

**Kordsa Teknik Tekstil A.Ş. and  
Its Subsidiaries**

Convenience Translation into English of the  
Condensed Consolidated Financial  
Statements for the Interim Period  
1 January-30 June 2019 together with  
Independent Auditor's Report on Review of  
Interim Financial Information

(Originally issued in Turkish)

5 August 2019

*This report contains 2 pages of Independent Auditor's Report on Review and 52 pages of condensed consolidated financial statements together with their explanatory notes.*



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## Independent Auditor's Report on Review of Interim Financial Information

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

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Kordsa Teknik Tekstil Anonim Şirketi (the "Company") and its subsidiaries (the "Group") as at 30 June 2019, the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 *Interim Financial Reporting*.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member firm of KPMG International Cooperative

A handwritten signature in blue ink, appearing to be 'Ruşen Fikret Selamet', written in a cursive style.

Ruşen Fikret Selamet, SMMM  
Partner  
5 August 2019  
Istanbul, Turkey

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# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

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

	Notes	Reviewed 30 June 2019	Audited 31 December 2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	523.525.805	130.801.662
Financial Investments		74	86.617
<i>Investments in equity securities</i>		74	86.617
Trade Receivables	7	975.554.750	829.674.943
<i>Trade Receivables from Related Parties</i>	22	45.436.853	68.899.704
<i>Trade Receivables from Third Parties</i>		930.117.897	760.775.239
Other Receivables	8	22.589.476	15.365.854
<i>Other Receivables from Third Parties</i>		22.589.476	15.365.854
Derivatives	23	3.721.425	2.678.327
<i>Derivative financial assets</i>		3.721.425	2.678.327
Inventories	9	1.343.171.810	1.047.581.862
Prepayments		49.750.826	15.108.621
<i>Prepayments to Third Parties</i>		49.750.826	15.108.621
Other Current Assets		88.355.735	92.996.136
<i>Other Current Assets from Third Parties</i>		88.355.735	92.996.136
<b>Subtotal</b>		<b>3.006.669.901</b>	<b>2.134.294.022</b>
Assets Held for Sale		6.473.746	14.220.459
<b>Current Assets</b>		<b>3.013.143.647</b>	<b>2.148.514.481</b>
<b>Non-Current Assets</b>			
Financial Investments		581.271	528.396
<i>Investments in equity securities</i>		581.271	528.396
Other Receivables	8	35.079.261	31.543.902
<i>Other Receivables from Third Parties</i>		35.079.261	31.543.902
Investment Property	12	125.665.184	114.874.106
Property, Plant and Equipment	10	2.070.305.810	1.939.572.181
Right Of Use Assets	11	20.082.706	-
Intangible Assets		533.907.587	464.855.686
<i>Goodwill</i>	13	224.676.337	171.912.390
<i>Other Intangible Assets</i>		309.231.250	292.943.296
Prepayments		2.200.714	2.255.759
<i>Prepayments to Third Parties</i>		2.200.714	2.255.759
Deferred Tax Assets	20	51.586.353	72.659.987
Other Non-Current Assets		65.992.370	55.382.019
<i>Other Non-Current Assets from Third Parties</i>		65.992.370	55.382.019
<b>Non-Current Assets</b>		<b>2.905.401.256</b>	<b>2.681.672.036</b>
<b>Total Assets</b>		<b>5.918.544.903</b>	<b>4.830.186.517</b>

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

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2018
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>			
Short Term Loans and Borrowings	6	1.322.196.757	952.562.339
Short Term Portion of Long Term Loans and Borrowings	6	110.402.920	41.932.689
Liabilities from leasing transactions		4.186.326	-
Trade Payables		801.368.155	572.368.514
<i>Due to Related Parties</i>	22	12.518.910	8.542.272
<i>Due to Third Parties</i>		788.849.245	563.826.242
Payables Related to Employee Benefits		14.717.986	10.812.595
Other Payables	8	39.244.097	22.853.343
<i>Other Payables to Third Parties</i>		39.244.097	22.853.343
Deferred Revenue		1.415.613	9.186.767
<i>Deferred Revenue from Third Parties</i>		1.415.613	9.186.767
Current Tax Liabilities	20	17.627.250	2.809.289
Short Term Provisions		31.008.590	31.201.341
<i>Short Term Employee Benefits</i>		31.008.590	31.153.281
<i>Other Short Term Provisions</i>		-	48.060
Other Short Term Liabilities		44.966.634	35.694.664
<i>Other Current Liabilities to Third Parties</i>		44.966.634	35.694.664
<b>Subtotal</b>		<b>2.387.134.328</b>	<b>1.679.421.541</b>
Liabilities directly associated with assets held for sale		2.899.485	4.273.745
<b>Total Short Term liabilities</b>		<b>2.390.033.813</b>	<b>1.683.695.286</b>
<b>Long Term Liabilities</b>			
Long Term Loans and Borrowings	6	532.801.540	524.785.306
Liabilities from leasing transactions		16.477.949	-
Other Payables	8	18.530.638	20.122.592
<i>Other Payables to Third Parties</i>		18.530.638	20.122.592
Long Term Provisions		81.879.009	72.284.998
<i>Long Term Employee Benefits</i>		77.881.634	68.296.647
<i>Other Long Term Provisions</i>		3.997.375	3.988.351
Deferred Tax Liabilities	20	237.977.840	190.384.367
<b>Total Long Term Liabilities</b>		<b>887.666.976</b>	<b>807.577.263</b>
<b>Total Liabilities</b>		<b>3.277.700.789</b>	<b>2.491.272.549</b>
<b>Shareholder's Equity</b>			
<b>Equity Attributable to Owners of the Company</b>			
Share Capital		194.529.076	194.529.076
Share Premium		62.052.856	62.052.856
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		36.945.844	37.145.368
<i>Revaluation and Remeasurement Gain / (Loss)</i>		(3.081.253)	(2.881.729)
<i>Defined Benefit Plans Remeasurement Fund</i>		(3.081.253)	(2.881.729)
<i>Other Revaluation and Remeasurement Gain / (Loss)</i>		40.027.097	40.027.097
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss		697.676.545	575.379.217
<i>Currency Translation Differnce</i>		696.580.432	576.104.345
<i>Gain/(Loss) on Hedge</i>		1.366.264	(454.977)
<i>Cashflow Hedge Gains/ (Loss)</i>		1.366.264	(454.977)
<i>Revaluation and Reclassification Gain/(Loss)</i>		(270.151)	(270.151)
<i>Other Financial Assets Fair Value</i>		(270.151)	(270.151)
Restricted Reserves		122.445.409	69.754.663
Retained Earnings		775.257.436	603.575.651
Profit for the period		191.191.812	292.457.708
<b>Non-Controlling Interests</b>		<b>560.745.136</b>	<b>504.019.429</b>
<b>Total Equity</b>		<b>2.640.844.114</b>	<b>2.338.913.968</b>
<b>Total Liabilities and Equity</b>		<b>5.918.544.903</b>	<b>4.830.186.517</b>

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

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## REVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

	Notes	Reviewed 1 January- 30 June 2019	Not reviewed 1 April- 30 June 2019	Reviewed 1 January- 30 June 2018	Not reviewed 1 April- 30 June 2018
<b>PROFIT or LOSS</b>					
Revenue	15	2.585.979.670	1.320.839.159	1.538.299.973	825.386.267
Cost of Sales	15	(2.060.259.230)	(1.052.003.950)	(1.210.313.751)	(647.656.814)
<b>GROSS PROFIT</b>		<b>525.720.440</b>	<b>268.835.209</b>	<b>327.986.222</b>	<b>177.729.453</b>
General and Administrative Expenses	16	(104.951.247)	(54.059.530)	(60.434.882)	(31.110.192)
Marketing Expenses	16	(102.080.566)	(51.923.712)	(62.273.757)	(32.909.096)
Research and Development Expenses	16	(3.596.079)	(2.030.959)	(3.856.369)	(2.712.779)
Other Income From Operating Activities	17	89.700.306	44.461.719	61.406.814	31.638.323
Other Expense From Operating Activities	17	(43.554.620)	(24.944.198)	(19.209.991)	(10.129.341)
<b>OPERATING PROFIT</b>		<b>361.238.234</b>	<b>180.338.529</b>	<b>243.618.037</b>	<b>132.506.368</b>
Income From Investing Activities	18	2.774.122	1.508.528	3.551.287	2.640.189
Expenses From Investing Activities	18	(247.912)	(78.997)	(414.732)	(264.045)
<b>OPERATING PROFIT BEFORE FINANCIAL EXPENSE</b>		<b>363.764.444</b>	<b>181.768.060</b>	<b>246.754.592</b>	<b>134.882.512</b>
Finance Income	19	2.661.250	145.109	8.921.738	8.764.184
Finance Expense	19	(86.890.178)	(42.537.269)	(66.073.320)	(39.612.001)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>279.535.516</b>	<b>139.375.900</b>	<b>189.603.010</b>	<b>104.034.695</b>
Tax Expense From Continuing Operations		(60.506.863)	(31.123.201)	(34.263.506)	(19.940.070)
<i>Current Tax Expense</i>	20	(51.495.785)	(28.669.542)	(31.895.300)	(18.695.404)
<i>Deferred Tax (Expense) / Benefit</i>	20	(9.011.078)	(2.453.659)	(2.368.206)	(1.244.666)
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>219.028.653</b>	<b>108.252.699</b>	<b>155.339.504</b>	<b>84.094.625</b>
<b>PROFIT/ (LOSS) FROM DISCONTINUED OPERATIONS</b>	24	<b>(59.957)</b>	<b>(38.221)</b>	<b>26.896</b>	<b>1.629</b>
<b>PROFIT FOR THE PERIOD</b>		<b>218.968.696</b>	<b>108.214.478</b>	<b>155.366.400</b>	<b>84.096.254</b>
<b>Profit Attributable To:</b>					
Non-Controlling Interests		27.776.884	10.054.806	19.618.302	9.389.794
Owners of the Parent		191.191.812	98.159.672	135.748.098	74.706.460
Earnings per shares	21	9,83	5,05	6,98	3,84
<i>Earnings per share from continuing operations</i>	21	9,83	5,05	6,98	3,84
<i>Loss per share from discontinuing operations</i>	21	-	-	-	-
<i>Diluted earning per share</i>	21	9,83	5,05	6,98	3,84

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD 30 JUNE 2019 AND 2018**

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

Notes	Reviewed 1 January- 30 June 2019	Not Reviewed 1 April- 30 June 2019	Reviewed 1 January- 30 June 2018	Not Reviewed 1 April- 30 June 2018
<b>PROFIT FOR THE PERIOD</b>	<b>218.968.696</b>	<b>108.214.478</b>	<b>155.366.400</b>	<b>84.096.254</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified to profit or loss	<b>(199.524)</b>	<b>223.925</b>	<b>34.793.993</b>	<b>4.417.170</b>
<i>Defined benefit plans remeasurement fund</i>	<i>(255.800)</i>	<i>287.083</i>	<i>117.883</i>	<i>340.926</i>
<i>Other revaluation and remeasurement gain / (loss)</i>	<i>12 -</i>	<i>-</i>	<i>34.699.687</i>	<i>4.144.429</i>
<i>Deferred tax income(*)</i>	<i>56.276</i>	<i>(63.158)</i>	<i>(23.577)</i>	<i>(68.185)</i>
<b>Items that are or may be reclassified to profit or loss</b>	<b>180.102.301</b>	<b>50.691.498</b>	<b>216.929.354</b>	<b>165.871.156</b>
<i>Currency translation differences</i>	<i>178.281.060</i>	<i>48.165.202</i>	<i>212.317.076</i>	<i>162.890.184</i>
<i>Hedging reverse gain / (loss)</i>	<i>2.243.908</i>	<i>3.125.227</i>	<i>5.913.177</i>	<i>3.836.137</i>
<i>Deferred tax (expense)/ income (*)</i>	<i>(422.667)</i>	<i>(598.931)</i>	<i>(1.300.899)</i>	<i>(855.165)</i>
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE)</b>	<b>179.902.777</b>	<b>50.915.423</b>	<b>251.723.347</b>	<b>170.288.326</b>
<b>TOTAL COMPREHENSIVE INCOME / (EXPENSE)</b>	<b>398.871.473</b>	<b>159.129.901</b>	<b>407.089.747</b>	<b>254.384.580</b>
<b>Total Comprehensive Income Attributable To</b>				
Non-Controlling Interests	85.581.857	28.846.512	89.800.998	62.044.055
Owners of the Parent	313.289.616	130.283.389	317.288.749	192.340.525

(\*) Related tax of items that are or may be reclassified to profit or loss comprised of tax effect of hedge reserve and related tax of items that will not be reclassified to profit or loss comprised of tax effect of defined benefit plans remeasurement.

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



# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

	Share Capital	Share Premium	Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss		Other Comprehensive Income That Will Be Reclassified to Profit or Loss			Restricted Reserves Appropriated From Profit	Retained Earnings				
			Revaluation and Remeasurement Gain / (Losses)		Currency Translation Reserves	Gains / (Losses) on Hedging Reserve	Revaluation and Remeasurement Gain / (Losses)		Retained Earning	Net Income For The Period	Equity Attributable to Owners of The Company	Non- Controlling Interests	Total Equity
			Defined Benefit Plans Remeasurement Fund	Other Revaluation and Remeasurement Gain / (Losses)									
<b>1 January 2018</b>	<b>194.529.076</b>	<b>62.052.856</b>	<b>(8.852.082)</b>	<b>-</b>	<b>289.264.396</b>	<b>11.635</b>	<b>(270.151)</b>	<b>54.948.350</b>	<b>520.164.823</b>	<b>165.102.073</b>	<b>1.276.950.976</b>	<b>371.020.900</b>	<b>1.647.971.876</b>
Transfers	-	-	-	-	-	-	-	14.806.312	150.295.761	(165.102.073)	-	-	-
Total comprehensive income	-	-	94.305	34.699.687	142.134.380	4.612.278	-	-	-	135.748.098	317.288.748	89.800.998	407.089.746
Dividend paid (*)	-	-	-	-	-	-	-	-	(66.884.932)	-	(66.884.932)	(32.796.277)	(99.681.209)
<b>Balances at 30 June 2018</b>	<b>194.529.076</b>	<b>62.052.856</b>	<b>(8.757.777)</b>	<b>34.699.687</b>	<b>431.398.776</b>	<b>4.623.913</b>	<b>(270.151)</b>	<b>69.754.662</b>	<b>603.575.652</b>	<b>135.748.098</b>	<b>1.527.354.792</b>	<b>428.025.621</b>	<b>1.955.380.413</b>
<b>1 January 2019</b>	<b>194.529.076</b>	<b>62.052.856</b>	<b>(2.881.729)</b>	<b>40.027.097</b>	<b>576.104.345</b>	<b>(454.977)</b>	<b>(270.151)</b>	<b>69.754.663</b>	<b>603.575.651</b>	<b>292.457.708</b>	<b>1.834.894.539</b>	<b>504.019.429</b>	<b>2.338.913.968</b>
Transfers	-	-	-	-	-	-	-	52.690.746	239.766.962	(292.457.708)	-	-	-
Total comprehensive income	-	-	(199.524)	-	120.476.087	1.821.241	-	-	-	191.191.812	313.289.616	85.581.857	398.871.473
Dividend paid (**)	-	-	-	-	-	-	-	-	(68.085.177)	-	(68.085.177)	(28.856.150)	(96.941.327)
<b>Balances at 30 June 2019</b>	<b>194.529.076</b>	<b>62.052.856</b>	<b>(3.081.253)</b>	<b>40.027.097</b>	<b>696.580.432</b>	<b>1.366.264</b>	<b>(270.151)</b>	<b>122.445.409</b>	<b>775.257.436</b>	<b>191.191.812</b>	<b>2.080.098.978</b>	<b>560.745.136</b>	<b>2.640.844.114</b>

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

(\*\*) In accordance with the Ordinary General Assembly Meeting for 2018 of the Group held on 20 March 2019, the company distributed a dividend of 34.383% gross and 29.2255% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 68.085.177 (Per share TL 0,35 gross and TL 0,2975 net.) In accordance with the resolution, the dividend payment was made on 25 March 2019.

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

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

	Notes	Reviewed 1 January- 30 June 2019	Reviewed 1 January- 30 June 2018
<b>A. CASH FLOWS (USED IN)/ FROM BY OPERATING ACTIVITIES</b>		<b>319.861.512</b>	<b>45.176.582</b>
<b>CASH FLOWS FROM BY OPERATING ACTIVITIES</b>			
Profit For The Period		218.968.696	155.366.400
Profit/(loss) for the period from continuing operations		219.028.653	155.339.504
Profit/(loss) from discontinuing operations		(59.957)	26.896
<b>Adjustment to Reconcile Profit / (Loss) For The Period</b>		<b>359.712.927</b>	<b>251.401.514</b>
Adjustment Related to Depreciation and Amortization Expenses	16	92.345.132	61.549.984
Adjustment Related to Impairment		<b>387.817</b>	<b>(4.538.361)</b>
<i>Adjustments related to provision for (reversal) of inventory allowances</i>	6	387.817	(4.538.361)
Adjustment Related Provisions		<b>6.975.858</b>	<b>1.737.818</b>
<i>Adjustments related to provision for employee benefit provision</i>		9.584.987	4.893.028
<i>Adjustments related to provision for (reversal) of other provisions</i>		(2.609.129)	(3.155.210)
Adjustment Related to Interest Income / (Expense)		35.172.449	12.851.203
<i>Adjustment Related to Interest Income</i>	18	(2.257.514)	(1.516.162)
<i>Adjustment Related to Interest Expense</i>	19	50.876.376	20.265.232
<i>Adjustments related to unrealized finance expenses on credit purchases</i>	17	(29.396.707)	(11.554.235)
<i>Adjustments related to unrealized finance income on credit sales</i>	17	15.950.293	5.656.368
Adjustments related to unrealized currency translation difference		163.860.086	145.271.867
Adjustment Related to Tax Expense	20	60.506.863	34.263.506
Adjustment Related to (Gain) / Loss on Sale of Non-Current Assets		(116.846)	265.497
<i>Adjustments related to losses /(gains) disposal of tangible assets</i>		(116.846)	265.497
<i>Other adjustments related to operating activities</i>		581.569	-
<b>Changes in Working Capital</b>		<b>(258.820.111)</b>	<b>(361.591.333)</b>
Adjustment Related to (Increase) / Decrease in Trade Receivables		(165.216.705)	(135.151.381)
Adjustment Related to (Increase) / Decrease in Other Receivables			
Associated with Operating Activities		(12.835.428)	(5.250.799)
Adjustment Related to (Increase) / Decrease in Inventories		(297.889.280)	(368.506.468)
Changes in Prepayments		(32.531.820)	(15.603.508)
Adjustment Related to Increase / (Decrease) in Trade Payables		257.866.312	147.601.120
Adjustment Related to Increase / (Decrease) in Employee Benefits		3.905.391	(1.007.242)
Adjustment Related to Increase / (Decrease) in Other Receivables			
Associated with Operating Activities		(7.535.263)	16.808.378
Change in Deferred Income		(7.771.155)	2.922.145
Adjustment Related to (Increase) Decrease in Working Capital		32.118.947	16.378.130
<i>Changes in Other Assets Related to Operating Activities</i>		8.798.608	(2.883.344)
<i>Changes in Other Liabilities Related to Operating Activities</i>		23.320.339	19.261.474
Tax Refund / (Payments)		(36.677.823)	(16.911.793)
Net Cash Flow Related to Discontinued Operations		7.746.713	(2.869.915)
<b>B. CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(70.744.542)</b>	<b>(105.231.547)</b>
Proceeds from Sale Property, Plant and Equipment and Intangible Assets		5.065.865	7.251.515
Purchase of Property, Plant and Equipment and Intangible Assets		(78.067.920)	(113.999.224)
Interest Received		2.257.513	1.516.162
<b>C. CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES</b>		<b>143.607.173</b>	<b>78.052.264</b>
Proceeds from Borrowings	6	567.702.847	455.814.648
Cash Outflows from Borrowings	6	(291.133.479)	(261.497.142)
Dividends Paid		(68.085.177)	(66.884.932)
Interest Paid		(36.020.866)	(16.584.033)
Cash outflow for dividend paid to non-controlling interest and other cash outflows		(28.856.152)	(32.796.277)
<b>NET INCREASE IN CASH AND CASH EQUIVALENT BEFORE THE CURRENCY TRANSLATION DIFFERENCE IMPACT ( A+B+C)</b>		<b>392.724.143</b>	<b>17.997.299</b>
<b>E. CASH AND CASH EQUIVALENT AT THE BEGINNING PERIOD</b>		<b>130.801.662</b>	<b>15.561.882</b>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (A+B+C+D+E)</b>		<b>523.525.805</b>	<b>33.559.181</b>

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

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

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

Kordsa Teknik Tekstil Anonim Şirketi (“Kordsa” or the “Company”) was established in 1973 as a subsidiary of Hacı Ömer Sabancı 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 Company and its consolidated subsidiaries will be referred to as “Group”. The Group is mainly engaged in production of carcass and industrial fabrics included in the structure of vehicle tires, manufacture of industrial fabrics included in the structure of rubber and plastic materials such as transmission belts, V belts, rubber hoses etc., production of heavy denier fibre and connection fabrics, conversion of any type of yarn into cord fabric, fabric for mechanical rubber goods and other rubber reinforcement materials and the marketing thereof, production of Nylon 6, Nylon 6.6 and PET (Polyethylene-terephthalate) HMLS (High Modulus Low Shrinkage) polyester, and rayon heavy decitex yarn for use in tires and mechanical rubber goods; participating in capitals and management of every domestic and foreign company that is founded for mainly marketing, sales, import and export along with commercial and industrial infrastructure services, transportation services, mining, tourism and construction while providing these companies with the same management and behavioural principles to operate more efficiently, rationally and profitably, in accordance with and responding to the current conditions, creating competition conditions in favour of these companies.

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

Kordsa is registered with the Capital Markets Board of Turkey (“CMB”) and its shares have been traded in Borsa Istanbul (“BIST”) since 1986. As at 30 June 2019, 28,89% of the Group shares are listed on BIST. As of the same date, the shareholders owning the Group shares and the percentage of the shares are as follows:

Shareholder Structure	Capital Share (%)	
	30 June 2019	31 December 2018
Hacı Ömer Sabancı Holding A.Ş.	71,11	71,11
Other	28,89	28,89
	<b>100,00</b>	<b>100,00</b>

Average number of employees of the Group 4.449 (31 December 2018: 4.415).

The address of the registered office is as follows:

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

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

### NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (cont’d)

#### Subsidiaries

The subsidiaries included in the consolidation scope of the accompanying condensed consolidated financial statements, their country of incorporation, nature of business and their respective operating segments as at 30 June 2019 and 31 December 2018 are as follows:

#### 30 June 2019

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

#### 31 December 2018

<u>Subsidiaries</u>	<u>Country</u>	<u>Geographical division</u>	<u>Area of activity</u>
Nile Kordsa Company SAE (**)	Egypt	Europe, Middle East and Africa	Cord fabric manufacture and trade
Kordsa Inc.	United States of America	North America	Industrial yarn and cord fabric manufacture and trade
Fabric Development Inc. (***)	United States of America	North America	Advanced composite manufacture to civil aviation sector
Textile Products Inc. (***)	United States of America	North America	Advanced composite manufacture to civil aviation sector
Advanced Honeycomb Technologies Corporation (***)	United States of America	North America	Advanced composite manufacture to civil aviation sector
Kordsa Brasil S.A.	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 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”).

(\*\*) In accordance with the Group’s Board of Directories’ decision numbered 2015/29 dated 31 December 2015, the assets and liabilities of Nile Kordsa Company for Industrial Fabrics S.A.E. of which shares held by the Group by 51%, has been classified as “Assets/liabilities held for sale” in the condensed consolidated statement of financial position as of 31 December 2015.

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

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

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

#### 2.1 Basis of Presentation

##### Statement of Compliance with Turkish Financial Reporting Standards (“TFRS”)

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.

The Group issued its condensed consolidated interim financial statements as of 30 June 2019 in accordance with Turkish Accounting Standard No: 34 “Interim Financial Reporting”. These condensed consolidated interim financial statements do not constitute solely an indicator for the yearend figures and do not include all the information and explanations required for full annual financial statements and should be read in conjunction with the Group’s last audited annual consolidated financial statements as at and for the year ended 31 December 2018.

The condensed consolidated interim financial statements are presented in accordance with the CMB's Financial Statements Examples and the Guidelines for Use and the TAS Taxonomy issued by the POA.

##### Approval of the Financial Statements

These condensed consolidated interim financial statements have been approved to be issued at the Board of Directors’ Meeting held on 5 August 2019, and have been signed by the Deputy General Manager Volkan Özkan, and Global Finance Manager, Olcay Demirkesen.

##### Functional and Presentation Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which they operate (its functional currency). For the purpose of these condensed 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

In accordance with a decision taken by CMB numbered 11/367 on 17 March 2005, it has announced that inflation accounting is not effective for the entities operating in Turkey and preparing their financial statements in accordance with the TAS starting from 1 January 2005. Therefore, TAS 29 “Financial Reporting in Hyperinflationary Economies” has not been applied since 1 January 2005.

##### Comparative Information and Correction of the Financial Tables from Previous Periods

The Group’s consolidated financial statements are prepared by comparing that of previous periods to determine financial situation and performance trends.

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.1 Basis of Presentation (cont'd)

###### Basis of Consolidation

The table below sets out all subsidiaries and shows their shareholding rates at 30 June 2019:

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

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

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

The accompanying condensed consolidated interim financial statements include the financial statements of the Group and entities controlled by the Group's subsidiaries. The Group has control over an entity when:

- the Group has power over the investee/assets,
- exposure, or rights, to variable returns from its involvement with the entity and
- the ability to use its power over the entity to affect the amount of the Group'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.

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

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#### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.1 Basis of Presentation (cont'd)

###### Basis of Consolidation (cont'd)

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

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

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

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

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

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

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

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

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

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#### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.1 Basis of Presentation (cont'd)

###### *Changes in the Group's ownership interests in existing subsidiaries (cont'd)*

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 TASs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 Financial Instruments, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

##### 2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements

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

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

###### **TFRS 16 Leases**

###### *The Group – as a lessee*

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

- a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:



## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

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#### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements (cont'd)

###### IFRS 16 Leases (continued)

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

- i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
- ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

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

###### *Right of use asset*

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

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

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

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

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

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

###### *Lease Liability*

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

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

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#### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements (cont'd)

###### IFRS 16 Leases (continued)

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

###### *Lease Liability (continued)*

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

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

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

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

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

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

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

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

## **KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019**

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

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#### **NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

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

###### **IFRS 16 Leases (continued)**

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

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

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

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

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

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets which have equal to or less than 12 months maturity. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Amounting to TL 2.650.120 of rent payment has been made in the regarding period.

###### **The Group – as a lessor**

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

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

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements (cont'd)

##### First time adoption of TFRS 16

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

During the initial application, the Group recognized a lease obligation for leases previously classified as operational leases in accordance with TAS 17. The Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate for lease contracts applied in Turkish Liras is 24%, Euro is 7%, US Dollars is 5,63% and other is 4.1%.

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

	<b>30 June 2019</b>	<b>1 January 2019</b>
Operational leases	23.314.395	22.442.671
- Short term or low-value leases(-)	(2.650.120)	(626.444)
<b>Lease liabilities discounted with alternative borrowing rate</b>	<b>20.664.275</b>	<b>21.816.227</b>
- Short term lease liabilities	4.186.326	3.966.252
- Long term lease liabilities	16.477.949	17.849.975

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

	<b>30 June 2019</b>	<b>1 January 2019</b>
Property	9.306.148	8.255.810
Fixtures	432.222	407.038
Vehicles	3.659.282	2.821.629
Others	9.766.465	8.986.542
<b>Total Lease Assets</b>	<b>23.164.117</b>	<b>20.471.019</b>

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

	<b>30 June 2019</b>	<b>1 January 2019</b>
Property	525.415	-
Fixtures	-	-
Vehicles	546.424	-
Others	182.341	-
<b>Total Lease Assets Additions</b>	<b>1.254.180</b>	-

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements (cont'd)

##### First time adoption of TFRS 16 (cont'd)

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

	<b>30 June 2019</b>	<b>1 January 2019</b>
Property	858.006	-
Fixtures	48.612	-
Vehicles	793.763	-
Others	1.381.030	-
<b>Total Depreciation Expense of Lease Assets</b>	<b>3.081.411</b>	<b>-</b>

##### *Extension and termination options*

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

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

As at 30 June 2019, effect of change in accounting policy basis of segment are as follows:

<b>1 January - 30 June 2019</b>	<b>Europe, Middle East and Africa</b>	<b>North America</b>	<b>South America</b>	<b>Asia</b>	<b>Total</b>
Operating profit	(171.190)	(97.031)	-	(127.596)	(395.817)
Deprciation and amortization expense	(1.399.970)	(1.150.459)	-	(530.982)	(3.081.411)

For the six months period ended 30 June 2019, earning per share decreased by 0,2% due to application of TFRS 16.

Income amounting to TL 68.235 has been generated from the sub-leases of right of use assets.

## **KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019**

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

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#### **NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

##### **2.3 Changes in Accounting Estimates and Errors**

If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods. There are no significant changes in the accounting estimates for the current period. Significant accounting errors should be applied retrospectively and prior period consolidated financial statements should be restated.

##### **2.4 New and Revised Accounting and Reporting Standards**

###### **Amendments published as of 30 June 2019 but not yet effective and not implemented early**

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

###### **The revised Conceptual Framework**

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

## **KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019**

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

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#### **NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

##### **2.4 New and Revised Accounting and Reporting Standards (cont’d)**

##### **Amendments published as of 30 June 2019 but not yet effective and not implemented early (cont’d)**

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

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

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

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

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

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

## **KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019**

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

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#### **NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

##### **2.5 Summary of Significant Accounting Policies**

The condensed consolidated interim financial statements for the period ended on 30 June 2019 have been prepared in accordance with TAS 34, the standard on the preparation and presentation of interim period financial statements. The accounting policies used in the preparation of the condensed consolidated interim financial statements for the six month period ended 30 June 2019 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2018. Accordingly, except for the application of TFRS 16, these condensed consolidated interim financial statements should be read in conjunction with the consolidated statements for the year ended 31 December 2018.

##### **2.6 Critical Accounting Judgments, Estimates and Assumptions**

The preparation of condensed consolidated interim financial statements in conformity with TAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing these condensed consolidated interim financial statements, the significant judgments and estimates made by the management in applying the Group’s accounting policies and the key sources of estimations and assumptions were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

#### **NOTE 3 – BUSINESS COMBINATIONS**

##### **2018:**

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

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

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



## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### NOTE 3 – BUSINESS COMBINATIONS (cont'd)

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

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

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

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

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

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

###### 2018:

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

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

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

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

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

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

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

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

###### 2018:

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

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

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

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

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

### NOTE 4 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

#### a) Segment analysis for the period 1 January – 30 June 2019

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	786.691.363	841.891.174	294.799.174	662.597.959	-	2.585.979.670
Intersegment revenue	71.321.541	258.137.659	-	45.645.067	(375.104.267)	-
<b>Revenue</b>	<b>858.012.904</b>	<b>1.100.028.833</b>	<b>294.799.174</b>	<b>708.243.026</b>	<b>(375.104.267)</b>	<b>2.585.979.670</b>
Segment operating expenses	(644.996.380)	(959.601.358)	(267.137.966)	(594.338.359)	241.332.627	(2.224.741.436)
Segment operating result	213.016.524	140.427.475	27.661.208	113.904.667	(133.771.640)	361.238.234
<b>OPERATING PROFIT</b>	<b>213.016.524</b>	<b>140.427.475</b>	<b>27.661.208</b>	<b>113.904.667</b>	<b>(133.771.640)</b>	<b>361.238.234</b>
Income / (Expense) From Investing Activities, net	1.062.328	109.536	698.104	693.267	(37.025)	2.526.210
<b>Operating Profit Before Financial Expense</b>	<b>214.078.852</b>	<b>140.537.011</b>	<b>28.359.312</b>	<b>114.597.934</b>	<b>(133.808.665)</b>	<b>363.764.444</b>
Finance Income / (Expense), net	(133.284.641)	(5.597.703)	(3.940.273)	(3.630.633)	62.224.322	(84.228.928)
<b>Profit Before Tax From Continuing Expense</b>	<b>80.794.211</b>	<b>134.939.308</b>	<b>24.419.039</b>	<b>110.967.301</b>	<b>(71.584.343)</b>	<b>279.535.516</b>
Tax Expense	1.902.685	(26.915.219)	-	(27.251.451)	(8.242.878)	(60.506.863)
	<b>82.696.896</b>	<b>108.024.089</b>	<b>24.419.039</b>	<b>83.715.850</b>	<b>(79.827.221)</b>	<b>219.028.653</b>
<b>Net Income From Continuing Operations</b>						
Discontinued Operations	(59.957)	-	-	-	-	(59.957)
<b>PROFIT FOR THE PERIOD</b>	<b>82.636.939</b>	<b>108.024.089</b>	<b>24.419.039</b>	<b>83.715.850</b>	<b>(79.827.221)</b>	<b>218.968.696</b>

#### b) Segment analysis for the period 1 April – 30 June 2019

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	395.256.068	433.127.173	152.640.833	339.815.085	-	1.320.839.159
Intersegment revenue	30.074.825	135.081.783	-	19.999.709	(185.156.317)	-
<b>Revenue</b>	<b>425.330.893</b>	<b>568.208.956</b>	<b>152.640.833</b>	<b>359.814.794</b>	<b>(185.156.317)</b>	<b>1.320.839.159</b>
Segment operating expenses	(292.573.123)	(485.694.312)	(136.198.984)	(309.113.232)	83.079.021	(1.140.500.630)
Segment operating result	132.757.770	82.514.644	16.441.849	50.701.562	(102.077.296)	180.338.529
<b>OPERATING PROFIT</b>	<b>132.757.770</b>	<b>82.514.644</b>	<b>16.441.849</b>	<b>50.701.562</b>	<b>(102.077.296)</b>	<b>180.338.529</b>
Income / (Expense) From Investing Activities, net	489.099	(12.182)	416.366	486.448	49.800	1.429.531
<b>Operating Profit Before Financial Expense</b>	<b>133.246.869</b>	<b>82.502.462</b>	<b>16.858.215</b>	<b>51.188.010</b>	<b>(102.027.496)</b>	<b>181.768.060</b>
Finance Income / (Expense), net	(58.870.382)	(2.883.045)	(632.892)	(1.971.040)	21.965.199	(42.392.160)
<b>Profit Before Tax From Continuing Expense</b>	<b>74.376.487</b>	<b>79.619.417</b>	<b>16.225.323</b>	<b>49.216.970</b>	<b>(80.062.297)</b>	<b>139.375.900</b>
Tax Expense	1.656.843	(15.925.052)	-	(14.379.959)	(2.475.033)	(31.123.201)
<b>Net Income From Continuing Operations</b>	<b>76.033.330</b>	<b>63.694.365</b>	<b>16.225.323</b>	<b>34.837.011</b>	<b>(82.537.330)</b>	<b>108.252.699</b>
Discontinued Operations	(38.221)	-	-	-	-	(38.221)
<b>PROFIT FOR THE PERIOD</b>	<b>75.995.109</b>	<b>63.694.365</b>	<b>16.225.323</b>	<b>34.837.011</b>	<b>(82.537.330)</b>	<b>108.214.478</b>

(\*) Consolidation adjustments that are not associated with the segments are included in this line.

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

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

### NOTE 4 - SEGMENT REPORTING (cont'd)

#### c) Segment analysis for the period 1 January – 30 June 2018

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	591.659.867	286.320.743	199.080.411	461.238.952	-	1.538.299.973
Intersegment revenue	41.867.137	92.288.199	4.077.546	37.666.568	(175.899.450)	-
Revenue	633.527.004	378.608.942	203.157.957	498.905.520	(175.899.450)	1.538.299.973
Segment operating expenses	(431.758.521)	(356.348.955)	(190.557.601)	(423.211.167)	107.194.308	(1.294.681.936)
Segment operating result	201.768.484	22.259.987	12.600.355	75.694.353	(68.705.142)	243.618.037
<b>OPERATING PROFIT</b>	<b>201.768.484</b>	<b>22.259.987</b>	<b>12.600.355</b>	<b>75.694.353</b>	<b>(68.705.142)</b>	<b>243.618.037</b>
Income / (Expense) From Investing Activities, net	573.379	416.971	180.464	2.480.838	(515.097)	3.136.555
<b>Operating Profit Before Financial Expense</b>	<b>202.341.863</b>	<b>22.676.958</b>	<b>12.780.819</b>	<b>78.175.191</b>	<b>(69.220.239)</b>	<b>246.754.592</b>
Finance Income / (Expense), net	(90.515.039)	(822.683)	(5.798.052)	(4.064.454)	44.048.646	(57.151.582)
<b>Operating Profit Before Financial Expense</b>	<b>111.826.824</b>	<b>21.854.275</b>	<b>6.982.767</b>	<b>74.110.737</b>	<b>(25.171.593)</b>	<b>189.603.010</b>
Tax Expense	(5.674.694)	(2.024.618)	-	(17.764.012)	(8.800.182)	(34.263.506)
<b>Net Income From Continuing Operations</b>	<b>106.152.130</b>	<b>19.829.657</b>	<b>6.982.767</b>	<b>56.346.725</b>	<b>(33.971.775)</b>	<b>155.339.504</b>
Discontinued Operations	26.896	-	-	-	-	26.896
<b>PROFIT FOR THE PERIOD</b>	<b>106.179.026</b>	<b>19.829.657</b>	<b>6.982.767</b>	<b>56.346.725</b>	<b>(33.971.775)</b>	<b>155.366.400</b>

#### d) Segment analysis for the period 1 April – 30 June 2018

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	312.896.513	150.405.222	108.634.765	253.449.767	-	825.386.267
Intersegment revenue	20.950.276	52.582.157	553.998	19.511.807	(93.598.238)	-
Revenue	333.846.789	202.987.379	109.188.763	272.961.574	(93.598.238)	825.386.267
Segment operating expenses	(209.931.987)	(190.255.772)	(104.466.886)	(234.808.506)	46.583.251	(692.879.899)
Segment operating result	123.914.803	12.731.608	4.721.877	38.153.068	(47.014.987)	132.506.368
<b>OPERATING PROFIT</b>	<b>123.914.803</b>	<b>12.731.608</b>	<b>4.721.877</b>	<b>38.153.068</b>	<b>(47.014.987)</b>	<b>132.506.368</b>
Income / (Expense) From Investing Activities, net	140.807	291.679	(25.856)	2.264.251	(294.737)	2.376.144
<b>Operating Profit Before Financial Expense</b>	<b>124.055.610</b>	<b>13.023.287</b>	<b>4.696.021</b>	<b>40.417.319</b>	<b>(47.309.724)</b>	<b>134.882.512</b>
Finance Income / (Expense), net	(48.123.597)	(656.151)	(4.837.536)	(2.257.913)	25.027.380	(30.847.817)
<b>Operating Profit Before Financial Expense</b>	<b>75.932.013</b>	<b>12.367.136</b>	<b>(141.515)</b>	<b>38.159.406</b>	<b>(22.282.344)</b>	<b>104.034.695</b>
Tax Expense	(2.801.907)	(1.193.123)	-	(10.404.501)	(5.540.539)	(19.940.070)
<b>Net Income From Continuing Operations</b>	<b>73.130.106</b>	<b>11.174.013</b>	<b>(141.515)</b>	<b>27.754.905</b>	<b>(27.822.883)</b>	<b>84.094.625</b>
Discontinued Operations	1.629	-	-	-	-	1.629
<b>PROFIT FOR THE PERIOD</b>	<b>73.131.735</b>	<b>11.174.013</b>	<b>(141.515)</b>	<b>27.754.905</b>	<b>(27.822.883)</b>	<b>84.096.254</b>

(\*) Consolidation adjustments that are not associated with the segments are included in this line.

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

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### NOTE 4 - SEGMENT REPORTING (cont'd)

##### e) Segment Assets

	<b>30 June 2019</b>	<b>31 December 2018</b>
Europe, Middle East and Africa	2.038.144.903	1.532.569.043
Asia	1.703.542.236	1.556.127.347
South America	467.088.724	378.050.455
North America	1.643.447.843	1.302.642.874
<b>Segment assets (*)</b>	<b>5.852.223.706</b>	<b>4.769.389.719</b>
Unallocated assets	471.219.700	430.295.533
Less: Intersegment eliminations	(404.898.503)	(369.498.735)
<b>Total assets per consolidated financial statements</b>	<b>5.918.544.903</b>	<b>4.830.186.517</b>

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

##### f) Segment liabilities

	<b>30 June 2019</b>	<b>31 December 2018</b>
Europe, Middle East and Africa	1.943.294.486	1.454.585.742
Asia	491.104.943	362.946.349
South America	297.098.455	248.447.483
North America	379.158.140	362.919.519
<b>Segment liabilities (**)</b>	<b>3.110.656.024</b>	<b>2.428.899.093</b>
Unallocated liabilities	256.193.860	174.407.151
Less: Intersegment eliminations	(89.149.095)	(112.033.695)
<b>Total liabilities per consolidated financial statements</b>	<b>3.277.700.789</b>	<b>2.491.272.549</b>

(\*\*) Segment liabilities comprise mainly of operating liabilities and exclude tax liabilities, other financial liabilities and borrowings.

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

##### g) External revenues

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
Industrial Yarn and Cord Fabric	2.164.966.713	1.092.035.322	1.504.656.756	798.357.448
Advanced Composite Materials	327.769.879	175.322.407	2.826.617	1.055.752
Other	93.243.078	53.481.430	30.816.600	25.973.067
	<b>2.585.979.670</b>	<b>1.320.839.159</b>	<b>1.538.299.973</b>	<b>825.386.267</b>

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Cash	31.546	2.338.581
Bank-demand deposits	238.614.095	67.999.024
Bank-time deposits	284.880.164	60.464.057
	<b>523.525.805</b>	<b>130.801.662</b>

Time deposits have less than 3 months maturity. Average annual interest rate for time deposits are 0,50% for EUR (31 December 2018: 1,25%).

#### NOTE 6 - BORROWINGS

	30 June 2019	31 December 2018
Short-term borrowings	1.322.196.757	952.562.339
Short-term portion of long term borrowings	110.402.920	41.932.689
<b>Total short term financial liabilities</b>	<b>1.432.599.677</b>	<b>994.495.028</b>
Long-term borrowings	532.801.540	524.785.306
<b>Total long-term financial liabilities</b>	<b>532.801.540</b>	<b>524.785.306</b>
<b>Total financial liabilities</b>	<b>1.965.401.217</b>	<b>1.519.280.334</b>

As at 30 June 2019 and 31 December 2018 the details of short and long term borrowings are as follows:

	30 June 2019		31 December 2018	
	Weighted average effective Interest rate %	TL	Weighted average effective Interest rate %	TL
<b>Short-term borrowings</b>				
TL borrowings	21,95	270.000.000	26,27	167.341.038
USD borrowings	4,41	120.179.988	4,04	88.829.524
EUR borrowings	0,79	907.522.929	0,83	655.781.404
Other (*)	10,50	24.493.840	10,50	40.610.373
		<b>1.322.196.757</b>		<b>952.562.339</b>
<b>Short-term portion of long term borrowings</b>				
USD borrowings	5,20	110.402.920	5,08	41.932.689
		<b>110.402.920</b>		<b>41.932.689</b>
<b>Total short term borrowings</b>		<b>1.432.599.677</b>		<b>994.495.028</b>
<b>Long-term borrowings</b>				
USD borrowings	5,20	524.303.487	5,08	517.200.260
Other (*)	10,50	8.498.053	10,50	7.585.046
<b>Total long-term borrowings</b>		<b>532.801.540</b>		<b>524.785.306</b>

(\*) Comprised of Indonesian Rupee borrowings.

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

### NOTE 6 – BORROWINGS (cont'd)

	30 June 2019		31 December 2018	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
USD borrowings	754.886.395	754.886.395	606.029.784	606.029.784
TL borrowings	270.000.000	270.000.000	167.341.038	167.341.038
EUR borrowings	907.522.929	907.522.929	697.714.093	697.714.093
Other	32.991.893	32.991.893	48.195.419	48.195.419
	<b>1.965.401.217</b>	<b>1.965.401.217</b>	<b>1.519.280.334</b>	<b>1.519.280.334</b>

The redemption schedules of long term borrowings are summarized below:

	30 June 2019	31 December 2018
1 to 2 years	154.563.762	125.631.193
2 to 3 years	158.948.432	149.155.953
3 to 4 years	139.371.341	134.273.448
4 to 5 years	64.477.028	107.826.188
Over 5 years	15.440.977	7.898.524
	<b>532.801.540</b>	<b>524.785.306</b>

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

	30 June 2019	30 June 2018
<b>1 January financial liabilities</b>	<b>1.519.280.334</b>	<b>632.304.026</b>
Current period additions	567.702.847	455.814.648
Current period capital repayments	(291.133.479)	(261.497.142)
Current period interest expense	14.855.510	41.162.992
Effects of change in foreign exchange	154.696.005	70.085.496
<b>30 June financial liabilities</b>	<b>1.965.401.217</b>	<b>937.870.020</b>

### NOTE 7 - TRADE RECEIVABLES

Trade receivables	30 June 2019	31 December 2018
Trade receivables	930.735.009	760.775.239
Cheques received	5.340.802	10.694.574
Due from related parties (Not 22)	45.436.853	68.899.704
	<b>981.512.664</b>	<b>840.369.517</b>
Less: Provision for doubtful receivables	(1.724.734)	(1.678.429)
Less: Unearned credit finance income	(4.233.180)	(9.016.145)
	<b>975.554.750</b>	<b>829.674.943</b>

As at 30 June 2019, annual interest rates for discount of TL, USD and Euro trade receivables and payables are 26%, 5,5% and 4% respectively (2018: 30%, 5,5% and 4%). The average maturities of the trade receivables as at 30 June 2019 is 69 days and average duration of trade payables is 59 days (31 December 2018: 75 days, 65 days).



## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### NOTE 7 - TRADE RECEIVABLES (cont'd)

As at 30 June 2019, trade receivables amounting to TL 83.911.205 (2018: TL 47.560.085) were past due but not impaired. The aging of these receivables as of 30 June 2019 and 31 December 2019 are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Up to 1 month	55.387.587	35.358.192
1 to 3 months	25.320.656	10.198.485
3 to 12 months	3.202.962	2.003.408
	<b>83.911.205</b>	<b>47.560.085</b>

As at 30 June 2019, trade receivables amounting to TL 1,724,734 (2018: TL 1,678,429) are past due and the provision for doubtful receivables has been set aside. As at 30 June 2019 and 31 December 2018, the aging schedule of the related receivables is as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Up to 1 month	--	--
1 to 3 months	--	--
3 to 12 months	--	--
1 to 5 years	1.724.734	1.678.429
	<b>1.724.734</b>	<b>1.678.429</b>

Movement schedules of provision for doubtful receivables for the six month periods ended 30 June 2019 and 2018 are as follows:

	<b>1 January- 30 June 2019</b>	<b>1 January- 30 June 2018</b>
Balance at 1 January	1.678.429	1.729.330
Additions	-	-
Collections	-	(206.856)
Currency translation differences	46.305	10.473
<b>Balance at 30 June</b>	<b>1.724.734</b>	<b>1.532.947</b>

#### NOTE 8 – OTHER RECEIVABLES AND PAYABLES

<b>Other short-term receivables</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Taxes and other duties (*)	16.558.857	9.989.552
Other	6.030.619	5.376.302
	<b>22.589.476</b>	<b>15.365.854</b>

  

<b>Other long-term receivables</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Litigation guarantee receivables (**)	22.939.439	19.727.319
Other	12.139.822	11.816.583
	<b>35.079.261</b>	<b>31.543.902</b>

(\*) Taxes and other duties mainly comprise of Kordsa Brasil's other tax receivables from tax incentives for the domestic production which are not collected yet.

(\*\*) This amount is related to the guarantees paid to Brazilian courts for the lawsuits against Kordsa Brasil.

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### NOTE 8 – OTHER RECEIVABLES AND PAYABLES (cont'd)

<b>Other short term payables</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Taxes and duties payable	18.577.593	18.886.670
Other	20.666.504	3.966.673
	<b>39.244.097</b>	<b>22.853.343</b>

<b>Other long term payables</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Taxes and duties payable (***)	18.530.638	20.122.592
	<b>18.530.638</b>	<b>20.122.592</b>

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

#### NOTE 9 – INVENTORIES

	<b>30 June 2019</b>	<b>31 December 2018</b>
Raw materials and supplies	571.746.203	400.818.761
Finished goods	496.779.496	423.685.299
Semi-finished goods	130.970.939	114.795.068
Spare parts	54.336.045	48.341.455
Intermediate goods	57.600.532	34.444.711
Other inventories	55.505.670	46.964.312
	<b>1.366.938.885</b>	<b>1.069.049.606</b>
Less: Provision for obsolescence	(23.767.075)	(21.467.744)
	<b>1.343.171.810</b>	<b>1.047.581.862</b>

Movement schedules for provision for obsolescence for the six month periods ended 30 June 2019 and 30 June 2018 are as follows:

	<b>1 January- 30 June 2019</b>	<b>1 January- 30 June 2018</b>
Balances at 1 January	21.467.744	13.824.690
Additions	1.495.520	3.324.542
Reversals	(1.107.703)	(7.862.904)
Currency translation differences	1.911.514	722.396
<b>Balances at 30 June</b>	<b>23.767.075</b>	<b>10.008.724</b>

The amount of provision for inventory obsolescence is classified to cost of goods sold for the periods 30 June 2019 and 30 June 2018.

Total cost of raw materials and supplies within the cost of sales is TL 1.410.764.783 in current period (1 January – 30 June 2018: TL 636.691.642)

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018**

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

**NOTE 10 – PROPERTY, PLANT AND EQUIPMENT**

The movement of property, plant and equipment for the six month periods ended 30 June 2019 is as follows:

	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers(*)</b>	<b>Currency Translation Differences</b>	<b>30 June 2019</b>
<b>Cost:</b>						
Land and land improvements	93.420.818	391.806	(29.772)	-	6.497.447	100.280.299
Buildings	578.239.869	54.265	-	32.035.827	38.685.172	649.015.133
Machinery and equipment	2.871.991.197	6.847.997	(7.642.581)	120.230.048	216.488.452	3.207.915.113
Motor vehicles	5.189.934	-	(1.226.069)	-	431.465	4.395.330
Furniture and fixtures	109.761.332	403.569	(632.531)	777.843	8.260.837	118.571.050
Construction in progress	210.942.506	69.631.910	(14.256)	(153.122.582)	2.732.915	130.170.493
	<b>3.869.545.656</b>	<b>77.329.547</b>	<b>(9.545.209)</b>	<b>(78.864)</b>	<b>273.096.288</b>	<b>4.210.347.418</b>
<b>Accumulated depreciation:</b>						
Land improvements	29.591.640	477.049	(29.772)	-	1.377.166	31.416.083
Buildings	276.242.373	7.804.031	-	-	18.766.898	302.813.302
Machinery and equipment	1.544.588.670	64.518.116	(2.787.387)	-	111.432.961	1.717.752.360
Motor vehicles	3.176.097	389.526	(1.172.543)	-	247.191	2.640.271
Furniture and fixtures	76.374.695	3.567.719	(606.705)	-	6.083.883	85.419.592
	<b>1.929.973.475</b>	<b>76.756.441</b>	<b>(4.596.407)</b>	<b>-</b>	<b>137.908.099</b>	<b>2.140.041.608</b>
<b>Net book value</b>	<b>1.939.572.181</b>					<b>2.070.305.810</b>

(\*) TL 78.864 has been transferred to other intangible assets for the six month periods ended 30 June 2019.

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (cont’d)

The movement of property, plant and equipment for the six month periods ended 30 June 2018 is as follows:

	1 January 2018	Additions	Disposals	Transfers (**)	Transfers to Investment Properties(*)	Currency Translation Differences	30 June 2018
<b>Cost:</b>							
Land and land improvements	76.929.971	-	(594.001)	8.986.604	(9.418.120)	8.141.227	84.045.681
Buildings	441.901.137	319.407	-	5.539.195	-	42.628.960	490.388.699
Machinery and equipment	2.175.261.051	6.516.058	(2.113.265)	86.473.620	-	262.936.584	2.529.074.048
Motor vehicles	3.900.115	178.912	(725.514)	-	-	520.425	3.873.938
Furniture and fixtures	81.130.628	2.323.357	(502.030)	4.901.230	-	8.012.766	95.865.951
Construction in progress	181.633.491	95.350.052	(6.713.331)	(111.603.363)	-	8.851.007	167.517.856
	<b>2.960.756.393</b>	<b>104.687.786</b>	<b>(10.648.141)</b>	<b>(5.702.714)</b>	<b>(9.418.120)</b>	<b>331.090.969</b>	<b>3.370.766.173</b>
<b>Accumulated depreciation:</b>							
Land improvements	33.218.604	296.398	(544.751)	-	(8.480.016)	2.739.613	27.229.848
Buildings	220.727.755	6.281.254	-	-	-	19.811.164	246.820.173
Machinery and equipment	1.220.070.237	47.326.511	(1.374.116)	-	-	122.500.653	1.388.523.285
Motor vehicles	2.724.981	270.663	(725.514)	-	-	355.211	2.625.341
Furniture and fixtures	57.280.223	2.739.548	(486.748)	-	-	6.283.524	65.816.547
	<b>1.534.021.800</b>	<b>56.914.374</b>	<b>(3.131.129)</b>	<b>-</b>	<b>(8.480.016)</b>	<b>151.690.165</b>	<b>1.731.015.194</b>
<b>Net book value</b>	<b>1.426.734.593</b>						<b>1.639.750.979</b>

(\*) Refer to Note 12

(\*\*) TL 5.702.714 has been transferred to other intangible assets for the six month periods ended 30 June 2018.

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (cont’d)

TL 67.591.631 (30 June 2018: TL 51.240.635) of current period depreciation and amortisation expenses are included in cost of sales, TL 273.063 (30 June 2018: TL 439.281) is included in research and development expenses and TL 8.891.746 (30 June 2018: TL 5.234.458) is included in general administrative expenses.

#### DİPNOT 11 – RIGHT OF USE ASSETS

	TFRS 16 Opening Effects	Addition	Currency Translation Differences	30 June 2019
<b>Cost</b>				
Property	8.255.810	525.415	524.923	9.306.148
Fixtures	407.038	-	25.184	432.222
Vehicles	2.821.629	546.424	291.229	3.659.282
Other	8.986.542	182.341	597.583	9.766.466
	<b>20.471.019</b>	<b>1.254.180</b>	<b>1.438.919</b>	<b>23.164.118</b>
<b>Accumulated Depreciation</b>				
Property	-	(858.006)	-	(858.006)
Fixture	-	(48.613)	-	(48.613)
Vehicles	-	(793.763)	-	(793.763)
Other	-	(1.381.030)	-	(1.381.030)
	-	<b>(3.081.412)</b>	-	<b>(3.081.412)</b>
<b>Net book value</b>	<b>20.471.019</b>			<b>20.082.706</b>

#### NOTE 12 – INVESTMENT PROPERTY

Movement schedule of investment properties for the interim periods ended at 30 June 2019 and 30 June 2018 is as follows:

	30 June 2019	30 June 2018
<b>Balance at the beginning of the year</b>	<b>114.874.106</b>	<b>47.041.172</b>
Gains from change of fair value (*)	-	34.699.687
Disposals	(151.850)	(1.885.890)
Currency translation differences	10.942.928	13.828.963
Transfers	-	938.104
<b>Closing balance</b>	<b>125.665.184</b>	<b>94.622.036</b>

(\*) The fair value of PT Indo Kordsa's investment properties in the Asia Pacific Region as at 31 December 2018 has been determined by an independent valuation company. The independent appraisal company has sufficient experience and qualification to measure the fair value of the properties in the relevant regions. The fair value of the lands have determined pursuant to market comparative approach that has reflected resembling properties current transaction prices. The highest and the best of the present value has been used in determining the fair value of the lands. No different valuation methodology has been applied in current period.

As at 30 June 2018 TL 34.699.687 of the gain on change of fair value is due to the land where is PT Indo Kordsa in the Asia Pacific Region transferred from property, plant and equipment to investment properties. This amount has been accounted as “other revaluation and remeasurement gain” for under equity and other comprehensive income.

As at 30 June 2019, the Group has a fair value hierarchy of investment properties and related assets at Level 2, with no transition between Level 2 and Level 3 in the current period.

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 13 – GOODWILL

The goodwill by amount of TL 224.676.337 (2018: TL 171.912.390) as of 30 June 2019 consisted of TL 42.570.007 (2018: TL 42.570.007 ), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş on 30 September 1999, TL 3.025.160 (2018: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006, TL 47.470.345 and TL 61.951.759 which accrued in consequence of the acquisition of the Fabric Development Inc. ("FDI") and Textile Products, Inc. ("TPI") on 13 July 2018, respectively and TL 6.103.455 which accrued in consequence of the acquisition of the Advanced Honeycomb Technologies Corporation ("AHT") on 1 October 2018.

As at 30 June, the movements in goodwill were as follow;

	<b>30 June 2019</b>	<b>30 June 2018</b>
<b>Balance at the beginning of the year</b>	<b>171.912.390</b>	<b>45.595.167</b>
Acquisition during the year	40.897.916	-
<i>FDI</i>	-	-
<i>TPI (*)</i>	40.897.916	-
<i>AHT</i>	-	-
Currency translation difference	11.866.031	-
<b>Balances at 30 June</b>	<b>224.676.337</b>	<b>45.595.167</b>

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

#### NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

<b>a) Guarantees given</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Pledges given to banks	358.412.940	337.007.048
Security (*)	201.428.500	209.657.000
Letter of guarantees	138.865.710	75.933.268
Letter credits	126.791.407	93.164.382
Pledges	113.463	1.391.816
	<b>825.612.020</b>	<b>717.153.514</b>

(\*) As at 13 July 2018, Kordsa Teknik Tekstil A.Ş. have been joint guarantor to long-term borrowings used by Kordsa Inc. amounting to USD 35.000.000 equivalents TL 209.657.000.

<b>b) Guarantees received:</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Letter of guarantees	8.052.774	8.620.427
Cheques and notes received as collateral	15.000	315.000
	<b>8.067.774</b>	<b>8.935.427</b>

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont’d)

30 June 2019	TL Equivalent	TL	USD	EUR	Thai Baht	Other TL Equivalents
A.Total of GPMs given on behalf of own legal personality	624.183.520	12.866.564	80.361.317	21.339.856	806.130	8.887.644
B.Total of GPMs given on behalf of subsidiaries consolidated in full	201.428.500	-	35.000.000	-	-	-
C.GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D.Total amount of other GPM	-	-	-	-	-	-
i. Total amount of GPM given on behalf of the major shareholder	-	-	-	-	-	-
ii. Total amount of GPM given on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-
iii. Total amount of GPM given on behalf of third parties which are not in scope of clause C	-	-	-	-	-	-
	<b>825.612.020</b>	<b>12.866.564</b>	<b>115.361.317</b>	<b>21.339.856</b>	<b>806.130</b>	<b>8.887.644</b>
31 December 2018	TL Equivalent	TL	USD	EUR	Thai Baht	Other TL Equivalents
A.Total of GPMs given on behalf of own legal personality	507.496.514	10.342.561	79.741.475	12.643.959	8.784.873	--
B.Total of GPMs given on behalf of subsidiaries consolidated in full	209.657.000	--	35.000.000	--	--	--
C.GPM given for continuation of its economic activities on behalf of third parties	--	--	--	--	--	--
D.Total amount of other GPM	--	--	--	--	--	--
i. Total amount of GPM given on behalf of the major shareholder	--	--	--	--	--	--
ii. Total amount of GPM given on behalf of other Group companies which are not in scope of B and C	--	--	--	--	--	--
iii. Total amount of GPM given on behalf of third parties which are not in scope of clause C	--	--	--	--	--	--
	<b>717.153.514</b>	<b>10.342.561</b>	<b>114.741.475</b>	<b>12.643.959</b>	<b>8.784.873</b>	<b>-</b>

The ratio of the other GPMs given by the Group to equity is 0% as at 30 June 2019 (As at 31 December 2018 0%).

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

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#### NOTE 15 - SALES AND COST OF SALES

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
Sales income (gross)	2.627.444.553	1.338.624.676	1.563.564.778	838.538.421
Sales returns (-)	(4.835.240)	(1.747.537)	(4.009.161)	(1.845.614)
Sales discounts (-)	(12.113.213)	(3.671.153)	(8.694.580)	(4.430.960)
Other sales discounts (-)	(24.516.430)	(12.366.827)	(12.561.064)	(6.875.580)
<b>Sales Income (Net)</b>	<b>2.585.979.670</b>	<b>1.320.839.159</b>	<b>1.538.299.973</b>	<b>825.386.267</b>
Cost of sales (-)	(2.060.259.230)	(1.052.003.950)	(1.210.313.751)	(647.656.814)
<b>Gross Profit</b>	<b>525.720.440</b>	<b>268.835.209</b>	<b>327.986.222</b>	<b>177.729.453</b>

#### NOTE 16 - EXPENSES BY NATURE

For the periods ended 30 June 2019 and 2018, expenses by nature of the cost of sales, general and administrative expenses, marketing expenses and research and development expenses, respectively, comprised the following:

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
Raw material and supply expenses	1.410.764.783	726.456.581	636.691.642	317.525.705
Personnel expenses	309.529.572	158.413.229	180.392.766	86.398.792
Energy expenses	243.788.720	125.536.108	113.451.200	52.706.482
Depreciation and amortization expenses	92.345.132	48.982.762	61.549.984	32.166.409
Distribution expenses	60.087.984	30.583.981	39.056.596	21.427.394
Packing expenses	47.487.341	24.453.043	27.578.372	13.301.060
Consultancy expenses	25.031.520	13.356.460	15.001.100	6.822.107
Idle mill expenses	8.302.059	5.147.161	3.395.103	2.127.302
Rent expenses	2.650.120	1.464.014	1.750.441	916.202
Service, maintenance expenses	2.629.867	1.557.702	1.640.586	743.655
Other	68.270.024	24.067.110	256.370.969	180.253.773
	<b>2.270.887.122</b>	<b>1.160.018.151</b>	<b>1.336.878.759</b>	<b>714.388.881</b>



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**

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**NOTE 17 - OTHER OPERATING INCOME AND EXPENSES**

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
<b>Other operating income</b>				
Unearned finance income on credit sales	29.396.707	14.871.326	11.554.235	6.742.183
Foreign exchange gains on trade receivables	26.811.545	7.190.385	31.911.641	16.103.303
Domestic production incentive income (*)	19.416.319	11.287.435	14.030.738	7.786.212
Rent income	2.523.143	1.302.851	639.104	319.552
Export incentive income	657.867	572.497	754.880	455.746
Other	10.894.725	9.237.225	2.516.216	231.327
	<b>89.700.306</b>	<b>44.461.719</b>	<b>61.406.814</b>	<b>31.638.323</b>

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

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
<b>Other operating expenses</b>				
Unrealized finance expense on credit purchase	15.950.293	8.779.025	5.656.368	3.049.899
Donations	15.534.147	8.730.378	9.640.361	5.380.492
Taxes and duties	4.329.404	3.722.580	2.919.275	2.318.657
Other	7.740.776	3.712.215	993.987	(619.708)
	<b>43.554.620</b>	<b>24.944.198</b>	<b>19.209.991</b>	<b>10.129.341</b>

**NOTE 18 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES**

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
<b>Income from investing activities</b>				
Interest income	2.257.514	1.097.540	1.516.162	739.535
Gain on sale of property, plant and equipment	364.758	245.166	149.235	138.250
Gain from sale of investment properties	151.850	165.822	1.885.890	1.762.404
	<b>2.774.122</b>	<b>1.508.528</b>	<b>3.551.287</b>	<b>2.640.189</b>

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
<b>Expense from investing activities</b>				
Loss on sale of property, plant and equipment	247.912	78.997	414.732	264.045
	<b>247.912</b>	<b>78.997</b>	<b>414.732</b>	<b>264.045</b>

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#### NOTE 19 - FINANCIAL INCOME AND EXPENSES

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
<b>Finance income</b>				
Foreign exchange gain	2.661.250	145.109	-	-
Gain on derivative instruments	-	-	8.921.738	8.764.184
	<b>2.661.250</b>	<b>145.109</b>	<b>8.921.738</b>	<b>8.764.184</b>

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
<b>Finance expense</b>				
Interest expenses	50.876.376	29.096.761	20.265.232	14.302.307
Foreign exchange losses	29.823.783	11.779.172	42.605.096	24.828.963
Losses on derivative instruments	3.416.343	4.918	1.585.748	-
Other financial expenses	2.773.676	1.665.078	1.617.244	480.731
	<b>86.890.178</b>	<b>42.537.269</b>	<b>66.073.320</b>	<b>39.612.001</b>

#### NOTE 20 - TAXATION ON INCOME

##### Corporate Tax

	30 June 2019	31 December 2018
Corporate tax payable	34.584.297	9.459.018
Less: Prepaid taxes on income	(16.957.047)	(6.649.729)
<b>Current tax liabilities</b>	<b>17.627.250</b>	<b>2.809.289</b>

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

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

In Turkey, corporate tax rate is 22% as at 30 June 2019 (2018: 22%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

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#### NOTE 20 - TAXATION ON INCOME (cont'd)

The tax legislation provides for a temporary tax of 22% (2018: 22%) to be calculated and paid based on earnings generated for each quarter for the three month period ended 30 June 2019. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

The taxes on income presented in the condensed consolidated statement of profit or loss for the periods ended 30 June 2019 and 2018 are summarized as follows:

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
Current period corporate tax expense	(51.495.785)	(28.669.542)	(31.895.300)	(18.695.404)
Deferred tax expense	(9.011.078)	(2.453.659)	(2.368.206)	(1.244.666)
	<b>(60.506.863)</b>	<b>(31.123.201)</b>	<b>(34.263.506)</b>	<b>(19.940.070)</b>

#### Deferred taxes

	<b>30 June 2019</b>	<b>31 December 2018</b>
Deferred tax assets	51.586.353	72.659.988
Deferred tax liabilities	(237.977.840)	(190.384.368)
<b>Deferred tax liabilities – net</b>	<b>(186.391.487)</b>	<b>(117.724.380)</b>

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.

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

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

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

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#### NOTE 20 - TAXATION ON INCOME (cont'd)

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 30 June 2019 and 31 December 2018 using the enacted tax rates are as follows:

	Deferred tax assets/liabilities	
	30 June 2019	31 December 2018
Provision for employment termination benefits	5.607.902	8.042.171
Consignment sales adjustment	15.306.516	18.042.683
Finance income	1.041.208	1.936.018
Other, net	29.630.727	44.639.115
<b>Deferred tax assets</b>	<b>51.586.353</b>	<b>72.659.987</b>
Property, plant and equipment and intangibles	(141.352.417)	(105.365.941)
Other, net	(96.625.423)	(85.018.426)
<b>Deferred tax liability</b>	<b>(237.977.840)</b>	<b>(190.384.367)</b>
<b>Net deferred tax liability</b>	<b>(186.391.487)</b>	<b>(117.724.380)</b>

Movements of deferred tax balances for the six months period ended 30 June 2019 and 30 June 2018 are as follows:

	1 January- 30 June 2019	1 January- 30 June 2018
<b>Balance at 1 January</b>	<b>(117.724.380)</b>	<b>(71.414.135)</b>
Current year deferred income / (expense)-net	(9.011.078)	(2.368.206)
Charges to equity	(366.391)	(1.324.476)
Effect of other adjustments (*)	(52.368.393)	-
Currency translation differences	(6.921.245)	(8.665.042)
<b>Balances 30 June</b>	<b>(186.391.487)</b>	<b>(83.771.859)</b>

(\*) Please refer to Note 13.

# KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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### NOTE 21 – EARNING PER SHARE

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

	<b>1 January- 30 June 2019</b>	<b>1 January- 30 June 2018</b>
Net income attributable to equity holders of the parent	191.191.812	135.748.098
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	9,83	6,98
Earnings per share from continuing operations		
Net income attributable to equity holder of the parent	191.222.390	135.734.381
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	9,83	6,98
Earnings per share from continuing operations		
Net income attributable to equity holders of the parent	(30.578)	13.717
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	-	-

### NOTE 22 – RELATED PARTY DISCLOSURES

<b>Bank balances:</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Akbank T.A.Ş. – demand deposits	272.405.770	60.464.057
Akbank T.A.Ş. – time deposits	22.806.768	203.916
	<b>295.212.538</b>	<b>60.667.973</b>
	<b>30 June 2019</b>	<b>31 December 2018</b>
Akbank T.A.Ş. – bank borrowings	115.008.529	-
	<b>115.008.529</b>	<b>-</b>
<b>Due from related parties:</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. (“Brisa”)	44.816.149	68.387.355
Bimsa	44.483	-
Enerjisa Enerji Üretim A.Ş. (“Enerjisa”)	150.637	-
Akçansa	420.251	-
Other	5.333	512.349
	<b>45.436.853</b>	<b>68.899.704</b>
<b>Due to related parties:</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Enerjisa Enerji Üretim A.Ş. (“Enerjisa”)	9.783.224	4.415.884
Bimsa	2.390.842	3.656.500
Brisa	200.571	183.197
Other	144.273	286.691
	<b>12.518.910</b>	<b>8.542.272</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018**

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**NOTE 22 – RELATED PARTY DISCLOSURES (cont'd)**

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
<b>Product sales</b>				
Brisa	61.785.848	30.383.883	48.237.452	26.283.483
Other	417.538	61.393	49.056	7.345
	<b>62.203.386</b>	<b>30.445.276</b>	<b>48.286.508</b>	<b>26.290.828</b>
<b>Service sales</b>				
Enerjisa Enerji Üretim A.Ş	358.766	358.766	561.057	364.641
Sabancı Holding	-	-	6.092	6.092
	<b>358.766</b>	<b>358.766</b>	<b>567.149</b>	<b>370.733</b>
<b>Service received</b>				
Enerjisa Enerji Üretim A.Ş.	47.232.350	24.752.640	26.353.522	13.143.744
Aksigorta	9.623.838	171.999	5.349.597	(943.020)
Bimsa	4.608.470	2.180.677	1.645.940	925.188
AvivaSA Emeklilik ve Hayat A.Ş.	745.911	-	547.773	220
Other	70.674	70.674	293.810	146
	<b>62.281.243</b>	<b>27.175.990</b>	<b>34.190.642</b>	<b>13.126.278</b>
<b>Property, plant and equipment purchases</b>				
Teknosa	73.729	73.729	-	-
Bimsa	-	-	263.328	156.650
Other	4.557	4.557	33.384	33.384
	<b>78.286</b>	<b>78.286</b>	<b>296.712</b>	<b>190.034</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018**

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**NOTE 22 – RELATED PARTY DISCLOSURES (cont'd)**

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
<b>Interest income</b>				
Akbank T.A.Ş.	603.708	236.826	503.121	143.408
<b>Interest expense</b>				
Akbank T.A.Ş.	7.568.954	6.022.304	2.556.143	(195.403)
<b>Foreign exchange gains / (losses) -net:</b>				
Akbank T.A.Ş.	5.064.967	1.509.113	5.436	4.837
<b>Rent income</b>				
Bimsa	32.682	16.521	40.736	20.368

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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#### NOTE 22 – RELATED PARTY DISCLOSURES (cont'd)

##### 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 30 June 2019 and 2018 are as follows:

	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>
Short term employee benefits	9.491.698	4.714.504	9.149.103	4.413.903
Post employment benefits	143.612	22.289	131.437	24.819
	<b>9.635.310</b>	<b>4.736.793</b>	<b>9.280.540</b>	<b>4.438.722</b>

##### Security and guarantee letters given

None.

#### NOTE 23 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

##### *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.

##### Foreign currency position

Group's assets and liabilities denominated in foreign currencies at 30 June 2019 and 31 December 2018 are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Assets (a+c)	1.699.905.299	1.196.949.265
Liabilities (b)	(1.712.171.146)	(1.184.343.960)
<b>Net foreign currency position</b>	<b>(12.265.847)</b>	<b>12.605.305</b>



## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 23 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

30 June 2019	Total TL Equivalents	USD (*)	EUR (*)	Indonesian Rupiah ('000) (*)	Other TL Equivalent
<b>Assets:</b>					
Trade receivables	420.733.677	22.594.833	39.900.480	72.048.001	-
Cash and cash equivalents	306.406.894	3.118.932	42.686.797	21.619.909	29.864
Other monetary receivables and assets	-	-	-	-	-
Other non-monetary receivables and assets	27.289.157	-	2.048	63.199.297	1.554.912
<b>Current assets</b>	<b>754.429.728</b>	<b>25.713.765</b>	<b>82.589.325</b>	<b>156.867.207</b>	<b>1.584.776</b>
Financial assets available for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
<b>Non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets (a)</b>	<b>754.429.728</b>	<b>25.713.765</b>	<b>82.589.325</b>	<b>156.867.207</b>	<b>1.584.776</b>
<b>Liabilities:</b>					
Trade Payables	365.138.171	43.692.674	14.096.705	36.198.483	6.607.131
Borrowings	1.039.063.189	18.600.258	138.538.313	60.184.613	-
Other monetary payables and liabilities	8.520.767	-	-	20.936.590	-
<b>Total short term liabilities</b>	<b>1.412.722.127</b>	<b>62.292.932</b>	<b>152.635.018</b>	<b>117.319.686</b>	<b>6.607.131</b>
Borrowings	299.449.019	50.555.556	-	20.877.554	-
Other monetary payables and liabilities	-	-	-	-	-
<b>Total long term liabilities</b>	<b>299.449.019</b>	<b>50.555.556</b>	<b>-</b>	<b>20.877.554</b>	<b>-</b>
<b>Total liabilities (b)</b>	<b>1.712.171.146</b>	<b>112.848.488</b>	<b>152.635.018</b>	<b>138.197.240</b>	<b>6.607.131</b>
Off-balance sheet derivative assets (c)	945.475.571	96.515.777	59.538.313	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
<b>Net foreign currency asset/(liability) position (a-b+c-d)</b>	<b>(12.265.847)</b>	<b>9.381.054</b>	<b>(10.507.380)</b>	<b>18.669.967</b>	<b>(5.022.355)</b>
<b>Fair value of financial instruments used for foreign currency hedge</b>	<b>3.721.425</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Hedged portion of foreign currency assets	-	-	-	-	-
Hedged portion of foreign currency liabilities	945.475.571	96.515.777	59.538.313	-	-

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

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 23 - FOREIGN CURRENCY RISK AND POSITION (cont’d)

31 December 2018	Total TL Equivalents	USD (*)	EUR (*)	Indonesian Rupiah ('000) (*)	Other TL Equivalent
<b>Assets:</b>					
Trade receivables	354.474.654	11.958.251	39.506.350	147.130.912	-
Cash and cash equivalents	68.683.929	620.168	10.028.129	13.675.911	3.313
Other monetary receivables and assets	446.005	-	-	1.227.660	-
Other non-monetary receivables and assets	38.524.326	-	1.189	106.021.206	3.137.186
<b>Current assets</b>	<b>462.128.915</b>	<b>12.578.419</b>	<b>49.535.668</b>	<b>268.055.690</b>	<b>3.140.499</b>
Financial assets available for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
<b>Non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets (a)</b>	<b>462.128.915</b>	<b>12.578.419</b>	<b>49.535.668</b>	<b>268.055.690</b>	<b>3.140.499</b>
<b>Liabilities:</b>					
Trade Payables	98.069.916	6.988.548	6.715.150	42.484.920	5.659.507
Borrowings	768.791.823	13.761.912	108.789.218	111.782.930	-
Other monetary payables and liabilities	5.933.061	(4.923)	-	16.402.462	-
<b>Total short term liabilities</b>	<b>872.794.799</b>	<b>20.745.538</b>	<b>115.504.367</b>	<b>170.670.312</b>	<b>5.659.507</b>
Borrowings	311.549.161	57.778.025	-	20.877.554	-
Other monetary payables and liabilities	-	-	-	-	-
<b>Total long term liabilities</b>	<b>311.549.161</b>	<b>57.778.025</b>	<b>-</b>	<b>20.877.554</b>	<b>-</b>
<b>Total liabilities (b)</b>	<b>1.184.343.960</b>	<b>78.523.563</b>	<b>115.504.367</b>	<b>191.547.866</b>	<b>5.659.507</b>
Off-balance sheet derivative assets (c)	734.820.350	71.500.000	59.500.000	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
<b>Net foreign currency asset/(liability) position (a-b+c-d)</b>	<b>12.605.305</b>	<b>5.554.856</b>	<b>(6.468.699)</b>	<b>76.507.824</b>	<b>(2.519.008)</b>
<b>Fair value of financial instruments used for foreign currency hedge</b>	<b>3.089.485</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Hedged portion of foreign currency assets	-	-	-	-	-
Hedged portion of foreign currency liabilities	734.820.350	71.500.000	59.500.000	-	-

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

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

TL equivalents of the foreign currencies where the group operates are as follows:

	30 June 2019	31 December 2018
<b>Closing rates</b>		
USD	5,7551	5,2609
EUR	6,5507	6,0280
Indonesian Rubiah (1000 units)	0,4070	0,3633
Brazilian Real	1,5018	1,3577
Thai Baht	0,1872	0,1621
Egyptian Pound	0,3453	0,2941
	30 June 2019	30 June 2018
<b>Average rates</b>		
USD	5,6097	4,0848
EUR	6,3372	4,9401
Indonesian Rubiah (1000 units)	0,3952	0,2966
Brazilian Real	1,4591	1,1928
Thai Baht	0,1775	0,1287
Egyptian Pound	0,3269	0,2302

A change of the TL against the other currencies below would have effect the condensed consolidated financial statement as at 30 June 2019 and 31 December 2018 as follows:

#### 30 June 2019

	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
USD net assets/liabilities	5.398.891	(5.398.891)	127.067.564	(127.067.564)
Hedged portion of USD (-)	-	-	-	-
<b>USD net effect</b>	<b>5.398.891</b>	<b>(5.398.891)</b>	<b>127.067.564</b>	<b>(127.067.564)</b>
Change in EUR against TL by 10%				
EUR net assets/liabilities	(6.883.070)	6.883.070	-	-
Hedged portion EUR (-)	-	-	-	-
<b>EUR net effect</b>	<b>(6.883.070)</b>	<b>6.883.070</b>	<b>-</b>	<b>-</b>
Change in other currency against TL by 10%				
Other currency net assets/liabilities	257.594	(257.594)	-	-
Hedged portion of other currency (-)	-	-	-	-
<b>Other currency net effect</b>	<b>257.594</b>	<b>(257.594)</b>	<b>-</b>	<b>-</b>
	<b>(1.226.585)</b>	<b>1.226.585</b>	<b>127.067.564</b>	<b>(127.067.564)</b>

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

31 December 2018

	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
USD net assets/liabilities	2.922.254	(2.922.254)	93.131.085	(93.131.085)
Hedged portion of USD (-)	-	-	-	-
<b>USD net effect</b>	<b>2.922.254</b>	<b>(2.922.254)</b>	<b>93.131.085</b>	<b>(93.131.085)</b>
Change in EUR against TL by 10%				
EUR net assets/liabilities	(3.899.332)	3.899.332	-	-
Hedged portion of EUR (-)	-	-	-	-
<b>EUR net effect</b>	<b>(3.899.332)</b>	<b>3.899.332</b>	<b>-</b>	<b>-</b>
Change in other currency against TL by 10%				
Other currency net assets/liabilities	2.237.508	(2.237.508)	-	-
Hedged portion of other currency (-)	-	-	-	-
<b>Other currency net effect</b>	<b>2.237.508</b>	<b>(2.237.508)</b>	<b>-</b>	<b>-</b>
	<b>1.260.530</b>	<b>(1.260.530)</b>	<b>93.131.085</b>	<b>(93.131.085)</b>

Export and import balances from Turkey for the six month period ended 30 June 2019 and 2018 is as follows:

	30 June 2019		30 June 2018	
	Original balance	TL	Original balance	TL
EUR	71.916.454	455.751.232	72.002.359	344.087.097
USD	39.367.361	220.838.187	38.275.891	156.350.126
TL	1.020.861	1.020.861	4.746.575	4.746.575
<b>Total export</b>		<b>677.610.280</b>		<b>505.183.798</b>
<b>Total import</b>			<b>1 January-30 June 2019</b>	<b>1 January-30 June 2018</b>
			568.162.792	397.171.417

#### Derivative financial instruments:

The Group entered into foreign currency forward transactions with due date 2019 in order to manage the risks emerging from the sales transactions which are expected to occur within 6 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 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 reporting date.

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

As at 30 June 2019, net book values of the derivative financial instruments are summarized as follows:

<b>30 June 2019</b>	<b>Average Rate</b>	<b>Foreign Currency (TL)</b>	<b>Contract Value (USD)</b>	<b>Fair Value (TL)</b>
EUR buy TRY sell				
Less than 3 months	7,0661	21.198.400	3.000.000	909.642
Between 3-6 months	7,4072	22.221.500	3.000.000	827.403
				<b>1.737.045</b>
BRL buy USD sell				
Less than 3 months	3,2878	104.515	601.494	376.556
Between 3-6 months	4,2	(18.216)	(177.667)	1.607.825
				<b>1.984.381</b>
				<b>3.721.426</b>

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

##### Fair value estimation

The fair value of the financial assets and liabilities is determined as follows:

- Level 1: Financial assets and liabilities are measured at quoted market prices in active market for identical assets and liabilities.
- Level 2: Financial assets and liabilities are measured using inputs that are used to determine the price of the asset or liability that is observable either directly or indirectly in the market, other than quoted included within Level 1.
- Level 3: Financial assets and liabilities are measured using inputs that are based on unobservable basis in market for the fair value of an asset or liability.

Financial assets / Financial liabilities	Fair value		Fair value level	Valuation technique
	30 June 2019	31 December 2018		
Foreign currency forward / swap contracts, net	3.721.425	2.678.327	Level 2	Discounted cash flow method: Future cash flows estimated using forward exchange rates (observable forward exchange rates at the end of the reporting period) and contract rates are discounted using a rate that reflects the credit risk of the various parties.

##### Hedges of Net Investment in a Foreign Operation:

When there are derivative instruments or non-derivative financial liabilities arising from net investments abroad in order to hedge financial risks;

The gain or loss arising from the fair value hedge of the hedging instrument is recognized in other comprehensive income as translation reserves. The ineffective portion of the difference arising from the fair value of the hedging instrument is recognized directly in profit or loss. Gains or losses recognized in other comprehensive income related to the effective portion of the hedging instrument are reclassified to profit or loss as a result of other comprehensive income as a reclassification adjustment in the hedging of the hedged item or net investment in foreign operations.

The Company subjected the net investment in its foreign subsidiaries and the US Dollar borrowings in other subsidiaries to the hedge of a net investment in foreign operations.

The Company accounted for foreign exchange losses arising from borrowings amounting to TL 61.394.200 (31 December 2018: TL 121.243.000 foreign exchange loss) under Currency Translation Reserves in Equity in accordance with TFRS 9 and TFRS Interpretation 16.

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 24 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Net loss amounting to TL 59.957 for the six month period ended 30 June 2019 presented in the condensed consolidated profit or loss comprises the profit from Nile Kordsa (1 January – 30 June 2018: TL 26.896 profit).

#### NOTE 25 - INTEREST IN OTHER ENTITIES

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

	<b>30 June 2019</b>			
Subsidiary	Non-controlling interests %	Profit / (loss) allocated to non-controlling interests	Net profit / loss attributable to non-controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	38,42%	24.541.609	567.173.955	28.856.150
Other		3.235.275	(6.428.820)	
<b>Total</b>		<b>27.776.884</b>	<b>560.745.135</b>	

	<b>31 December 2018</b>			
Subsidiary	Non-controlling interests %	Profit / (loss) allocated to non-controlling interests	Net profit / loss attributable to non-controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	38,42%	51.144.095	354.559.562	50.236.835
Other		(5.057.155)	149.459.867	
<b>Total</b>		<b>46.086.940</b>	<b>504.019.429</b>	

#### Summary balance sheet information:

	<b>PT Indo Kordsa Tbk</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>
Cash and cash equivalents	31.035.362	30.714.394
Other current assets	575.348.963	501.116.992
Non-current assets	1.141.685.348	1.048.974.617
<b>Total assets</b>	<b>1.748.069.673</b>	<b>1.580.806.003</b>
Short term borrowings	87.340.699	40.157.023
Other short term liabilities	177.522.455	217.366.289
Long term borrowings	85.181.340	77.684.313
Other long term liabilities	85.453.998	76.179.906
<b>Total liabilities</b>	<b>435.498.492</b>	<b>411.387.531</b>
<b>Total equity</b>	<b>1.312.571.181</b>	<b>1.169.418.472</b>
<b>Equity attributable to owners of the parent</b>	<b>1.210.453.436</b>	<b>1.077.687.953</b>
<b>Non-controlling interests (*)</b>	<b>102.117.745</b>	<b>91.730.519</b>

## KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

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

#### NOTE 25 - INTEREST IN OTHER ENTITIES (cont'd)

##### Summary of the profit or loss statement information:

	PT Indo Kordsa Tbk (*)	
	1 January – 30 June 2019	1 January – 30 June 2018
Sales	707.764.661	498.800.103
Cost of sales	(549.969.646)	(386.110.208)
Depreciation and amortization	(31.446.029)	(22.216.461)
Operating profit / (loss)	91.005.460	65.560.935
Net financial income / (expense)	123.163	(5.586.745)
Profit / (loss) before tax	91.128.623	59.974.190
Tax expenses (-)	(27.251.451)	(17.764.012)
Minority interests (**)	(27.137.867)	(19.367.725)
Profit for the period	36.739.305	22.842.453

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

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

#### NOTE 21 – EVENTS AFTER THE REPORTING PERIOD

The Group's wholly-owned subsidiary of Kordsa, Inc. which is located in the United States of America, has completed the purchase 95,86% shares of the company named "Axiom Materials Acquisitions LLC" which provides advanced composite materials to next generation transportation as well as aerospace industry for USD 178.323.365 including cash and working capital adjustments amounting to USD 3.493.365.

For the purchase transaction, credit agreement has been signed between the Group as a guarantor, Kordsa Inc. affiliated company of the Group as a borrower and Bank of America N.A., Bank of Tokyo, Demir Halk Bank and Credit Europe Bank as lender amounting to provide financing up to USD 140.000.000 to Kordsa Inc.