660.799	23.230.157
<i>Short term employee benefits</i>	16	6.260.171	6.587.320	23.612.739	23.182.097
<i>Other short term provisions</i>		12.742	13.657	48.060	48.060
Other short term liabilities	17	6.608.813	5.129.135	24.927.783	18.050.451
<i>Other short term liabilities to third parties</i>		6.608.813	5.129.135	24.927.783	18.050.451
Subtotal		244.984.699	207.199.622	924.057.787	729.176.908
Liabilities directly associated with the assets held for sale	30	1.395.017	3.329.789	5.261.866	11.718.193
Total short term liabilities		246.379.717	210.529.410	929.319.653	740.895.101
Long term liabilities					
Long term loans and borrowings	6	26.859.377	45.715.600	101.310.884	160.882.339
Other payables		4.466.646	4.021.062	16.847.743	14.150.921
<i>Due to third parties</i>	8	4.466.646	4.021.062	16.847.743	14.150.921
Long term provisions		16.244.682	14.699.236	61.273.315	51.729.552
<i>Long term employee benefits</i>	16	15.862.871	14.699.236	59.833.164	51.729.552
<i>Other long term provisions</i>		381.811	-	1.440.151	-
Deferred tax liabilities	24	29.117.929	29.648.302	109.829.915	104.338.305
Total long term liabilities		76.688.634	94.084.200	289.261.857	331.101.117
Total liabilities		323.068.351	304.613.610	1.218.581.510	1.071.996.218
Shareholder's Equity					
Equity attributable to owners of the Company					
Share capital	18	338.543.168	327.951.621	1.276.950.976	1.154.127.343
Share premium		51.573.233	55.276.505	194.529.076	194.529.076
Other comprehensive income that is not or may be not reclassified to profit or loss		16.451.352	17.632.660	62.052.856	62.052.856
<i>Revaluation and Remeasurement Gain/(Loss)</i>		(2.346.850)	(1.872.503)	(8.852.082)	(6.589.713)
<i>Defined Benefit Plans Remeasurement Fund</i>		(2.346.850)	(1.872.503)	(8.852.082)	(6.589.713)
Other comprehensive income that is or may be reclassified to profit or loss		76.620.769	77.108.332	289.005.880	271.359.642
<i>Currency Translation Difference</i>		76.689.306	76.904.186	289.264.396	270.641.212
<i>Gain/Loss on Hedge</i>	18	3.084	280.911	11.635	988.581
<i>Cash Flow Hedge Gains/Loss</i>		3.084	280.911	11.635	988.581
<i>Revaluation and Reclassification Gain/(Loss)</i>	18	(71.621)	(76.765)	(270.151)	(270.151)
<i>Other Financial Assets Fair Value</i>		(71.621)	(76.765)	(270.151)	(270.151)
Restricted reserves	18	14.567.817	13.288.053	54.948.350	46.763.317
Retained earnings	18	137.905.253	125.861.379	520.164.823	442.931.364
Profit for the period	27	43.771.595	40.657.195	165.102.073	143.080.801
Total non-controlling interests		98.364.458	90.233.735	371.020.900	317.550.556
Total equity		436.907.626	418.185.355	1.647.971.876	1.471.677.899
Total equity and liabilities		759.975.977	722.798.965	2.866.553.386	2.543.674.117

^(*) USD amounts presented above have been translated from TL for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	1 January- 31 December 2017 USD ^(*)	1 January- 31 December 2016 USD ^(*)	Audited 1 January- 31 December 2017	Audited 1 January- 31 December 2016
PROFIT OR LOSS					
Revenue	19	681.296.605	632.321.117	2.485.165.623	1.908.345.131
Cost of sales	19,20	(558.073.899)	(500.931.421)	(2.035.686.160)	(1.511.811.029)
Gross profit		123.222.706	131.389.696	449.479.463	396.534.102
General and administrative expenses	20	(29.558.317)	(30.555.773)	(107.819.874)	(92.217.323)
Selling and marketing expenses	20	(27.388.330)	(26.518.074)	(99.904.410)	(80.031.547)
Research and development expenses	20	(1.511.307)	(1.240.619)	(5.512.793)	(3.744.189)
Other income from operating activities	21	41.803.610	79.364.634	152.487.030	239.522.465
Other expense from operating activities	21	(30.441.437)	(72.821.038)	(111.041.230)	(219.773.894)
Operating profit		76.126.925	79.618.825	277.688.186	240.289.614
Gains from investing activities	22	5.740.906	4.859.197	20.941.102	14.665.058
Losses from investing activities	22	(1.043.031)	(1.378.495)	(3.804.666)	(4.160.298)
Operating profit before finance costs		80.824.800	83.099.528	294.824.622	250.794.374
Finance income	23	1.581.978	–	5.770.580	–
Finance expense	23	(15.364.947)	(8.913.165)	(56.046.716)	(26.899.931)
Profit before tax from continuing operations		67.041.831	74.186.363	244.548.486	223.894.443
Tax (expense)/benefit from continuing operations		(9.822.301)	(12.070.657)	(35.828.809)	(36.429.242)
Current tax expense	24	(10.125.137)	(9.207.357)	(36.933.461)	(27.787.803)
Deferred tax benefit/(charge)	24	302.835	(2.863.300)	1.104.652	(8.641.439)
Profit for the year from continuing operations		57.219.529	62.115.706	208.719.677	187.465.201
Net profit/(loss) for the year from discontinued operations	30	960.425	(3.098.850)	3.503.342	(9.352.330)
Profit for the year		58.179.954	59.016.856	212.223.019	178.112.871
Profit/(Loss) Attributable to:					
- Non-Controlling Interests		12.917.988	11.607.710	47.120.946	35.032.070
- Owners of the Company		45.261.966	47.409.145	165.102.073	143.080.801
Earnings (Loss) per share;		2,33	2,44	8,49	7,36
Earnings/(losses) per share from continuing operations	25	2,30	2,60	8,40	7,84
Earnings/(losses) per share from discontinuing operations	25	0,02	(0,16)	0,09	(0,48)
Earnings/(losses) per diluted shares from operations	25	2,33	2,44	8,49	7,36

^(*) USD amounts presented above have been translated from TL for convenience purposes only, at the official USD average CBRT bid rates for the year ended 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Notes	1 January- 31 December 2017 USD (*)	1 January- 31 December 2016 USD (*)	Audited 1 January- 31 December 2017	Audited 1 January- 31 December 2016
Profit for the year	58.179.954	59.016.856	212.223.019	178.112.871
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Defined benefit plans remeasurement fund, net off tax	(620.218)	(14.253)	(2.262.369)	(43.017)
	(620.218)	(14.253)	(2.262.369)	(43.017)
Items that are or may be reclassified subsequently to profit or loss	12.959.080	55.205.881	47.270.838	166.611.349
Foreign currency translation differences, net off tax	13.226.906	58.039.491	48.247.784	175.163.185
Hedging reserve gains/(losses)	(334.800)	(3.542.147)	(1.221.249)	(10.690.199)
Tax (expense) related to other comprehensive income items	66.974	708.536	244.303	2.138.363
Deferred tax income 18	66.974	708.536	244.303	2.138.363
Total other comprehensive income	12.338.862	55.191.628	45.008.469	166.568.332
Total comprehensive income	70.518.817	114.208.483	257.231.488	344.681.203
Total comprehensive income attributable to:				
Non-controlling interests	21.039.435	27.625.019	76.745.546	83.372.308
Owners of the Company	49.479.382	86.583.464	180.485.942	261.308.895

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the official USD average CBRT bid rates for the year ended 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

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

			Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss	Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss		
	Share Capital	Share Premium	Revaluation and Remeasurement Gain/(Loss)	Currency Translation Differences	Gains/(Losses) on Hedging Reserve	Gains/(Losses) on Revaluation and Remeasurements
			Defined Plans Remeasurement Fund		Gains/(Losses) on Cash Flow Hedges	Gains/(Losses) on Other Revaluations
Balance at 01 January 2016	194.529.076	62.052.856	(6.546.696)	156.866.115	9.540.417	(270.151)
Transfer	-	-	-	-	-	-
Other Comprehensive Income	-	-	(43.017)	126.822.947	(8.551.836)	-
Dividend Paid ^(*)	-	-	-	-	-	-
Impact of liquidation of subsidiary ^(***)	-	-	-	(13.047.850)	-	-
Balance at 31 December 2016	194.529.076	62.052.856	(6.589.713)	270.641.212	988.581	(270.151)
Balance at 01 January 2017	194.529.076	62.052.856	(6.589.713)	270.641.212	988.581	(270.151)
Transfer	-	-	-	-	-	-
Other Comprehensive Income	-	-	(2.262.369)	18.623.184	(976.946)	-
Dividend Paid ^(**)	-	-	-	-	-	-
Balance at 31 December 2017	194.529.076	62.052.856	(8.852.082)	289.264.396	11.635	(270.151)

^(*) In accordance with the Ordinary General Assembly Meeting for 2015 of the Group held on 23 March 2016, the company distributed a dividend of 31.16% gross and 26.486% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 60.615.260 (gross TL per share 0.3116, net TL per share 0.26486). In accordance with the resolution, the dividend payment was made after 4 April 2016.

^(**) 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.

^(***) The Cumulative Translation Adjustment of TL 13.047.850, which is calculated in the consolidated financial statements on the basis of Interkordsa GmbH and kept under equity, is reclassified to the current year profit.

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

Retained Earnings					
Restricted reserves appropriate from profit	Prior Years Profit	Net Income for the Year	Equity Attributable to Owners of the Company	Non-Controlling Interests	Total Equity
30.757.308	420.301.726	99.250.907	966.481.558	249.537.096	1.216.018.654
16.006.009	83.244.898	(99.250.907)	-	-	-
-	-	143.080.801	261.308.895	83.372.308	344.681.203
-	(60.615.260)	-	(60.615.260)	(15.358.848)	(75.974.108)
-	-	-	(13.047.850)	-	(13.047.850)
46.763.317	442.931.364	143.080.801	1.154.127.343	317.550.556	1.471.677.899
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
-	(57.662.309)	-	(57.662.309)	(23.275.202)	(80.937.511)
54.948.350	519.164.823	165.102.073	1.276.950.976	371.020.900	1.647.971.876

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	1 January- 31 December 2017 USD ⁽¹⁾	1 January- 31 December 2016 USD ⁽¹⁾	Audited 1 January- 31 December 2017	Audited 1 January- 31 December 2016
A. CASH FLOWS FROM (USED IN)/OPERATING ACTIVITIES					
Profit for the period		50.242.422	90.011.247	183.269.281	271.653.943
Profit/(loss) for the period from continuing operations		58.179.954	59.016.856	212.223.019	178.112.871
Profit/(loss) from discontinuing operations		57.219.529	62.115.706	208.719.677	187.465.201
Adjustments to reconcile profit/(loss) for the period		960.425	(3.098.850)	3.503.342	(9.352.330)
Adjustments related to depreciation and amortisation	11,12	46.486.420	52.908.632	169.568.514	159.678.251
Adjustments related to provisions for (reversal) of impairment		28.275.710	26.278.732	103.141.306	79.309.214
Adjustments related to provision for (reversal) of doubtful receivables		(1.000.490)	3.825.442	(3.649.489)	11.545.184
Adjustments related to provision for (reversal) of inventory allowances	21	–	2.110.045	–	6.368.116
Adjustments related to provision for (reversal) of impairment of fixed assets	9	(1.000.490)	614.212	(3.649.489)	1.853.693
Adjustments related to provisions	11	–	1.101.185	–	3.323.375
Adjustments related to provision for (reversal) of employee retirement benefit provision		7.921.012	8.709.615	28.893.474	26.285.618
Adjustments related to provision for (reversal) of other provisions	16,26	7.944.985	8.773.085	28.980.921	26.326.272
Adjustments related to interest (income)/expense		(23.973)	(13.471)	(87.447)	(40.654)
Adjustments related to interest income	22	6.300.157	3.658.768	22.981.081	11.042.163
Adjustments related to interest expense	23	(662.699)	(1.305.710)	(2.417.327)	(3.940.634)
Adjustments related to unrealized finance expenses on credit purchases	21	8.619.265	5.907.617	31.440.493	17.829.187
Adjustments related to unrealized finance income on credit sales	21	(2.079.792)	1.410.810	7.586.459	4.257.826
Adjustments related to unrealized currency translation difference		(3.736.202)	(2.353.948)	(13.628.544)	(7.104.216)
Adjustments related to fair value changes		815.344	509.208	2.974.131	1.536.789
Adjustments related to fair value losses/(gains) of investment properties		(4.562.985)	(1.671.529)	(16.644.401)	(5.044.675)
Adjustments related to fair value losses/(gains) of derivatives	13	(2.950.547)	(1.702.698)	(10.762.712)	(5.138.742)
Adjustments related to (increase)/decrease in current year tax		(1.612.438)	31.169	(5.881.689)	94.067
Adjustments related to losses/(gains) disposal of non-current assets	24	9.822.301	12.070.656	35.828.809	36.429.241
Adjustments related to losses/(gains) disposal of tangible assets	22	(1.084.628)	(472.261)	(3.956.397)	(1.425.283)
Changes in working capital		(1.084.628)	(472.261)	(3.956.397)	(1.425.283)
Adjustments related to (increase)/decrease in trade receivables		(54.423.953)	(21.914.241)	(198.522.253)	(66.137.179)
Adjustments related to (increase)/decrease in other trade receivables		(30.937.223)	(28.482.074)	(112.649.708)	(85.958.900)
Adjustments related to (increase)/decrease in derivatives		(8.326.526)	(6.730.276)	(30.372.668)	(20.311.974)
Adjustments related to (increase)/decrease in inventories		(1.370.400)	3.757.168	(4.998.809)	11.339.134
Adjustments related to (increase)/decrease in prepaid expenses		(12.424.072)	(38.888.749)	(45.319.289)	(117.366.244)
Adjustments related to (increase)/decrease in trade payables		1.459.803	(4.865.893)	5.324.925	(14.685.266)
Adjustments related to (increase)/decrease in retirement pay and employee benefit obligation		11.978.900	39.520.152	43.695.433	119.271.820
Adjustments related to (increase)/decrease in other trade payables		1.750.311	3.100.815	6.384.610	9.358.259
Adjustments related to (increase)/decrease in deferred income		1.134.132	1.810.337	4.136.973	5.463.597
Adjustments related to other increase/(decrease) in working capital		67.637	2.178.148	246.719	6.573.651
Decrease/(Increase) in other assets from operating activities		(451.593)	1.615.301	(1.647.274)	4.874.978
Increase/(Decrease) in other liabilities from operating activities		(2.676.583)	1.933.433	(9.763.373)	5.835.101
Payments related to provision of employee benefits	16	2.224.991	(318.132)	8.116.099	(960.123)
Income tax returns/(payments)	24	(7.239.446)	(6.312.454)	(26.407.328)	(19.050.985)
Net cash flows related to discontinuing operations		(11.197.497)	(7.911.251)	(40.845.108)	(23.876.156)
		1.132.020	19.294.535	4.129.271	58.230.907
B. CASH FLOWS FROM INVESTING ACTIVITIES		(49.469.753)	(44.260.245)	(180.450.819)	(133.577.418)
Proceeds from sales of property, plant and equipment		3.520.733	1.422.771	12.842.578	4.293.923
Proceeds of sales of property, plant and equipment and intangible assets	11,12	(53.653.185)	(46.988.726)	(195.710.724)	(141.811.975)
Interest received	22	662.699	1.305.710	2.417.327	3.940.634
C. CASH FLOWS FROM FINANCING ACTIVITIES		(4.879.815)	(37.951.207)	(17.800.100)	(114.536.742)
Proceeds from borrowings		25.858.070	–	94.322.483	–
Cash outflows for repayment of borrowings		–	(6.785.806)	–	(20.479.561)
Cash inflows/(outflows) from factoring transactions		70.022	(84.024)	255.421	(253.583)
Dividend paid		(15.807.854)	(20.084.680)	(57.662.309)	(60.615.563)
Interest paid	22	(8.619.265)	(5.907.617)	(31.440.493)	(17.829.187)
Cash outflow for dividend paid to non-controlling interest and other cash outflows		(6.380.788)	(5.089.082)	(23.275.202)	(15.358.848)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION CONVERSION DIFFERENCES (A+B+C)		(4.107.146)	7.799.796	(14.981.638)	23.539.783
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES CASH AND CASH EQUIVALENTS		(2.202.737)	(909.486)	(8.034.925)	(2.744.829)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(6.309.884)	6.890.309	(23.016.563)	20.794.954
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		10.576.101	5.892.475	38.578.445	17.783.491
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		4.266.218	12.782.785	15.561.882	38.578.445

⁽¹⁾ USD amounts presented above have been translated from TL for convenience purposes only, at the official USD average CBRT bid rates for the year ended 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

(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 "Company") was established in 1973 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding") in İzmit district of Kocaeli city and is registered in Turkey. The Company operates under the Turkish Commercial Code.

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

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

Kordsa Global is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded in Borsa İstanbul ("BIST") since 1991. As of 31 December 2017, 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	Share Holding %	
	31 December 2017	31 December 2016
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 party that hold the control is Hacı Ömer Sabancı Holding A.Ş.

Average number of employees within the Group is 3.874 (31 December 2016: 3.782).

The address of the registered office is as follows:

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

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (cont'd)

Subsidiaries

In accordance with the operating country and segment reporting purpose, geographical divisions in which the subsidiaries that are consolidated in the consolidated financial statements as at 31 December 2017 and 31 December 2016 are as follows:

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 Brezilya 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 2016

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 Brezilya 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

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

(**) According to The Group's Board of Management decision numbered 2015/29 dated December 31 2015, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. and Interkordsa GmbH with 51% and 100% of rates respectively, would be classified as "Assets Held for sale" in the statement of financial position as of 31 December 2015. As at 16 November 2016, sale of Interkordsa GmbH which is amounted to EUR 3.750.000 has been completed as announced in Public Disclosure Platform.

Approval of the Financial Statements

These consolidated financial statements have been approved to be issued during the meeting of the Board of Directors held on 20 February 2018, and have been signed by the General Manager Ali ÇALIŞKAN and Chief Financial Officer Volkan ÖZKAN on behalf of the Board of Directors. The shareholders of the Group have the right to make changes in the consolidated financial statements after the aforementioned financial statements are issued, and they are subject to approval of the shareholders at the general assembly meeting of the Group.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

The accompanying 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") under Article 5 of the Communiqué.

Additionally, the accompanying consolidated financial statements and notes are presented in accordance with the illustrative financial statements published by CMB on 7 June 2013.

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.

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

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.

Comparative Information and Correction of the Financial Tables from Previous Periods

The Group's consolidated financial tables 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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

(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

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

Subsidiaries	Direct and indirect ownership interest by the Group and its subsidiaries (%)	Proportion of effective interest (%)
Nile Kordsa Company	51,00	51,00
Kordsa, Inc.	100,00	100,00
Kordsa Brazil 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.

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2016:

Subsidiaries	Direct and indirect ownership interest by the Group and its subsidiaries (%)	Proportion of effective interest (%)
Nile Kordsa Company	51,00	51,00
Kordsa, Inc.	100,00	100,00
Kordsa Brazil S.A.	97,31	97,31
PT Indo Kordsa Tbk	60,21	60,21
PT Indo Kordsa Polyester	99,97	60,20
Thai Indo Kordsa Co., Ltd	64,19	38,65

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

(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 from its involvement with the investee; and
- has the ability to use its power to affect the amount of the investor's returns.

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

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 give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- 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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

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

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

2.1 Basis of Presentation (continued)

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 TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

USD Amount Presented in the consolidated financial statements

USD amount shown in the consolidated statement of financial position prepared in accordance with TAS/TFRS has been translated from TL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 December 2017 of TL 3,7719= USD 1 and USD amount shown in the consolidated statement of profit or loss, consolidated statement of other comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, at the average USD bid rates calculated from the official daily bid rates announced by the CBRT for the year ended 31 December 2017 of TL 3,6477= USD 1 and do not form part of these consolidated financial statements.

2.2 Changes in Accounting Policies

Significant changes in the accounting principles and significant accounting errors should be applied retrospectively and prior period financial statements should be restated. There are no changes in the accounting policies of the Group in the current period.

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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

(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

a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements

None.

b) Standards and interpretations issued but not yet effective as of 31 December 2017

a) Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted; however the Group consolidated has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 15 Revenue from Contracts with Customers

The new standard published in September 2016 by POA replaces existing TFRS guidances and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. TFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has performed an initial assessment on these transactions and does not expect that there will be a significant impact on its consolidated financial statements resulting from the application of TFRS 15.

TFRS 9 Financial Instruments (version 2017)

TFRS 9 Financial Instruments, has been published by POA in January 2017, replaces the existing guidance in TAS 39 Financial Instruments: Recognition and Measurement. It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from TAS 39 to TFRS 9. The last version of TFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of TFRS 9. The Standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has performed an initial assessment on these financial assets and liabilities and does not expect that there will be a significant impact on its consolidated financial statements resulting from the application of TFRS 9.

TFRS Interpretation 22 - Foreign Currency Transactions and Advance Consideration

TFRS Interpretation 22 "Foreign Currency Transactions and Advance Consideration" has been published by POA in December 2017 to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This Interpretation is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that there will be a significant impact on its consolidated financial statements resulting from the application of TFRS Interpretation 22.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

(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)

b) Standards and interpretations issued but not yet effective as of 31 December 2017 (continued)

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

Amendments to TFRS 2 - Classification and Measurement of Share-based Payment Transactions

TFRS 2 Share-Based Payment has been amended by POA in December 2017, to improve consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 2. The Group does not expect that there will be a significant impact on its consolidated financial statements resulting from that amendments.

TAS 40 - Transfers of Investment Property

Amendments to TAS 40 - Transfers of Investment Property issued by POA in December 2017, have been made to clarify uncertainty about that provide evidence of transfer of/from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of consolidated financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that there will be a significant impact on its consolidated financial statements resulting from TAS 40.

Improvements to TFRSs

The POA issued Annual Improvements to TFRSs - 2014-2016 Cycle in December 2017. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs 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 2017 (cont'd)

(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)

b) Standards and interpretations issued but not yet effective as of 31 December 2017 (continued)

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

Annual Improvements to TFRSs 2014-2016 Cycle

TFRS 1 "First Time Adoption of International Financial Reporting Standards"

TFRS 1 is amended to the outdated short-term exemptions for first-time adopters are removed within the context of 'Annual Improvements to TFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

TAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with TFRS 9.

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 repayment features with negative compensation can now be measured at amortized 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 there will be a significant impact on its consolidated financial statements resulting from that amendments.

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

In 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 TFRS 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 there will be a significant impact on its consolidated financial statements resulting from that amendments.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

(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)

b) Standards and interpretations issued but not yet effective as of 31 December 2017 (continued)

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

The following standards, interpretations 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 TFRS by the POA, thus they do not constitute part of TFRS. 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 TFRS.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases - Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 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. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 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. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 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 IFRIC 23.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

(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)

b) Standards and interpretations issued but not yet effective as of 31 December 2017 (continued)

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

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.

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.

IFRS 17 -Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values - instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have an impact on its consolidated financial statements.

KORDSA TEKNIK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

(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

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

a) Revenue

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.

Other revenues earned by the Group are recognised on the following bases:

- Rent income - on accrual basis,
- Interest income - on an effective yield basis,
- Dividend income - when the Group's right to receive payment is established.

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 9). 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.

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

2.5 Summary of Significant Accounting Policies (continued)

c) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any (Note 11). 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 the average useful lives between the next-largest comprehensive maintenance are depreciated.

d) Intangible assets

Intangible assets include rights, software and other identifiable rights. Intangible assets are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over a period not exceeding 20 years (Note 12). 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.

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.

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

2.5 Summary of Significant Accounting Policies (continued)

d) Intangible assets (continued)

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

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

Derecognition of intangible assets

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

e) Impairment of 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.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2.5 Summary of Significant Accounting Policies (continued)

f) 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.

g) 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.

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

2.5 Summary of Significant Accounting Policies (continued)

g) Business combinations (continued)

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.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39, 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.

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

2.5 Summary of Significant Accounting Policies (continued)

h) Goodwill

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.

i) Cash and cash equivalents

Cash and cash equivalents are carried at cost in the statement of financial position. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is three months or less than three months (Note 4).

j) Trade receivables and provision for impairment

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Short-term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 7).

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

2.5 Summary of Significant Accounting Policies (continued)

k) 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.

l) 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 16).

l) 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.

m) Provision for employment termination benefits

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

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 16).

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

2.5 Summary of Significant Accounting Policies (continued)

n) Provision for post-employment benefits

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

In determining the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the Group attributes benefit on a straight-line basis from the date when service by the employee first leads to benefits under the plan until the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases (Note 16).

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) Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All financial assets are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associates with the investment. After initial recognition, financial assets that are classified as available-for-sale are measured at fair value unless fair value cannot be reliably measured.

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

2.5 Summary of Significant Accounting Policies (continued)

p) Available-for-sale financial assets (continued)

Other financial assets in which the Group has interest below 20%, that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost, if applicable, less any provision for impairment. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value.

In accordance with the revised TAS 39 "Financial Instruments", unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are deferred in the equity until the financial asset is sold, collected or otherwise disposed of. When available for sale financial assets are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement.

r) Impairment of financial assets

Financial assets, other than those valued by fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of equity instruments which are held for sale, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

In respect of equity securities which are held for sale, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in through equity.

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

2.5 Summary of Significant Accounting Policies (continued)

s) 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 hyperinflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders.

In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 18).

t) 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 24).

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

2.5 Summary of Significant Accounting Policies (continued)

t) Taxes on income (continued)

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.

u) 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.

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

2.5 Summary of Significant Accounting Policies (continued)

v) Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred.

y) Derivative financial instruments

The derivative financial instruments of the Group are comprised of forward transactions.

Derivative transactions - Cash Flow Hedges:

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

The Group does not use hedging for speculative reasons.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

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

2.5 Summary of Significant Accounting Policies (continued)

y) Derivative financial instruments (continued)

Derivative Transaction- Other

Derivative financial instruments are initially recognized at cost, which reflects their fair value at the date of contract, and are remeasured at fair value in subsequent periods. A financial instrument is classified in this group if it has been acquired for the purpose of being sold or repurchased at a later date. Derivative financial instruments are recognized as assets if the fair value is positive and as liabilities when the fair value is negative. The Group reflect for currency derivatives at fair value through profit or loss, forward foreign currency purchase and sale agreements and foreign currency swap and forward transactions.

Derivative Transaction Related Net Investment in Foreign Countries

The portion of net investments in subsidiaries and joint ventures operating in foreign countries determined to be effective or ineffectual from hedging is recognized directly in equity and the inactive portion is recognized in the income statement. Gains or losses on hedging instruments related to the effective portion of hedge accounting and recognized directly in equity are recognized in profit or loss during the hedge of the foreign operation.

z) Deferred financing costs

Deferred financing costs (primarily comprising legal and other costs incurred in relation to obtaining long-term bank borrowings from financial institutions) are amortised, using the effective interest method, over the remaining life of the long-term bank borrowings.

aa) 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(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)

aa) Related Parties (continued)

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

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration.

For the purpose of these consolidated financial statements, shareholders of Hacı Ömer Sabancı Holding A.Ş. Group Companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. The Group assigned its top management as board of directors, the president (CEO) and vice presidents, and the general managers of the subsidiaries (Note 26).

ab) 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 25).

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(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)

ac) 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.

ad) 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 18).

ae) 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 13).

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

2.5 Summary of Significant Accounting Policies (continued)

af) Segment reporting

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on three 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 3).

ag) Offsetting

Financial assets and liabilities are offset and the net amount 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.

ah) 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 that matters affecting the financial decisions of users of the financial statements.

ai) Comparatives and restatement of prior period financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. In terms of comparative information to conform to the presentation of the current period financial statements it is reclassified when necessary and important differences are explained.

Capital expenditures that is previously presented under prepaid expense amounting to TL 69,673,715 in the Group's consolidated financial statement as of 31 December 2016 have been reclassified to property, plant and equipment (Note 11).

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(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 Global 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 10,20% and the risk premium is 3,55%. The discount rates used are after tax and reflect specific risks relating to the company. As of 31 December 2017, 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 or revalued amounts 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.

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(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 (continued)

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.

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 deductible balance is limited to 30% of total taxable income for the related year. If future results of operations exceed the Group's current expectations, the existing unrecognized deferred tax assets may be recognized, resulting in future tax benefits.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

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

NOTE 3 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External revenue

	1 January- 31 December 2017	1 January- 31 December 2016
Europe, Middle East and Africa	921.988.719	687.485.682
North America	420.666.827	351.397.094
South America	337.489.909	286.914.514
Asia	805.020.168	582.547.841
	2.485.165.623	1.908.345.131

b) Segment assets

	31 December 2017	31 December 2016
Europe, Middle East and Africa	991.642.165	859.123.394
Asia	1.081.324.750	980.499.447
South America	294.717.558	286.690.211
North America	449.433.174	413.615.606
Segment assets	2.817.117.647	2.539.928.658
Unallocated assets	65.889.689	16.935.139
Less: Intersegment elimination	(16.453.950)	(13.189.680)
Total assets per consolidated financial statements	2.866.553.386	2.543.675.117

c) Segment liabilities

	31 December 2017	31 December 2016
Europe, Middle East and Africa	665.348.273	531.839.398
North America	76.365.121	81.773.878
South America	205.952.419	208.987.064
Asia	259.089.611	285.303.837
Segment liabilities (**)	1.206.755.424	1.107.904.177
Unallocated liabilities	79.696.201	108.340.757
Less: Intersegment elimination	(67.870.115)	(144.248.716)
Total liabilities per consolidated financial statements	1.218.581.510	1.071.996.218

(*) Segment assets comprised of mainly operating assets and exclude deferred income tax assets, time deposits and available for sale financial assets.

(**) Segment liabilities comprised mainly operating liabilities and exclude income tax liabilities, other financial liabilities and loans and borrowings.

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

NOTE 3 - SEGMENT REPORTING (continued)

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

	Europe, Middle East and Africa	North America	South America	Asia	Elimination ^(*)	Total
External Revenue	898.329.072	397.007.179	337.489.909	781.070.252	71.269.211	2.485.165.623
Intersegment revenue	51.400.592	71.196.371	497.207	55.556.084	(178.650.254)	—
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
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/ (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)
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 tax from discontinued 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

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NOTE 3 - SEGMENT REPORTING (continued)

e) Segment analysis for the period 1 January - 31 December 2016

	Europe, Middle East and Africa	North America	South America	Asia	Elimination ^(*)	Total
External Revenue	669.336.740	314.396.860	286.417.306	555.663.971	82.530.253	1.908.345.131
Intersegment revenue	51.400.592	71.196.371	497.207	55.556.084	(178.650.254)	—
Revenue	720.737.332	385.593.231	286.914.513	611.220.055	(96.120.001)	1.908.345.131
Segment operating expense	(583.147.993)	(375.920.952)	(269.361.773)	(506.571.075)	66.946.277	(1.668.055.517)
Segment operating results	137.589.339	9.672.279	17.552.740	104.648.980	(29.173.724)	240.289.614
Operating profit	137.589.339	9.672.279	17.552.740	104.648.980	(29.173.724)	240.289.614
Income/(Expense) from investing activities, net	3.433.812	779.739	2.596.688	4.757.470	(1.062.950)	10.504.759
Operating profit before financial expense	141.023.151	10.452.018	20.149.428	109.406.450	(30.236.674)	250.794.373
Finance Income/ (Expense), net	(464.820)	(146.228)	11.803.334	(10.473.634)	(27.618.582)	(26.899.930)
Net income before tax from continuing operations	140.558.331	10.305.790	31.952.762	9 8.932.816	(57.855.256)	2 23.894.443
Tax income/(expense), net	(1.185.119)	(4.530.877)	—	(27.623.497)	(3.089.748)	(36.429.241)
Net income for the period from continuing operations	139.373.212	5.774.913	31.952.762	71.309.319	(60.945.004)	187.465.202
Net income/(loss) after tax from discontinued operations	(9.352.330)	—	—	—	—	(9.352.330)
Profit for the period	130.020.882	5.774.913	31.952.762	71.309.319	(60.945.004)	178.112.872

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - SEGMENT REPORTING (continued)

f) Capital expenditure

	1 January- 31 December 2017	1 January- 31 December 2016
Europe, Middle East and Africa	89.522.723	109.220.441
North America	39.268.567	13.468.950
South America	8.951.559	8.909.547
Asia	57.967.875	16.255.861
	195.710.724	147.854.799

g) Depreciation and amortization expense

	1 January- 31 December 2017	1 January- 31 December 2016
Europe, Middle East and Africa	27.243.390	23.873.205
North America	25.624.821	17.902.365
South America	10.498.227	7.975.026
Asia	39.774.868	29.558.618
	103.141.306	79.309.214

h) Provision for doubtful receivables

	1 January- 31 December 2017	1 January- 31 December 2016
Europe, Middle East and Africa	–	6.155.178
North America	–	–
South America	–	212.938
Asia	–	–
	–	6.368.116

i) Provision for inventory obsolescence

	1 January- 31 December 2017	1 January- 31 December 2016
Europe, Middle East and Africa	–	89.297
North America	–	946.309
South America	–	135.212
Asia	298.518	1.499.882
	298.518	2.670.700

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NOTE 3 - SEGMENT REPORTING (continued)

j) Gain on fair value of investment properties

	1 January- 31 December 2017	1 January- 31 December 2016
Europe, Middle East and Africa	-	-
North America	-	-
South America	-	-
Asia	10.762.712	5.138.742
	10.762.712	5.138.742

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

a) External revenue

	1 January- 31 December 2017	1 January- 31 December 2016
Fabric	1.884.542.396	1.456.037.140
Nylon Yarn	508.104.326	366.828.997
Other	92.518.901	85.478.994
	2.485.165.623	1.908.345.131

b) Capital Expenditures

	1 January- 31 December 2017	1 January- 31 December 2016
Nylon Yarn	38.377.469	10.797.761
Polyester Yarn	26.244.119	6.933.257
Fabric	37.198.103	46.950.800
Other	93.891.033	83.172.981
	195.710.724	147.854.799

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Cash	24.119	29.034
Bank-demand deposits	15.534.585	38.546.732
Bank-time deposits	3.178	2.679
	15.561.882	38.578.445

Time deposits have less than 3-months maturity. Average annual interest rate for time deposits are 0,1% (2016: 0,1%) for US Dollar. Average annual interest rate for time deposits are 0,4% for THB.

The Company's related party balance related to cash and cash equivalents are disclosed in Note 26.

There is no restricted cash and cash equivalents of Group as at 31 December 2017 and 2016.

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NOTE 5 - FINANCIAL INVESTMENTS

	31 December 2017	31 December 2016
Common Stocks	411.103	386.091
	411.103	386.091

Detail of the common stocks are as follows:

	1 January-31 December 2017		1 January-31 December 2016	
	Percentage of shareholding %	Amount	Percentage of shareholding %	Amount
Investimentos Lei 8200	<0,01	134.619	<0,01	118.063
Desenbanco	<0,01	95.231	<0,01	83.518
Investivos Fiscais Finor	<0,01	8.715	<0,01	7.643
Other	–	172.538	–	176.867
		411.103		386.091

Movement schedule of financial assets for the years ended 31 December 2017 and 2016 is as follows:

	1 January-31 December 2017	1 January-31 December 2016
Balance at 1 January	386.091	290.589
Currency translation differences	25.012	95.502
Balance at 31 December	411.103	386.091

NOTE 6 - BORROWINGS

	31 December 2017	31 December 2016
Short-term borrowings	511.678.928	351.842.461
Short-term potion of long term borrowings	19.314.214	22.282.612
Total short-term financial liabilities	530.993.142	374.125.073
Long-term borrowings	101.310.884	160.882.339
Total long-term financial liabilities	101.310.884	160.882.339
Total financial liabilities	632.304.026	535.007.412

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 6 - BORROWINGS (continued)

The details of long and short term loans as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017		31 December 2016	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term borrowings				
TL borrowings	15,07	149.770.583	–	509.035
USD borrowings	3,60	107.872.165	3,28	40.977.154
EUR borrowings	1,24	249.030.996	0,87	300.600.124
Other borrowings ^(*)	9,40	5.005.184	10,25	9.756.148
		511.678.928		351.842.461
Short-term portion of long term borrowings				
USD borrowings	–	–	5,06	22.282.612
TL borrowings	15,07	19.314.214	–	–
		19.314.214		22.282.612
Total short-term borrowings		530.993.142		374.125.073
Long-term borrowings				
USD borrowings	5,01	87.485.680	5,06	96.612.195
EUR borrowings	–	–	3,10	60.619.766
Other borrowings ^(*)	10,50	13.825.204	10,50	3.650.378
Total long-term borrowings		101.310.884		160.882.339

^(*) Other borrowings are consist of credits whom currency is Indonesian Rupiah.

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NOTE 6 - BORROWINGS (continued)

	31 December 2017		31 December 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
USD borrowings	195.357.845	195.357.845	159.871.961	159.871.961
TL borrowings	149.770.583	149.770.583	509.035	509.035
EUR borrowings	268.345.210	268.345.210	361.219.890	361.219.890
Other borrowings (*)	18.830.388	18.830.388	13.406.526	13.406.526
	632.304.026	632.304.026	535.007.412	535.007.412

As of 31 December 2017 and 31 December 2016, the redemption schedules of borrowings are summarized below:

	31 December 2017	31 December 2016
1 to 2 years	23.066.077	83.024.271
2 to 3 years	25.968.014	19.615.337
3 to 4 years	25.968.082	19.615.340
4 to 5 years	24.513.134	35.991.060
Over 5 years	1.795.577	2.636.331
	101.310.884	160.882.339

As of 31 December 2017 and 2016, there is no commitment and contingencies given regarding to financial borrowings.

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NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

	31 December 2017	31 December 2016
Trade receivables		
Trade receivables	448.786.171	353.851.980
Cheques in the portfolio	11.492.896	5.996.891
Due from related parties (Not 26)	27.918.285	20.944.786
	488.197.352	380.793.657
Less: Provision for doubtful receivables	(1.729.330)	(7.741.753)
Less: Unearned credit finance income	(2.972.039)	(831.595)
	483.495.983	372.220.309

As of 31 December 2017, annual interest rates for discount of TL, USD and Euro trade receivables and payables are 13,10%, 3,10% and 2,00% respectively (2016: 8,49%, 3,00% and 1,20%). The average maturities of the trade receivables as of 31 December 2017 are up to 2.5 months and average duration of trade payables is 60 days (31 December 2016: 3 months, 45 days).

As of 31 December 2017, trade receivables amounting to TL 25.912.658 (2016: TL 32.360.455) were past due but not impaired. The aging of these receivables as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Up to 1 month	21.646.141	26.558.888
1 to 3 months	2.902.520	3.935.496
3 to 12 months	1.363.997	1.866.071
Balance at 31 December	25.912.658	32.360.455

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NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES (continued)

As of 31 December 2017, trade receivables amounting to TL 1,729,330 (2016: TL 7,741,753) have passed and the provision for doubtful receivables has been set aside. As of 31 December 2017 and 31 December 2016, the aging schedule of the related receivables is as follows:

	31 December 2017	31 December 2016
Up to 1 month	–	214.671
1 to 3 months	–	–
3 to 12 months	–	599.596
1 to 5 years	1.729.330	6.927.486
Balance at 31 December	1.729.330	7.741.753

Movement schedules of provision for doubtful receivables as of 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Balance at 1 January	7.741.753	1.363.347
Additions (Note 21)	–	6.368.116
Collections	(6.065.550)	(63.597)
Currency translation differences	53.127	73.887
Balance at 31 December	1.729.330	7.741.753

	31 December 2017	31 December 2016
Trade payables		
Trade payables	306.628.347	277.871.096
Due to related parties (Note 26)	7.941.709	6.473.265
	314.570.056	284.344.361
Less: Unrealised credit finance expense on purchases	(268.036)	(109.230)
	314.302.020	284.235.131

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NOTE 8 - OTHER RECEIVABLES AND OTHER PAYABLES

Other short-term receivables	31 December 2017	31 December 2016
Taxes and other duties (*)	3.774.344	7.255.050
Other	1.708.451	4.135.386
	5.482.795	11.390.436
Other long-term receivables	31 December 2017	31 December 2016
Litigation guarantee receivables (**)	18.504.697	17.635.021
Other	12.098.919	2.743.702
	30.603.616	20.378.723
<p>(*) Prepaid taxes and other withholding taxes mainly comprise the social security premiums and other tax receivables of Kordsa Brazil which are over paid in excess in previous periods and the Company has the right to recollect from the Federal Bureau of Taxation.</p> <p>(**) The amount comprised of guarantees paid to courts by Kordsa Brazil.</p>		
Other short-term payables	31 December 2017	31 December 2016
Taxes and duties payable	11.413.077	11.514.964
Other	370.530	1.919.735
	11.783.607	13.434.699
Other long-term payables	31 December 2017	31 December 2016
Taxes and duties payable (***)	16.847.743	14.150.921
	16.847.743	14.150.921

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

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NOTE 9 - INVENTORIES

	31 December 2017	31 December 2016
Finished Goods	270.182.186	270.269.888
Raw Materials and suppliers	169.206.630	132.633.052
Semi-finished goods	75.654.875	75.153.889
Spare parts	29.767.670	29.630.796
Intermediate goods	17.128.458	11.318.029
Other inventories	37.185.723	34.800.599
	599.125.542	553.806.253
Less: Provision for obsolescence	(13.824.690)	(16.422.586)
	585.300.852	537.383.667

The allocation of the impairment of inventories for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Finished goods	4.631.321	8.514.774
Spare parts	8.619.344	7.568.911
Semi-finished and intermediate goods	210.397	198.119
Raw materials and suppliers	363.630	140.782
Balance at 31 December	13.824.692	16.422.586

Movement schedules for impairment of inventories for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Balance at 1 January	16.422.586	11.715.477
Additions	298.518	2.670.700
Reversals	(3.948.007)	(817.008)
Currency translation differences	1.051.593	2.853.417
Balance at 31 December	13.824.690	16.422.586

The amount of provision for impairment of inventory classified to cost of goods sold for the year 2017 is TL 3.649.489 (2016: TL 1.853.692).

The cost of inventories recognised as expense and included in cost of sales amounted to TL 1.145.002.585 for the period 1 January - 31 December 2017 (2016: TL 805.796.532).

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NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses	31 December 2017	31 December 2016
Advances given	3.504.917	2.417.070
Prepaid expenses	3.714.031	3.683.698
Deposits and guarantees	12.329.918	13.211.184
	19.548.866	19.311.952
Long-term prepaid expenses	31 December 2017	31 December 2016
Prepaid rent expenses	-	1.175.574
Advances given	-	1.773.891
Other prepaid expenses	2.048.075	3.844.341
	2.048.075	6.793.806
Deferred revenue	31 December 2017	31 December 2016
Deferred revenue ^(*)	7.195.555	6.948.837
	7.195.555	6.948.837

^(*) Deferred revenue comprised of advances taken from customers.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended 31 December 2017 is as follows:

	1 January 2017	Additions	Disposals	Provision for Impairment	Transfers ^(*)	Currency translation 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	2.175.261.049
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

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (continued)

The movement of property, plant and equipment for the year ended 31 December 2016 is as follows:

	1 January 2016	Additions ^(*)	Disposals	Provision for Impairment	Transfers ^(*)	Currency translation differences	31 December 2016
Cost:							
Land and land improvements	67.742.656	–	(232.898)	–	–	6.099.431	73.609.189
Buildings	312.608.157	69.830.785	–	–	1.010.429	39.144.477	422.593.848
Machinery and equipment	1.688.749.258	18.443.144	(11.388.853)	(3.323.375)	36.658.945	260.315.149	1.989.454.268
Motor vehicles	3.554.077	–	(832.007)	–	–	646.176	3.368.246
Furniture and fixtures	53.754.289	231.241	(578.910)	–	3.069.996	11.228.349	67.704.965
Construction in progress	81.741.753	128.345.561	–	–	(106.238.238)	6.730.763	110.579.839
	2.208.150.190	216.850.731	(13.032.668)	(3.323.375)	(65.498.868)	324.164.345	2.667.310.355
Accumulated depreciation:							
Land and land improvements	27.713.224	668.180	–	–	–	2.889.416	31.270.820
Buildings	174.611.578	6.591.912	–	–	–	18.207.237	199.410.727
Machinery and equipment	918.092.164	61.640.543	(8.785.434)	–	–	126.727.429	1.097.674.702
Motor vehicles	2.717.971	361.647	(810.183)	–	–	595.812	2.865.247
Furniture and fixtures	39.912.950	3.511.690	(563.172)	–	–	7.721.250	50.582.718
	1.163.047.887	72.773.972	(10.158.789)	–	–	156.141.144	1.381.804.214
Net book value	1.045.102.303						1.285.506.141

^(*) In accordance with the land allotment and lease agreements made between Group and Teknopark İstanbul A.Ş. for the land and buildings on the land of Composite Technologies Center of Excellence will be given back as complete and free of charge to Teknopark İstanbul A.Ş.; Group is responsible to transfer within free and clear of debt, commitment and any kind of restrictions following 17-years end of the contract as stated in the contract, additionally Group may continue to remain a lessee if applies 3 months before the end of the contract and continues to carry out the requirements of the regulations conditions. In the context of contract, investment expenditures amounting to TL 69.673.715 has been stated as long-term prepaid expenses in the consolidated financial statements as of 31 December 2016, has been reclassified to buildings from long-term prepaid expenses.

TL 89.879.949 (2016: TL 69.790.173) of current period depreciation and amortisation expenses are included in cost of sales, TL 2.580.655 (2016: 210.093 TL) is included in research and development expenses and TL 10.680.702 (2016: TL 9.308.948) is included in general administrative expenses.

As of 31 December 2017, there are mortgages on property, plant and equipment amounting to TL 15.934.998 (2016: TL 26.438.695).

As of 31 December 2017, the capitalized borrowing cost is amounting TL 8.893.614.

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2017	Addition	Disposals	Transfers ⁽¹⁾	Impairment	Currency translation 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 expenses	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

⁽¹⁾ The amount is comprised of transfers from property, plant and equipment.

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NOTE 12 - INTANGIBLE ASSETS (continued)

	1 January 2016	Addition	Disposals	Impairment	Transfers	Currency translation differences	31 December 2016
Cost:							
Rights	20.710.031	–	(123.188)	–	1.303.135	(212)	21.889.766
Technology licences	18.200.019	–	–	–	–	2.242.484	20.442.503
Capitalized development costs	12.737.753	–	–	–	–	–	12.737.753
Computer software	20.032.384	540.069	–	–	1.941.154	3.681.124	26.194.731
Customer relationships	659.479	–	–	–	–	–	654.479
Other intangible assets	4.077.691	137.714	(5.238)	–	–	–	4.210.167
	76.417.357	677.783	(128.426)	–	3.244.289	5.923.396	86.134.399
Accumulated Depreciation							
Rights	6.264.332	842.115	(35.153)	–	–	–	7.071.294
Technology licences	15.806.933	–	–	–	–	1.619.147	17.426.080
Capitalized development costs	6.005.427	612.945	–	–	–	–	6.618.372
Computer software	14.119.500	4.217.943	–	–	–	2.740.204	21.077.647
Other intangible assets	2.521.760	862.239	–	–	–	(5.238)	3.378.761
	44.717.952	6.535.242	(35.153)	–	–	4.354.113	55.572.154
Net book value	31.699.405						30.562.245

NOTE 13 - INVESTMENT PROPERTY

	31 December 2017	31 December 2016
Balance at the beginning of the year	40.123.712	28.190.849
Gain/(loss) from fair value adjustments ^(*)	10.762.712	5.138.742
Currency translation differences	(3.845.252)	6.794.121
Balance at 31 December	47.041.172	40.123.712

^(*) As of 31 December 2017 and 2016 the fair value of the Group's investment property in PT Indo Kordsa Company in Asia Pacific Region has been determined 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 of 31 December 2017, 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.

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NOTE 14 - GOODWILL

The goodwill with an amount of TL 45.595.167 (2016: TL 45.595.167) net book value as of 31 December 2017 consisted of TL 42.570.007 (2015: 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, and TL 3.025.160 (2016: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006.

In Note 2.6 details of assessment for the impairment of goodwill is defined. There is no change in the book value of the goodwill, which is TL 45.595.167 for the period ended as of 31 December 2017 and 2016.

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 2016: +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 15 - 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 2017	31 December 2016
Pledges given to banks	241.623.300	225.433.754
Letter of guarantees	41.682.024	21.197.037
Letter of credits	52.028.106	4.374.489
Commitments	1.137.483	892.614
	336.470.913	251.897.894

b) Guarantees received

	31 December 2017	31 December 2016
Letter of guarantees	24.178.284	8.300.295
Cheques and notes received as collateral	913.067	752.455
	25.091.351	9.052.750

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NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (continued)

c) Guarantees, Pledges and Mortgages given by the Group ("GPM")

31 December 2017	TL Equivalent	TL	USD	EUR	Thai Baht	Other TL Equivalent
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 amount of other GPM	–	–	–	–	–	–
i. Total amount of GPM given behalf of the majority shareholders	–	–	–	–	–	–
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	–	–	–	–	–	–
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	–	–	–	–	–	–
	336.470.913	8.410.708	74.253.052	10.369.738	10.055.500	–

31 December 2016	TL Equivalent	TL	USD	EUR	Thai Baht	Other TL Equivalent
A. Total amount of GPMs given in the name of its own legal personality	251.897.894	13.693.814	65.295.692	2.022.486	9.288.136	–
B. Total amount of GPMs given behalf of subsidiaries consolidated in full	5.500.510	–	1.563.000	–	–	–
C. GPM given for continuation of its economic activities on behalf of third parties	–	–	–	–	–	–
D. Total amount of other GPM	–	–	–	–	–	–
i. Total amount of GPM given behalf of the majority shareholders	–	–	–	–	–	–
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	–	–	–	–	–	–
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	–	–	–	–	–	–
	257.398.404	13.693.814	66.858.692	2.022.486	9.288.136	–

(*) Group equity ratio to other CPM given by the group is 0% as of 31 December 2017 (31 December 2016: 0%).

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NOTE 16 - EMPLOYEE BENEFITS

Short-term provisions for employee benefits	31 December 2017	31 December 2016
Provision for unused vacation	9.468.393	9.361.820
Provision for bonus accrual	10.894.966	11.900.025
Provision for capital contribution plan (*)	3.249.380	1.920.252
	23.612.739	23.182.097

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

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

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

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	9.361.820	7.011.890
Increasing during the year	7.895.006	6.203.566
Decrease during the year	(6.266.737)	(3.684.003)
Currency translation differences	(1.521.696)	(169.633)
Balances as of December 31	9.468.393	9.361.820

Long-term provisions for employee benefits	31 December 2017	31 December 2016
Provision for employment termination benefits (*)	38.353.012	35.875.121
Accruals for employee retirement benefit plans (**)	21.480.152	15.854.431
	59.833.164	51.729.552

(*) 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 2017 the amount payable consists of one month's salary limited to a maximum of TL 4.732,48 (31 December 2016: TL 4.426,16) for each year of service.

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NOTE 16 - 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:

	2017	2016
Discount rate (%)	3,70	3,00
The probability of retirement (%)	97,96	98,04

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 5.001,76 (1 January 2017: TL 4.426,16), which is effective from 1 January 2018, 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 - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	35.875.121	31.324.409
Increasing during the year	3.779.341	7.298.055
Payment during the year	(3.563.819)	(2.790.360)
Actuarial gain	2.262.369	43.017
Balance at 31 December	38.353.012	35.875.121

(**) 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.

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NOTE 16 - EMPLOYEE BENEFITS (continued)

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.

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

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	15.854.431	12.094.097
Addition during the year	4.149.239	881.609
Payment during the year	(335.445)	(29.838)
Currency translation differences	1.811.927	2.908.563
Balance at 31 December	21.480.152	15.854.431
Employee benefit obligations	31 December 2017	31 December 2016
Wage accruals	1.799.111	1.453.971
Due to personnel	9.395.770	3.786.942
	11.194.881	5.240.913

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NOTE 17 - OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2017	31 December 2016
Deductible VAT	30.362.936	19.952.628
Deferred VAT	25.525.125	17.686.694
Prepaid taxes and funds	1.552.757	4.559.329
Advances given to personnel	732.569	645.122
Other	6.848.859	298.770
	65.022.246	43.142.543
Other non-current assets	31 December 2017	31 December 2016
Long-term spare parts	41.269.024	33.854.912
Long-term deposits	402.271	107.650
	41.671.295	33.962.562
Other current liabilities	31 December 2017	31 December 2016
Other tax accruals ^(**)	8.187.984	4.181.970
Expense accruals	7.893.452	7.183.168
Sales discounts and commission accruals ^(*)	5.862.615	5.764.210
Other personnel expense accruals	440.558	643.310
Other	2.543.174	277.793
	24.927.783	18.050.451

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

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

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NOTE 18 - 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 (2016: 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 2017 and 2016 are as follows:

	2017	Ownership interest %	2016	Ownership interest %
Hacı Ömer Sabancı Holding A.Ş.	138.327.614	71,11	138.327.614	71.11
Other	56.201.462	28,89	56.201.462	28,89
	194.529.076	100,00	194.529.076	100,00

Revaluation and hedging reserves

	31 December 2017	31 December 2016
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	11.635	988.581
	(258.516)	718.430

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 heading of hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.

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NOTE 18 - EQUITY (continued)

Movements of Hedging Reserve:

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	988.581	9.540.417
Increases/decreases	(11.209.982)	1.131.529
Income tax related to gains/losses recognized in other comprehensive income	244.303	2.138.363
Amounts reclassified to profit or loss	9.988.733	(11.821.728)
Balance at 31 December	11.635	988.581

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 57.736 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

As at 31 December 2017 restricted reserves comprised of legal reserves amounting to TL 54.948.350 (31 December 2016: TL 46.763.317).

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.

Dividend Payments

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

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NOTE 19 - SALES AND COST OF SALES

	1 January- 31 December 2017	1 January- 31 December 2016
Sales income (gross)	2.522.184.022	1.940.155.133
Sales returns (-)	(4.302.979)	(9.072.674)
Sales discounts (-)	(13.442.175)	(17.271.929)
Other sales discounts (-)	(19.273.245)	(5.465.399)
Sales income (net)	2.485.165.623	1.908.345.131
Cost of sales (-)	(2.035.686.160)	(1.511.811.029)
Gross Profit	449.479.463	396.534.102

NOTE 20 - EXPENSES BY NATURE

	1 January- 31 December 2017	1 January- 31 December 2016
Raw materials and consumables used	1.145.002.585	805.796.562
Personnel expenses	360.518.754	292.597.006
Energy expenses	216.890.541	176.506.939
Depreciation and amortization expenses	103.141.306	79.309.214
Distribution expenses	60.093.541	44.061.906
Packaging expenses	48.924.624	40.197.852
Consultancy expenses	23.171.439	14.492.139
Idle mill expenses	16.622.954	11.622.180
Maintenance expenses	3.016.513	2.648.352
Rent expenses	3.061.056	2.375.154
Other	268.479.924	218.196.784
	2.248.923.237	1.687.804.088

NOTE 21 - OTHER OPERATING INCOME AND EXPENSES

	1 January- 31 December 2017	1 January- 31 December 2016
Other operating income		
Foreign exchange gains/losses on trade receivables	101.903.702	204.571.399
Domestic production incentive income ^(*)	23.659.648	20.080.168
Unearned finance income on credit sales	13.628.544	7.104.216
Rent income	1.296.135	188.842
Export incentive income	578.116	420.331
Income from insurance claims	–	35.480
Other	11.420.885	7.122.029
	152.487.030	239.522.465

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

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NOTE 21 - OTHER OPERATING INCOME AND EXPENSES (continued)

	1 January- 31 December 2017	1 January- 31 December 2016
Other operating expenses		
Foreign exchange gains/losses on trade payables (net)	77.614.821	176.259.340
Donations	12.371.425	8.530.363
Unrealized finance expense on credit purchases	7.586.459	4.257.826
Taxes and duties	6.994.685	9.826.034
Expenses of the customer damages	44.419	811.309
Provision expenses for doubtful receivables (Note 7)	–	6.368.116
Property, plant and equipment impairment loss	–	3.323.375
Other	6.429.421	10.397.531
	111.041.230	219.773.894

NOTE 22 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January- 31 December 2017	1 January- 31 December 2016
Gains from investing activities		
Gain from fair value of investment properties	10.762.712	5.138.742
Gain on sale of property, plant and equipment ^(*)	7.761.063	5.585.681
Interest income	2.417.327	3.940.635
	20.941.102	14.665.058

	1 January- 31 December 2017	1 January- 31 December 2016
Losses from investing activities		
Loss on sale of property, plant and equipment ^(**)	3.804.666	4.160.298
	3.804.666	4.160.298

^(*) Gain on sale of property, plant and equipment comprised of the gain on sale of the Group's land located in İzmit that was not utilised for production as at 31 December 2017.

^(**) Loss on sale of property, plant and equipment comprises of loss on sale of the Group's machinery and equipment located in Kordsa İzmit and Brazil facilities that was not utilised for production as at 31 December 2017 and 2016.

NOTE 23 - FINANCIAL INCOME/EXPENSES

	1 January- 31 December 2017	1 January- 31 December 2016
Financial income		
Gain on derivative instruments	5.770.580	–
	5.770.580	–

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NOTE 23 - FINANCIAL INCOME/EXPENSES (continued)

Financial expense	1 January- 31 December 2017	1 January- 31 December 2016
Interest expenses	31.440.493	17.829.187
Foreign exchange losses	20.623.659	6.577.539
Losses on derivative instruments	2.342.323	1.543.993
Other financial expenses	1.640.241	949.212
	56.046.716	26.899.931

NOTE 24 - TAXATION ON INCOME

Corporate Tax

	31 December 2017	31 December 2016
Corporate tax payable	18.909.161	27.787.803
Less: Prepaid taxes (*)	(24.393.155)	(23.876.156)
	(5.483.994)	3.911.647

(*) As of 31 December 2017, the Prepaid Corporate Tax exceeding the Corporate Taxes Payable amounting to TL 5.483.994 has been accounted for under Assets Related to Current Tax account.

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax rate for tax accrual on taxable income is applied to the taxable profit which is calculated by adding non-deductible expenses and deducting certain exemptions that take place in tax laws (carryforward losses and if utilized exemptions for investment incentives).

In Turkey, corporate tax rate is 20% as of 31 December 2017 (2016: 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 20% (2016: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2017. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

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NOTE 24 - TAXATION ON INCOME (continued)

Corporate Tax (continued)

The taxes on income reflected to consolidated income statements for the years ended 31 December 2017 and 2016 are summarized as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Current period corporate tax expense	(36.933.461)	(27.787.803)
Deferred tax income/(expense)	1.104.652	(8.641.439)
	(35.828.809)	(36.429.242)

The reconciliation of tax on the consolidated profit or loss tables for the years ended 31 December 2017 and 2016 is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Profit before tax in the consolidated financial statements	244.548.486	223.894.443
Tax charge according to parent company's tax rate 20%	48.909.697	44.778.889
Tax rate differences of subsidiaries	(5.490.881)	(5.164.036)
Expected tax charge of the Group	43.418.816	39.614.853
Disallowable expenses	57.839	1.984.170
Other exempt income	(29.648)	(1.705.767)
Exemption of real estate sales	(500.141)	(157.162)
Lump-sum expense provision	(538.061)	(558.793)
Research and development incentive allowance	(3.062.226)	(2.675.755)
Consolidation eliminations without deferred tax effect	(3.517.770)	(72.304)
Current period tax expense	35.828.809	36.429.242

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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NOTE 24 - 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 2017	31 December 2016
Turkey	20%	20%
Egypt	30%	30%
United States of America	25%	35%
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 2017 and 31 December 2016 using the enacted tax rates are as follows:

	Cumulative temporary difference		Deferred tax assets/(liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Provision for employment termination benefits	68.397.518	59.489.466	15.948.789	13.078.606
Inventories	5.744.295	15.419.861	1.149.694	4.473.861
Doubtful receivable provision	–	820.160	–	309.529
Consignment sales adjustment	5.565.019	4.350.419	1.224.304	870.084
Finance income	1.807.636	466.935	397.680	93.387
Other, net	83.699.357	52.631.674	19.695.313	16.397.708
Deferred tax assets			38.415.780	35.223.175
Property, plant and equipment	249.348.549	231.375.290	(81.679.888)	(88.692.405)
Other, net	139.746.303	78.229.501	(28.150.027)	(15.645.900)
Deferred tax liabilities			(109.829.915)	(104.338.305)
Net deferred tax liabilities			(71.414.135)	(69.115.130)

Deferred Taxes

	1 January- 31 December 2017	1 January- 31 December 2016
Balance at 1 January	(69.115.130)	(54.339.109)
Current year deferred tax income - net	1.104.652	(8.641.438)
Charges to equity	157.893	2.138.363
Currency translation differences	(3.561.550)	(8.272.946)
Balance at 31 December	(71.414.135)	(69.115.130)

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NOTE 25 - 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 2017	1 January- 31 December 2016
Net income attributable to equity holders of the parent	165.102.073	143.080.801
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	8,49	7,36
Earning per share from continuing operations		
Net income attributable to equity holders of the parent	163.315.369	152.433.131
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	8,40	7,84
Earning per share from discontinuing operations		
Net income/(loss) attributable to equity holders of the parent	1.786.704	(9.352.330)
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	0,09	(0,48)

Nominal values of ordinary shares for the years ended 31 December 2017 and 2016 are assumed to be Kr 1 each.

NOTE 26 - RELATED PARTY DISCLOSURES

Bank balances:	31 December 2017	31 December 2016
Akbank T.A.Ş. - demand deposits	1.316.653	96.253
	1.316.653	96.253
	31 December 2017	31 December 2016
Akbank T.A.Ş. - bank borrowings	142.989.264	60.619.766
	142.989.264	60.619.766
Derivative instruments:	31 December 2017	31 December 2016
Akbank T.A.Ş.	5.482.795	—
	5.482.795	—

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NOTE 26 - RELATED PARTY DISCLOSURES (continued)

Due from related party:	31 December 2017	31 December 2016
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	26.716.953	20.291.969
Akçansa	827.263	–
Enerjisa Enerji Üretim A.Ş.	173.735	61.092
Sabancı Üniversitesi	99.427	488.403
Other	100.907	103.322
	27.918.285	20.944.786
Due to related party:	31 December 2017	31 December 2016
Enerjisa Enerji Üretim A.Ş.	4.569.248	3.883.122
Sabancı Üniversitesi	1.891.031	–
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	1.219.629	718.024
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	67.211	42.831
Enerji Doğalgaz Toptan Satış A.Ş.	–	1.758.105
Teknosa İç ve Dış Ticaret A.Ş.	156.947	–
Other	37.643	71.183
	7.941.709	6.473.265
Product sales:	1 January- 31 December 2017	1 January- 31 December 2016
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	76.117.789	58.047.251
Other	1.167.784	–
	77.285.573	58.047.251
Service sales:	1 January- 31 December 2017	1 January- 31 December 2016
Enerjisa Enerji Üretim A.Ş.	606.880	198
Hacı Ömer Sabancı Holding A.Ş.	9.281	70.458
	616.161	70.656

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

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NOTE 26 - RELATED PARTY DISCLOSURES (continued)

	1 January- 31 December 2017	1 January- 31 December 2016
Product purchase:		
Enerjisa Enerji Üretim A.Ş.	46.570.658	41.868.673
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	379.777	28.537
Sabancı Üniversitesi	39.910	–
Enerjisa Doğalgaz Toptan Satış A.Ş.	–	15.443.599
	46.990.345	57.340.809
Service received:		
Aksigorta	6.386.927	3.293.270
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	4.194.028	4.742.526
AvivaSA Emeklilik ve Hayat A.Ş.	411.773	453.786
Other	132.648	564.985
	11.125.376	9.054.567
Property, plant and equipment purchases:		
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	445.149	357.578
Sabancı Üniversitesi	133.066	–
Teknosa İç Ve Dış Tic. A.Ş.	–	17.723
Other	6.908	3.517
	585.063	378.818
Interest income:		
Akbank T.A.Ş.	778.614	224.098
	778.614	224.098
Interest expense:		
Akbank T.A.Ş.	6.717.739	3.160.104
	6.717.739	3.160.104

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NOTE 26 - RELATED PARTY DISCLOSURES (continued)

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange gain/(losses), net		
Akbank T.A.Ş.	5.457	1.481.024
	5.457	1.481.024
Rent expense	1 January- 31 December 2017	1 January- 31 December 2016
Sabancı Holding	–	183.606
	–	183.606
Rent income	1 January- 31 December 2017	1 January- 31 December 2016
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	65.687	65.600
Other	–	25.157
	65.687	90.757
Donations	1 January- 31 December 2017	1 January- 31 December 2016
Sabancı Üniversitesi	12.252.120	7.499.280
	12.252.120	7.499.280

Transactions with key management personnel:

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

Details of the remunerations provided by the Group for 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Short-term employee benefits	14.880.828	12.084.032
Employee termination benefits due to remunerations	–	354.053
Post-employment benefits	477.009	356.472
	15.357.837	12.794.557

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NOTE 26 - RELATED PARTY DISCLOSURES (continued)

Security and guarantee letters given:

31 December 2017

None.

31 December 2016

Related parties	Amount	Currency	Detail	Bank
Kordsa Brazil	1.563.000	US Dollar	Loan Guarantee	IFC

NOTE 27 - 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	Non-controlling interest %	31 December 2017		
		Net profit/loss attributable to non-controlling interest	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	

Subsidiaries	Non-controlling interest %	31 December 2016		
		Net profit/loss attributable to non-controlling interest	Profit/(loss) allocated to non-controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk ^(*)	39,79%	40.575.498	309.527.602	15.358.848
Other		(5.543.428)	8.022.954	
Total		35.032.070	317.550.556	

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

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NOTE 27 - INTERESTS IN OTHER ENTITIES (continued)

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 2017	31 December 2016
Cash and cash equivalents	12.656.926	34.484.144
Other current assets	356.058.791	304.410.604
Non-current assets	743.568.836	671.070.440
Total assets	1.112.284.553	1.009.965.188
Short-term borrowings	23.159.891	43.002.199
Other short-term liabilities	114.473.522	131.771.556
Long-term borrowings	101.309.879	100.261.830
Other long-term liabilities	62.523.359	52.641.278
Total liabilities	301.466.651	327.676.863
Total equity	810.817.902	682.288.325
Total equity attributable to owners of the Company	740.919.682	619.101.018
Non-controlling interest ^(*)	69.898.220	63.187.307

Summary statement of profit and loss:

	PT Indo Kordsa Tbk	
	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	860.285.984	631.302.161
Cost of sales	(642.457.930)	(470.649.823)
Depreciation and amortization expense	(38.519.832)	(14.082.615)
Operating income	140.679.356	112.554.578
Finance income/(expense), net	(8.660.123)	(10.580.469)
Profit before tax	132.019.233	101.974.109
Tax expenses	(36.636.140)	(30.008.423)
Non-controlling interests ^(*)	(44.842.494)	(34.153.368)
Net period income	50.540.599	37.812.319

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

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk management

Financial risk factors

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

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

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

(a) Liquidity risk

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

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

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2017 and 2016 is as follows:

Non-derivative financial liabilities ⁽¹⁾⁽²⁾:

31 December 2017	Carrying value	Contractual cash flow	Less than 3 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	–	–	–
Other payables	370.530	15.499.146	15.499.146	–	–	–
	945.067.628	1.059.056.814	681.453.811	165.818.406	211.784.597	–
31 December 2016	Carrying value	Contractual cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	535.007.412	596.196.264	96.539.194	321.348.370	178.308.700	–
Trade payables	284.235.131	284.872.021	281.356.144	3.515.877	–	–
Other payables	1.919.735	10.672.596	9.388.488	1.284.108	–	–
	821.162.278	891.740.881	387.283.826	326.148.355	178.308.700	–

⁽¹⁾ Maturity analyses have been applied solely to financial instruments and exclude legal liabilities.

⁽²⁾ The aforementioned cash flows are contractual and non-discounted amounts. Since the discount amounts for the balances with a maturity of less than 3 months are immaterial, the discounted amounts are equal to the carrying value.

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

(b) Market risk

Interest rate risk

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

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

Variable interest financial instruments	31 December 2017	31 December 2016
Financial liabilities	130.342.246	161.800.405

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 2017, 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 1.390.263 (2016: TL 1.835.652), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2017, there is no variable interest rate borrowings in EUR (2016: TL 405).

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 2017 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 2016 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.

KORDSA TEKNİK TEKSTİL ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Derivative financial instruments (continued)

31 December 2017:

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.

Foreign exchange forward contracts:

31 December 2016	Average Rate	Foreign Currency (TL)	Contract Value (USD)	Fair Value (TL)
USD buy EUR sell				
Less than 3 months	1,1261	11.129.700	3.378.400	736.621
Between 3-6 months	1,1296	7.419.800	2.259.100	484.894
Total				1.221.515

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 45.672.408 (31 December 2016: TL 21.813.684) under Currency Translation Reserves in Equity in accordance with TAS 39 and TFRS Interpretation 16.

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Foreign currency position

Group's assets and liabilities denominated in foreign currencies at 31 December 2017 and 2016 are as follows:

	31 December 2017				31 December 2016		
Assets	465.556.999				118.138.878		
Liabilities	(472.718.973)				(292.215.837)		
Net foreign currency position	(7.161.974)				(174.076.959)		
31 December 2017							
Assets:	Total TL equivalent	US Dollars ^(*)	Euro ^(*)	Thai Baht ^(*)	Indonesian Rupiah ('000) ^(*)	Brazilian Real ^(*)	Other TL equivalent
Trade receivables	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	–	1.982
Other monetary receivables and assets	1.708.451	–	–	–	1.491.900	–	–
Other non- monetary receivables and assets	25.718.156	–	1.677	–	96.992.448	–	–
Current assets	212.002.924	15.684.006	22.468.714	–	186.920.740	–	1.982
Non-current asset held for sale	–	–	–	–	–	–	–
Other monetary receivables and assets	–	–	–	–	–	–	–
Non-current assets	–	–	–	–	–	–	–
Total assets (a)	212.002.924	15.684.006	22.468.714	–	186.920.740	–	1.982
Liabilities:							
Trade payables	119.740.271	23.530.995	5.012.971	–	19.985.917	85.260	2.659.229
Financial liabilities	336.781.635	22.111.886	55.150.259	–	17.977.739	–	–
Other monetary payable and liabilities	2.370.858	6.332	–	–	8.429.916	–	–
Current liabilities	458.892.764	45.649.213	60.163.230	–	46.393.571	85.260	2.659.229
Financial liabilities	13.826.208	–	–	–	49.657.695	–	–
Other monetary receivables and assets	–	–	–	–	–	–	–
Non-current liabilities	13.826.208	–	–	–	49.657.695	–	–
Total liabilities (b)	472.718.972	45.649.213	60.163.230	–	96.051.266	85.260	2.659.229
Off-balance sheet derivative assets (c)	253.554.075	181.191	56.000.000	–	–	–	–
Off-balance sheet derivative liabilities (d)	–	–	–	–	–	–	–
Net foreign currency asset/(liability) position	(7.161.974)	(29.783.316)	18.305.484	–	90.869.474	(85.260)	(2.657.247)
Fair value of financial instruments used for foreign Exchange hedge	5.893.324						
Hedges amount of foreign currency assets	–	–	–	–	–	–	–
Hedges amount of foreign currency liabilities	253.554.075	181.191	56.000.000	–	–	–	–

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31 December 2016

Assets:	Total TL equivalent	US Dollars ^(*)	Euro ^(*)	Thai Baht ^(*)	Indonesian Rupiah (‘000) ^(*)	Brazilian Real ^(*)	Other TL equivalent
Trade receivables	165.674.818	15.985.829	23.518.381	–	85.158.384	–	–
Cash and cash equivalent	2.102.887	222.838	15.426	–	4.806.689	–	2.465
Other monetary receivables and assets	4.135.384	–	–	–	379.994	–	–
Other non- monetary receivables and assets	15.176.389	–	261.489	–	68.861.500	–	18.429
Current assets	187.089.479	16.208.667	23.795.296	–	159.206.568	–	20.894
Non-current asset held for sale	–	–	–	–	–	–	–
Other monetary receivables and assets	(68.950.601)	–	22.223	–	6.618.352	(65.536.272)	–
Non-current assets	(68.950.601)	–	22.223	–	6.618.352	(65.536.272)	–
Total assets (a)	118.138.878	16.208.667	23.817.519	–	165.824.920	(65.536.272)	20.894
Liabilities:							
Trade payables	104.307.444	19.169.550	7.073.442	–	32.242.959	–	1.876.685
Financial liabilities	326.463.897	4.577.070	81.026.476	–	38.194.281	–	–
Other monetary payable and liabilities	5.568.120	156.646	9.711	–	18.756.830	–	67.978
Current liabilities	436.339.461	23.903.266	88.109.629	–	89.194.071	–	1.944.663
Financial liabilities	64.270.887	–	16.340.000	–	13.936.826	–	–
Other monetary receivables and assets	–	–	–	–	–	–	–
Non-current liabilities	64.270.887	–	16.340.000	–	13.936.826	–	–
Total liabilities (b)	500.610.348	23.903.266	104.449.629	–	103.130.896	–	1.944.663
Off-balance sheet derivative assets (c)	–	–	–	–	–	–	–
Off-balance sheet derivative liabilities (d)	–	–	–	–	–	–	–
Net foreign currency asset/(liability) position	(174.076.959)	(7.512.708)	(24.632.110)	–	62.694.023	(65.536.272)	(1.923.769)
Net asset/(liabilities) position of foreign currency monetary items	(397.647.859)	(7.694.599)	(80.893.599)	–	(6.167.477)	(65.536.272)	(1.942.199)
Off-balance sheet derivative assets (c)	–	–	–	–	–	–	–
Off-balance sheet derivative liabilities (d)	–	–	–	–	–	–	–
Net foreign currency asset/(liability) position	(174.076.959)	(7.512.708)	(24.632.110)	–	62.694.023	(65.536.272)	(1.923.769)
Net asset/(liabilities) position of foreign currency monetary items	(397.647.859)	(7.694.599)	(80.893.599)	–	(6.167.477)	(65.536.272)	(1.942.199)

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

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NOTE 28 - 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 2017	31 December 2016
US Dollars	3,7719	3,5192
Euro	4,5155	3,7099
Indonesian Rupiah (1000 units)	0,2784	0,2619
Brazilian Real	1,1402	1,0798
Thai Baht	0,1154	0,0982
Egyptian Pound	0,2125	0,1897
Average rates	31 December 2017	31 December 2016
US Dollars	3,6477	3,0213
Euro	4,1164	3,3398
Indonesian Rupiah (1000 units)	0,2691	0,2270
Brazilian Real	1,1428	0,8657
Thai Baht	0,1075	0,0856
Egyptian Pound	0,2076	0,3124

Foreign currency position as of 31 December 2017 and 2016 in regard to the 10% changes in foreign currency rates is depicted in the table below:

31 December 2017	Profit/(Loss)		Equity	
	Strengthening of TL	Weakening of TL	Strengthening of TL	Weakening of TL
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)

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

	Profit/(Loss)		Equity	
	Strengthening of TL	Weakening of TL	Strengthening of TL	Weakening of TL
31 December 2016				
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset/liability	(2.643.872)	2.643.872	39.422.359	(39.422.359)
2-Hedged portion of US Dollar amounts (-)	-	-	-	-
3-Net effect of US Dollar (1+2)	(2.643.872)	2.643.872	39.422.359	(39.422.359)
Increase/(decrease) 10% of EUR parity				
4-EUR net asset/liability	(9.138.266)	9.138.266	-	-
5-Hedged portion of EUR amounts (-)	-	-	-	-
6-Net effect of EUR (4+5)	(9.138.266)	9.138.266	-	-
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset/liability	(5.625.558)	5.625.558	-	-
8-Hedged portion of other foreign currency amounts (-)	-	-	-	-
9-Net effect of other foreign currencies (7+8)	(5.625.558)	5.625.558	-	-
TOTAL (3+6+9)	(17.407.696)	17.407.696	39.422.359	(39.422.359)

Export and import balances from Turkey as of 31 December 2017 and 2016 is as follows:

	31 December 2017		31 December 2016	
	Original Amount	TL Equivalent	Original Amount	TL Equivalent
Euro	131.929.852	542.303.927	115.185.040	383.423.148
US Dollars	67.933.118	247.596.170	79.528.013	241.124.588
TL	27.678.685	27.678.685	-	-
Total export		817.578.782		- 624.547.736
		1 January- 31 December 2017		1 January- 31 December 2016
Total import		555.055.444		431.954.850

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NOTE 28 - 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 2017 and 2016, banks, where the cash and cash equivalents within the financial assets that are neither past due nor impaired are kept; mainly have high credit and parties in the trade receivables comprise of the customers/related parties that are worked with for a long time and without significant collection problems.

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

	Receivables						
	Trade Receivables		Other Receivables		Derivatives	Bank Deposits	
	Related Party	Third Party	Related Party	Other	Third Party	Related Party	Third Party
31 December 2017							
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 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 (-)	–	(1.729.331)	–	–	–	–	–
- 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	–	–	–	–	–	–	–

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

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

	Trade Receivables		Receivables		Derivatives	Bank Deposits	
	Related Party	Third Party	Related Party	Other		Related Party	Third Party
31 December 2016							
As of reporting date, credit risk exposure (A+B+C+D) (**)	20.994.786	351.275.523	-	6.879.088	1.221.514	96.253	38.453.158
- The part of maximum risk under guarantee with collateral	-	-	-	-			
A. Net book value of financial assets that are neither past due nor impaired	20.994.786	318.915.069	-	6.879.088		96.253	38.453.158
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	32.360.454	-	-		-	-
C. Net book value of impaired assets	-	-	-	-		-	-
- Past due (gross carrying amount)	-	7.741.753	-	-		-	-
- Impairment (-)	-	(7.741.753)	-	-		-	-
- 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	-	-	-	-		-	-

(*) Excludes taxes and other similar receivables.

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

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

NOTE 28 - 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 2017	31 December 2016
Less than 1 month	21.646.141	26.558.888
Between 1-3 months	2.902.520	3.935.496
Between 3-12 months	1.363.997	1.866.070
	25.912.658	32.360.454

(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 2017 and 2016 Net debt/(Equity+net debt+non-controlling interest) ratio is:

	31 December 2017	31 December 2016
Total financial liabilities	632.304.026	535.007.412
Cash and cash equivalents	(15.561.882)	(38.578.445)
Net debt	616.742.144	496.428.967
Equity	1.276.950.976	1.154.127.343
Non-controlling interest	371.020.900	317.550.556
Equity+net debt+non-controlling interest	2.264.714.020	1.968.106.866
Net debt/(Equity+non-controlling interest) ratio	27%	25%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

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

NOTE 29 - 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.

31 December 2017	Loans and receivables (cash and cash equivalents included)	Available for sale investments	Financial liabilities at amortized cost	Derivative financial instruments	Carrying value ^(*)	Note
Financial assets						
Cash and cash equivalents	15.561.882	–	–	–	15.561.882	4
Trade receivables	455.577.698	–	–	–	455.477.698	7
Receivables from related parties	27.918.285	–	–	–	27.918.285	26
Financial investments	–	411.103	–	–	411.103	5
Other financial assets ^(**)	–	–	–	–	–	8
Derivative financial instruments	–	–	–	5.893.324	5.893.324	27
Financial liabilities						
Borrowings	–	–	632.304.026	–	632.304.026	6
Trade payables	–	–	306.360.311	–	306.360.311	7
Payables to related parties	–	–	7.941.709	–	7.941.709	26
Other financial liabilities ^(**)	–	–	11.783.607	–	11.783.607	8

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AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

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

NOTE 29 - FINANCIAL INSTRUMENTS (continued)

31 December 2016	Loans and receivables (cash and cash equivalents included)	Available for sale investments	Financial liabilities at amortized cost	Derivative financial instruments	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	38.578.445	–	–	–	38.578.445	4
Trade receivables	351.275.523	–	–	–	351.275.523	7
Receivables from related parties	20.944.786	–	–	–	20.944.786	26
Financial investments	–	386.091	–	–	386.091	5
Other financial assets (**)	6.879.088	–	–	–	6.879.088	8
Derivative financial instruments	–	–	–	1.221.515	1.221.515	27
Financial liabilities						
Borrowings	–	–	535.007.412	–	535.007.412	6
Trade payables	–	–	277.761.866	–	277.761.866	7
Payables to related parties	–	–	6.473.265	–	6.473.265	26
Other financial liabilities (**)	–	–	13.434.699	–	13.434.699	8

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

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

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 6).

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.

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AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017 (cont'd)

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

NOTE 29 - FINANCIAL INSTRUMENTS (continued)

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	
	31 December 2017	31 December 2016	Valuation technique	
Foreign currency forward/swap contracts	5.893.324	1.221.514	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.

NOTE 30 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

According to The Group's Board of Management decision numbered 2015/29 dated 31 December 2015, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. and Interkordsa GmbH with 51% and 100% of rates respectively, would be classified as "Assets Held for Sale" in the balance sheet as of 31 December 2015. Hence, these companies were classified as "Assets Held for Sale" in preparation for financial tables in 31 December 2017 and 31 December 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 30 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

For the year ended 1 January- 31 December 2017 and 1 January- 31 December 2016, the result of the operating activities shown at below:

Nile Kordsa

	1 January - 31 December 2017	1 January - 31 December 2016
PROFIT OR LOSS		
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
General and administrative expenses	–	–
Selling, marketing and distribution expenses	–	–
Research and development expenses	–	–
Other income from operating activities	4.253.342	519.081
Other expense from operating activities (*)	(750.000)	(1.750.000)
Operating profit	3.503.342	(1.230.919)
Gain from investing activities	–	–
Loss from investing activities	–	–
Operating profit before finance costs	–	–
Finance income	–	–
Finance costs	–	–
Profit before tax from continuing operations	3.503.342	(1.239.919)
Tax expense/income from continuing operations	–	–
Current tax expense	–	–
Deferred tax benefit	–	–
Profit/(Loss) for the period	3.503.342	(1.239.919)

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

NOTE 31 - EVENTS AFTER THE REPORTING PERIOD

The affiliated company Kordsa Inc. decided to purchase 100% shares of each "Fabric Development Inc." and "Textile Products, Inc." amount with the real estate currently leased to, and used by the subject companies that are located in United States of America and are owned by Peter Shah and Abantika Shah in exchange of a total purchase price up to USD 100.000.000 (one hundred millions US Dollar) provided that all legal approvals are obtained from foreign investments authority and US competition law and conditions are met.

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