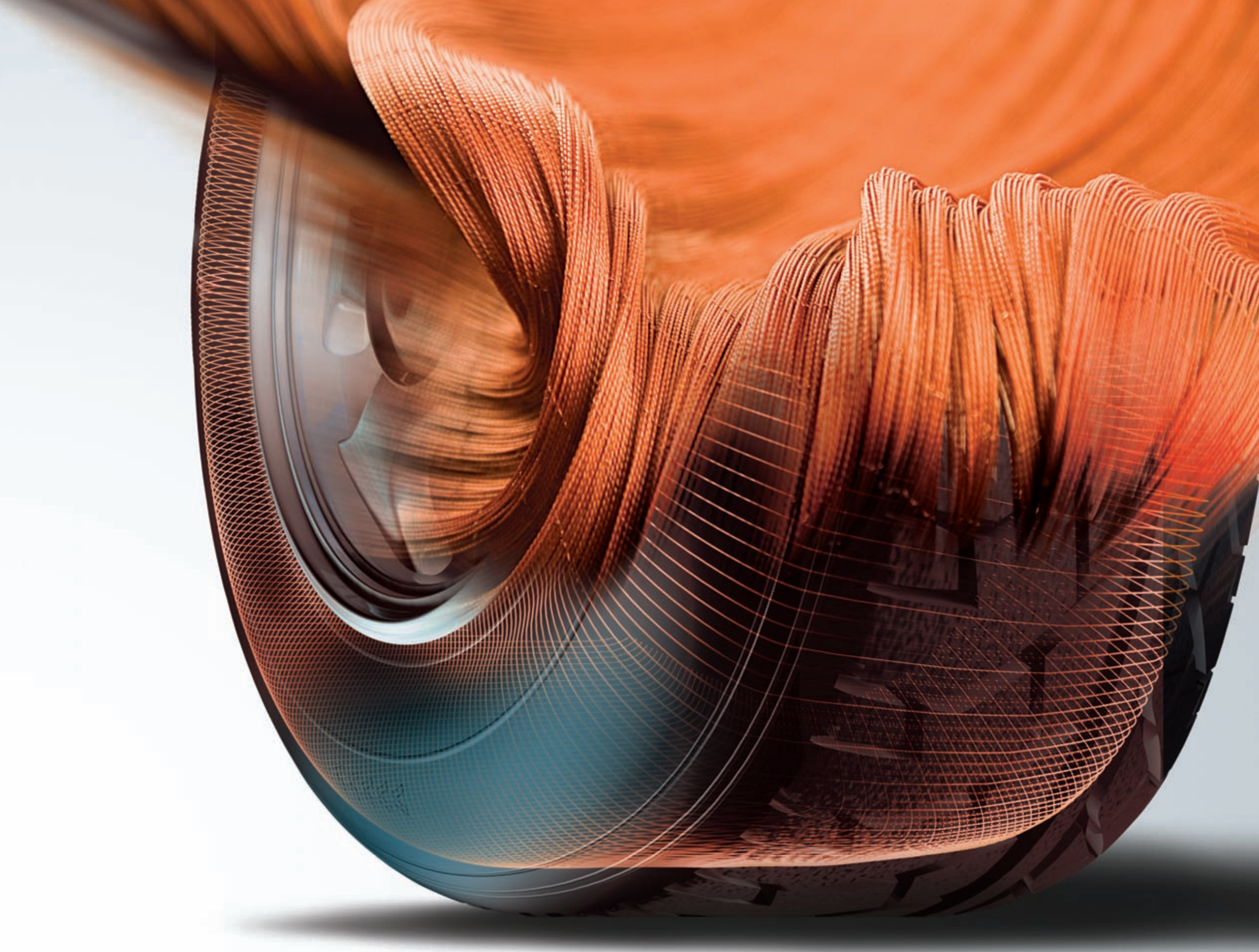


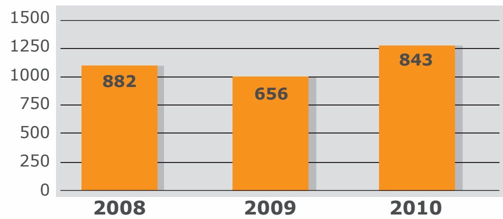
2010 ANNUAL REPORT

KORDSA GLOBAL

Contents

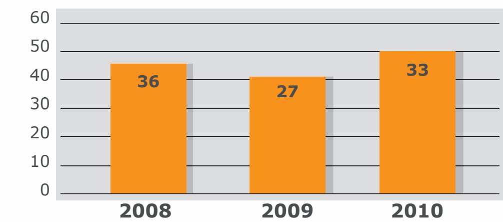
Printed on 100% Recycled Paper

US $ Mil. **Sales**



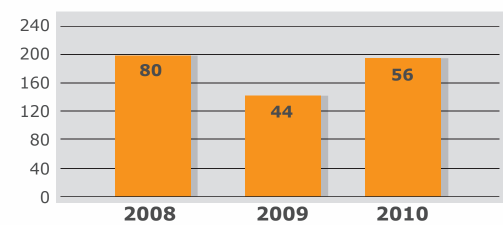
843

US $ Mil. **Net Income**



33

US $ Mil. **Operating Profit**

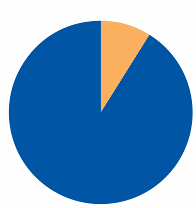


56

Shareholders' Structure

Hacı Ömer Sabancı Holding

91,1%



Other (Public)

8,9%

Mission / Vision / Values

Mission

Deliver high value added reinforcement solutions, globally

Vision

Solution partner for the rubber industry, worldwide

Corporate Values

SHE (Safety, Health, and Environment)

Whatever we do, SHE comes first.
We are 100% committed to achieving an accident free and safe workspace for our employees and business partners. As a company respecting the society, our purpose is to protect environmental health and natural resources.

Integrity

In all business and personal matters, we always comply with the laws of the countries we operate and demonstrate the highest ethical values.

Customer Focused

We respect our customers. Our goal is not only finding the right and permanent solutions to their problems and supporting their successes, but also be their innovative and trustworthy business partner.

Results Driven

We are a 'result oriented' team and focused on delivering our commitments with a continuous improvement mindset.

Global Collaboration

We believe in working together. While working together, we would like to create synergy by benefiting from the strength and best-practices of our employees, suppliers, contractors and customers.

Open Minded

We are willing to embrace and consider new ideas and perspectives from different sources.

Kordsa Global, Milestones

A world leader in nylon and polyester yarn, cord fabric and single end cord production, Kordsa Global serves the tire reinforcement and mechanical rubber markets. The success story behind Kordsa begins in 1973, when investment began at its cord fabric plant in Izmit.

Over 37 years Kordsa Global has been transformed into a globally leading company thanks to strategic buy-outs and initiatives implemented with powerful business partners. The company maintains a leading position in the industry with a workforce reaching 5000 at 10 facilities in 9 countries, spanning 5 continents. In 2010 Kordsa Global reached a sales figure of US$ 843 Million.

Kordsa Global has its headquarters in Istanbul with operations focused in four main regions around the world:

Europe, Middle East and Africa with facilities in Turkey, Germany and Egypt

North America with facilities in
Laurel Hill / North Carolina, USA and Chattanooga/Tennessee, USA

South America with facilities in
Brazil and Argentina

Asia-Pacific with facilities in
China, Indonesia and Thailand

Giving priority to changing market conditions, in 2009 Kordsa Global began implementing a New Business Model that allowed transition from regional to functional management coupled with a revision to main processes like global customer management and supply chain.

To fully meet evolving customer requirements, Kordsa Global has given further priority to R&D work, which began to return its benefits during 2010.

Again during 2010 Kordsa Global was included in the Turquality programme and introduced two new brands on the market.

1973-1990

1973

Formation of Kordsa Turkey Tire Cord Fabric Plant

1987

Formation of Dusa-Sabancı DuPont JV Yarn Plant

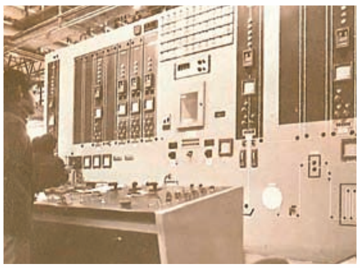
1990

Initiation of "Quality Culture" Studies and Deployment of Total Quality Management

1993-2001

1993
The First ISO 9001 Certificate Given to a Textile Company in the World: Kordsa

1993



Establishment of Nile Kordsa

1998
Establishment of Interkordsa

1998

South America Investment

1999
Merger of Dusa Yarn Plant and Kordsa Fabric Plant

2000

North America Investment

2001
Formation of Global JV with DuPont

2003-2006

2003

Relocation of the Technology Center from Chattanooga, USA to Kordsa Turkey

2005
Acquisition of Dupont Shares in DUSA LLC, establishment of Kordsa LLC

2005

Growth in Polyester

2006
Formation of Kordsa Global and Relocation of the Headquarters from USA to Turkey

2006
Growth in Asia

2006

Formation of Global Technology Center

2007-2010

2007
R&D and Single End Cord Investments

2008

Opening of the Global Technology Center in Izmit

2008
Single End Cord investment in Turkey, Germany and Brazil plants

2009
The Accreditation of Kordsa Global R&D Center by the Turkish Ministry of Industry

2010

TURQUALITY®

Acceptance to the Turquality programme

MONOLYX™

Monolyx brand launch

Twixtra™ hybrid solutions

Twixtra brand launch

Manufacturing Process

TURKEY PLANT / İZMİT

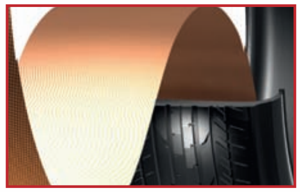
RAW MATERIAL

NYLON 6.6, HMD, AA
HMLS / TECHNICAL PET : MEG, PTA

YARN

PRODUCTION

CORD FABRIC



AUTOMOTIVE TIRES

AUTOMOTIVE RUBBER PARTS

AIR SUSPENSION SYSTEMS

INDUSTRIAL FABRIC

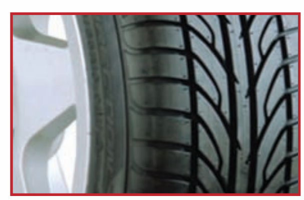
CONVEYOR BELTS

TRANSMISSION BELTS

AUTOMOTIVE TIRES

SINGLE END CORD

V BELTS

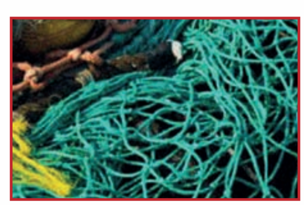


HIGH PERFORMANCE AUTOMOTIVE TIRES

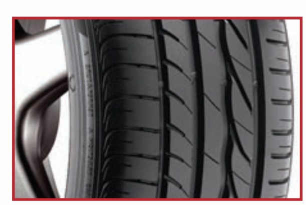
HOSES

YARN

ROPES/CORDAGE



FISHNETS

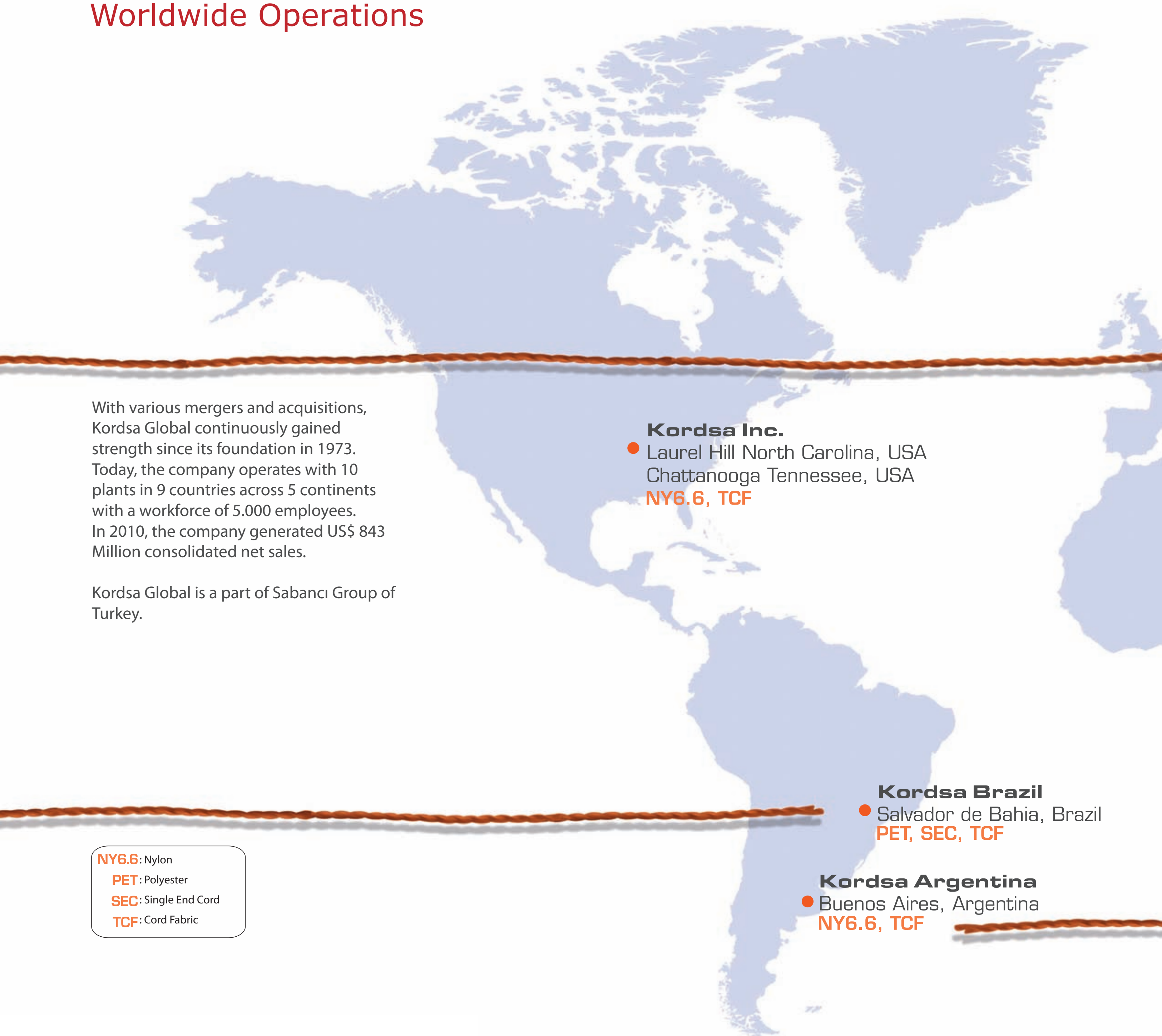


AUTOMOTIVE TIRES

Worldwide Operations

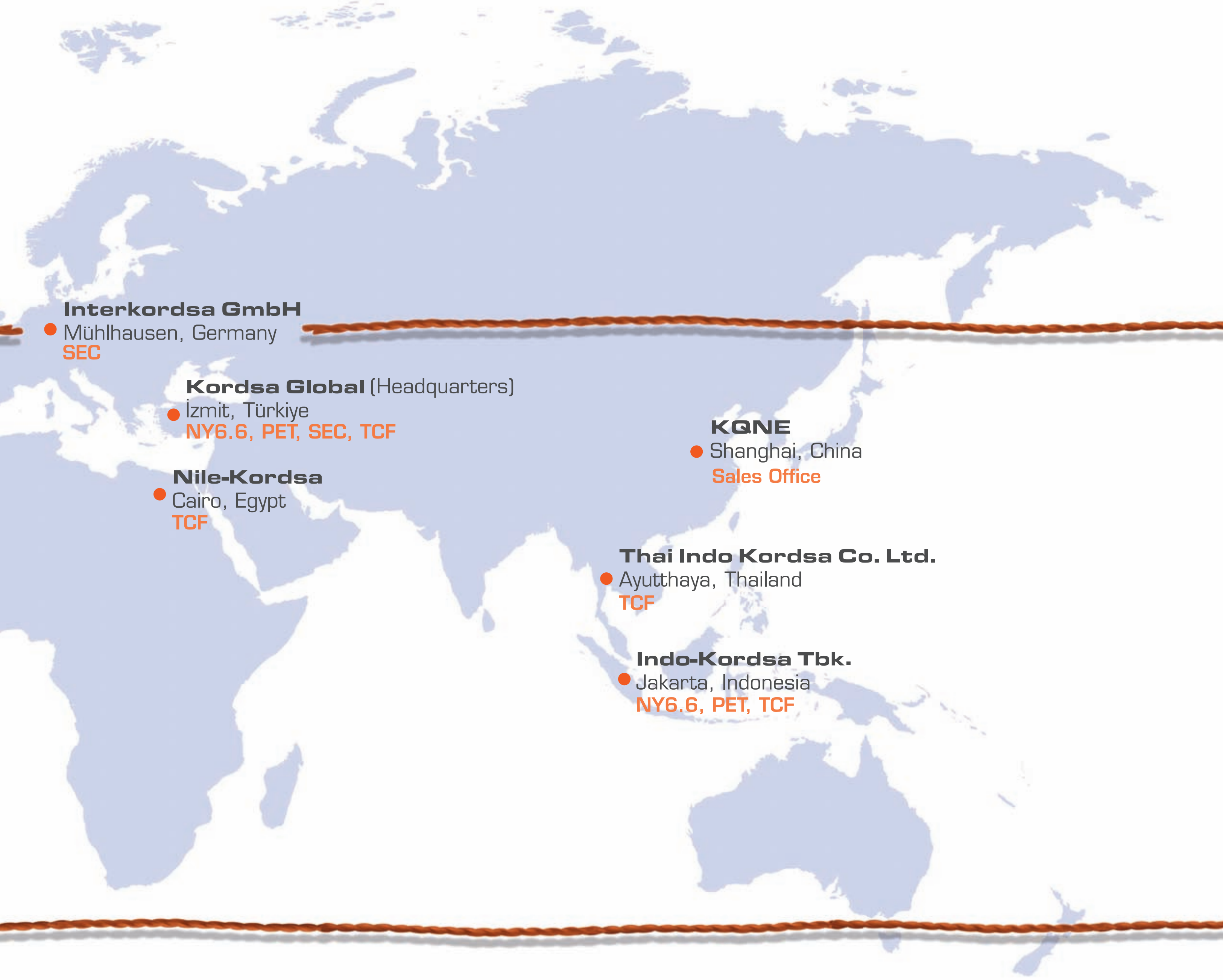
With various mergers and acquisitions, Kordsa Global continuously gained strength since its foundation in 1973. Today, the company operates with 10 plants in 9 countries across 5 continents with a workforce of 5.000 employees. In 2010, the company generated US$ 843 Million consolidated net sales.

Kordsa Global is a part of Sabancı Group of Turkey.



NY6.6: Nylon
PET: Polyester
SEC: Single End Cord
TCF: Cord Fabric

NORTH AMERICA	SOUTH AMERICA
200	118
US$, MILLION ANNUAL SALES REVENUE	US$, MILLION ANNUAL SALES REVENUE



EUROPE
MIDDLE EAST
AFRICA

318

US$, MILLION
ANNUAL SALES REVENUE

ASIA
PASIFIC

207

US$, MILLION
ANNUAL SALES REVENUE

The need for "sustainability" and a "business model compatible with changing market conditions" for the present and future stand out as a common theme for all sectors.

Message of the Chairman

Dear Shareholders,

2010 was the year in which we began to see the first signs of recovery since the global financial downturn. Governments in many countries around the world implemented policies supporting economic activity, in return bringing growth that surpassed expectations. Growing four times faster than developed countries, emerging economies including Turkey, in a sense confirmed the trend of a “bi-polar new world economy”.

Despite positive developments, prolonged uncertainty concerning the strength and sustainability of economic recovery requires companies to be capable of managing changing circumstances in their plans for the future.

The need for “sustainability” and a “business model compatible with changing market conditions” for the present and future stand out as a common theme for all sectors. On the other hand, whilst different needs shaped by a bi-polar financial structure appear in the form of “innovative approaches meeting local demands” in emerging economies, it is “efficiency oriented solutions” that bring growth in developed economies.

A global leader in its sector, Kordsa Global recorded a significant improvement in both turnover and profitability compared to the previous year, thereby achieving substantial success.

Meanwhile, Kordsa Global strengthened its business model by concentrating South America’s cord fabric production in its Brazil plant, whilst at the same time channelling further investment to the Asia Pacific region in order to increase polyester production capacity. The Kordsa Global team plans a continued rise in turnover and profitability for its 2011 budget. The company aims to prolong profitable growth in Asia whilst strengthening competitiveness in developed markets by increasing capacity and cost efficiency. We expect customer oriented global organisation and consistent investment in Research & Development implemented over the recent years to play an important role in reaching our corporate targets.

On behalf of the Board of Directors I would like to take this opportunity to extend my sincere thanks to our employees whose efforts strengthen Kordsa Global’s added value and presence, our shareholders who support our endeavours, our customers, suppliers and stakeholders for their trust in our company.

Sincerely,

Mehmet N. PEKARUN
CHAIRPERSON OF THE BOARD OF DIRECTORS

Board of Directors

Mehmet N. Pekarun

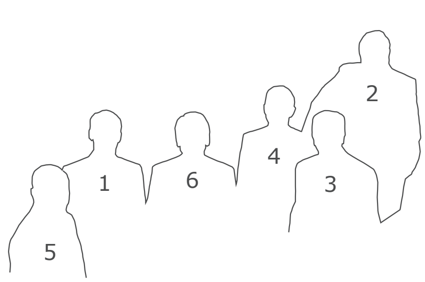
Chairperson of the Board of Directors (1)

A graduate of Boğaziçi University Industrial Engineering Department, Mehmet Nurettin Pekarun received his MBA degree from Purdue University specialising in Finance and Strategy. Pekarun began his professional career in 1993 at General Electric-GE (USA) as Director of Trade. He subsequently went on to work for GE Healthcare Europe between 1996-1999 as Director of Finance for Turkey and Greece and later got promoted as Director of Finance for Eastern Europe. Pekarun was Managing Director for GE Lighting Turkey during 1999-2000, Director of Business Development Unit at GE Healthcare for Europe-Middle East-Africa Region between 2000-2005, later getting appointed as Managing Director of the Medical Accessories Unit at the same company for the Europe-Middle East-Africa Region. In 2006 Pekarun joined Kordsa Global as President and CEO sustaining this position until September 2010. In September 2010 Mehmet Nurettin Pekarun was appointed as President of Sabancı Holding's Tire, Tire Reinforcement Materials and Automotive Group.

Cezmi Kurtuluş

Member of the Board of Directors (5)

A graduate of Istanbul Technical University's Mathematical Engineering Department, Cezmi Kurtuluş received his MBA degree from the same university. Between 1982-1992 he assumed various managerial positions in auditing and consulting at PriceWaterhouseCoopers. Joining Sabancı Holding in 1992, Kurtuluş has been acting as Director of Budgeting, Accounting and Consolidation Department at the Holding since June 2009.



Bekir Soytürk

Vice Chairperson of the Board of Directors (2)

A graduate of Yıldız Technical University's Mechanical Engineering Department, Bekir Soytürk received his M.Sc. degree from the same institution as a Mechanical Engineer. Between 1977-2008 Soytürk worked at various managerial positions at Lassa/Brisa Bridgestone Sabancı Tire Industry and Trade, and Kordsa Global, eventually getting appointed as Vice President to Sabancı Holding's Tire, Tire Reinforcement Materials and Automotive Group in January 2009, a position he held until September 2010. Since 2007 Bekir Soytürk has been a member of the Board of Directors at Kordsa Global, ultimately becoming Vice President in 2009. Soytürk is also a member of the Board of Directors at Temsa Global, Kordsa Qingdao Nylon Enterprise Ltd., PT Indo Kordsa Polyester and Thai Indo Kordsa Co., Ltd.

Mustafa Nedim Bozfakıoğlu

Member of the Board of Directors (3)

Mustafa Nedim Bozfakıoğlu is a graduate of Istanbul University Faculty of Economics. After various positions within the Group of Companies, Bozfakıoğlu was appointed as Director of Budgeting, Accounting and Consolidation Department at Sabancı Holding. Bozfakıoğlu currently holds Secretary General position at Sabancı Holding and is the Managing Director of Tursa, AEO and Exsa Plc.

Bülent Bozdoğan

Member of the Board of Directors (4)

Bülent Bozdoğan graduated from Middle East Technical University Business Administration Department in 1980.
He acted as auditing, finance, purchasing and planning director at PwC, Unilever, Brisa Global and Sabancı Holding's various domestic and international companies. Bozdoğan is Board of Directors Member and Secretary General for Institute of Internal Auditing- Turkey. For the past year Bülent Bozdoğan is President of Sabancı Holding's Auditing Department.

Hakan Akbaş

Member of the Board of Directors (6)

A graduate of Boğaziçi University's Industrial Engineering Department, Hakan Akbaş received his MBA degree from University of Rochester, Simon Business School. Starting from 1995 Akbaş assumed senior managerial positions at Bausch & Lomb (USA) and Xerox Corporation (USA) focusing on marketing, strategic planning and corporate business development. Akbaş subsequently became founding member and Managing Director of Business Development Operations at Xerox Global Services as well as Chief Marketing Officer at Document Sciences Corporation. Akbaş joined Sabancı Holding in 2006.

Turgut Uzer

Member of the Board of Directors

Turgut Uzer graduated from the Department of Industrial Engineering at Middle East Technical University. In 1981 he joined to Sabancı Group as Inventory Control Engineer. Turgut Uzer served in a number of managerial positions at Lassa and Beksa. He worked at Bekaert/Belgium as Process Development Manager. Then he came back to Turkey as Operations Manager at Beksa in 1994. Since 1998 Turgut Uzer served as General Manager of Beksa.
In 2004 he was appointed as President of Sabancı Holding's Tire, Tire Reinforcement Materials and Automotive Group. Uzer also serves as a member of the Board of Directors in a number of Sabancı Group companies.

* Turgut Uzer died on February 2nd, 2011.

2011 will be the year of setting the rigid foundations of sustainable profitable growth for the five-year period ahead.

Message of the CEO

Distinguished Stakeholders,

2010 was a year in which the post-recession growth trend in world economies gained leverage, though it also brought with it unique challenges caused by the changes in the conditions of the global economy.
Particularly, the 20% growth in the automotive industry raised demand much higher than expected, thus bringing the industry back to 2007 levels.
The greatest share of this increased demand has come from developing countries, which have also become the harbingers of the economically bi-polar new world order.
Running parallel to these developments, the global tire market has also risen above expectations with a growth rate of nearly 12%.
This sudden surge in global demand, unforeseen at the end of 2009, has produced problems in replacing product stocks that were depleted in the supply chain due to the crisis and temporary difficulties in meeting supply levels. Consequently, manufacturers have not been able to fully exploit their capacities productively in responding to the demand and raw materials prices have risen beyond expectations.
As Kordsa Global, we have developed proximity to our clients and have gained momentum by developing our supply power in a flexible and reliable manner, thus have optimally utilized the rising demand in the market in 2010, particularly during the crisis.
By increasing our sales in all our client bases, we have gone beyond pre-crisis levels and have surpassed our 2010 targets with a turnover of US$ 843 million.
Despite the challenges we faced in supplying raw materials due to the rapidly increasing demand and the rising costs that went well beyond our expectations, we have recorded significant development in our net operating profit after tax in 2010, thanks to both our rising sales and our proactive pricing management.
In the year 2010, we have heeded our client’s calls and have increased our efforts in Global Quality Reliability.
Our organization has aimed at standardization in product and service quality, an indispensable aspect of a global company. By attaining the same product and service quality in all our production facilities we are confident that we will be making a significant difference for Kordsa Global in the increasingly competitive market conditions.
Last year we began and have continued implementing our business model projects in order to better comply with multipolar market dynamics, especially in terms of our global production capacity. In this sense, we have consolidated our facilities in South America thereby optimizing our capacity utilization rate.
With respect to our continuing growth in the Asia-Pacific region, we have opened our polyester yarn production capacity, which will begin production in May 2011.
In 2010, among our R&D centre’s newly developed product projects, we have completed commercialisation of products such as high denier polyester yarn, high tenacity polyester yarn and, under the brand Monolyx™ twisted nylon monofilament. Again, under the brand Twixtra™ we have begun our efforts to commercialise new products like hybrid cords and high tenacity polyester yarn.
On the other hand, commercialised in 2010, Kordsa Global’s new product Monolyx™ became a finalist in the Large Scale Companies – Product Category in scope of the 9th Technology Awards organised by TÜSİAD (Turkish Industrialists and Businessmen's Association), TTGV (Technology Development Foundation of Turkey) and TÜBİTAK (Scientific and Technological Research Council of Turkey) for ranking in the top 10 companies amongst a total of 73.
Reaching global brand status, in 2010 Kordsa Global was the first company in its sector to get included in the Turquality® programme governed by the Undersecretariat of Foreign Trade, initiated to develop and support global Turkish brands.
Looking at 2011, despite gradual recession we still expect prolonged growth in the global economy as a whole with a large portion of this surge fuelled by developing countries.
This year we especially expect our global tire customers to resume BRIC country growth investments, which were halted during the financial crisis. On the other hand we predict that our growing tire customers, largely concentrated in the Asia-Pacific region, will go global and focus their growth investments in developing markets such as Brazil, Russia, India, Mexico and Turkey.
As Kordsa Global we intend to benefit from our strong production and sales presence in these territories. Coupled with our specialised product and service quality, we expect to create significant advantages in the sector.
2011 will be the year of setting the rigid foundations of sustainable profitable growth for the five-year period ahead.
We shall focus on creating additional value in our industry’s fast-growing markets with a focus on curbing costs. In order to secure physical growth we shall carefully consider strategic investment opportunities, while at the same time adapting investment costs to meet today’s conditions more precisely.
Finally, I cannot go without mentioning another important point: after three years of meticulous work and effort, 2011 will see our new products introduced to the market. These new products are destined to become tremendously significant for Kordsa Global in terms of generating added value.
I would like to take this opportunity to sincerely thank our shareholders, employees and other stakeholders for their valuable support throughout this process and their trust in our company.

S. Hakan TİFTİK
PRESIDENT AND CEO


ONE

Senior Management

S. Hakan Tiftik
President and CEO (1)

Hakan Tiftik graduated from Boğaziçi University's Department of Mechanical Engineering in 1992, later receiving his MBA degree from Koç University in 1997.
Tiftik joined Kordsa Global in 1994 and after being involved in a number of positions within the company, he acted as Director of Logistics and Purchasing between 1999-2001.
Between 2001-2005 Tiftik was Managing Director of Interkordsa Germany and Interkordsa America as well as Business Director for Single End Cord. In 2005 he became Director of Trade for the Europe-Middle East-Africa Region.
In 2007, Tiftik was appointed as Kordsa Global Managing Director for Turkey where he later assumed the position of Vice President of Sales between 2009-2010.
In October 2010 Hakan Tiftik became President and CEO at Kordsa Global.

Cevdet Alemdar
Vice President, Technology and Market Development (3)

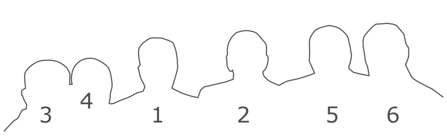
Graduating from Boğaziçi University's Industrial Engineering Department in 1992, Cevdet Alemdar received his MBA degree from Sabancı University in 2000.
Alemdar began his professional career in 1991 as Director of Trade at Ender Foreign Trade Co. He then respectively assumed Director of Sales, Product Manager and Product Director positions at Beksa between 1993-2002. Alemdar subsequently became Director of Trade at Sakosa between 2002-2005.
Alemdar joined Kordsa Global in 2005, starting as Managing Director for Kordsa Brazil and Region 3 Sales and Marketing Director. Between 2007-2009 he was Managing Director for Thai Indo Kordsa and KQNE as well as Region 4 Sales and Marketing Director. Later, between 2009-2010 Alemdar acted as Asia Pacific Sales Director, Business Development Director and KQNE Operations Director.
In October 2010 Cevdet Alemdar was appointed as Vice President responsible for Technology and Market Development.

Bülent Araslı
Vice President, Sales (5)

Graduating from Middle East Technical University's Department of Business Administration in 1982, Bülent Araslı received his MBA degree from Boğaziçi University in 1983.
Starting his professional career in 1982 as an Export Specialist at Çukurova Export Co., Araslı went on to work for MAN Truck and Bus Plc.
He joined Kordsa Global as an Export Specialist in 1986 and later assumed various responsibilities in the field of sales and marketing. In 2000 he was appointed as Marketing and Sales Director for the Europe-Middle East-Africa Region. Between 2005-2009 Araslı worked as Business Director at Single End Cord and Managing Director at Interkordsa GmbH and Kordsa GmbH (Germany). Between 2009-2010 Araslı was Director of Global Clients Sales and Marketing Intelligence.
In October 2010 Bülent Araslı was appointed as Vice President responsible for Sales.

Barış Oran
CFO (Chief Financial Officer) (2)

Graduating from Boğaziçi University's Business Administration Department in 1995, Barış Oran received his MBA degree from University of Georgia in 1998. Beginning his professional career as an auditor at PriceWaterhouseCoopers (Istanbul), Oran assumed various managerial positions in the fields of auditing, finance and treasury beginning at Sara Lee Corporation (Chicago, USA) until 2003, followed by Senior Manager position at Ernst & Young (Minneapolis, USA). In 2006, he joined Kordsa Global as Director of Internal Audit and later, between 2007-2009 he worked as Director of Global Finance. In 2009, Barış Oran was appointed as CFO (Chief Financial Officer).



Cenk Alper
Vice President, Operations (4)

Graduating from Middle East Technical University's Mechanical Engineering Department in 1991, Cenk Alper received his MSc degree from the same department in 1994. Alper later went on to complete an Executive MBA at Sabancı University in 2002.
Launching his professional career in 1996 as a Process Engineer at Beksa, Alper continued working at various managerial positions within technology and production departments.
After working at Bekaert Technology Center (Belgium) as a Project Manager in 2002, Alper assumed Plant Director position in Tennessee/USA, overseeing plants in North and South America.
He subsequently returned to Belgium as the Technology Centre's Product Development Director. Alper joined Kordsa Global in 2007 as Global Technology Director, later being promoted to the Vice President position responsible of Technology and Market Development in 2009-2010. In October 2010 Cenk Alper was appointed as Vice President responsible of Operations.

Hakan Öker
Vice President, Human Resources and Information Technologies (6)

Hakan Öker graduated from Hacettepe University's Department of Sociology in 1986.
Starting his professional career in 1988 as a Personnel Specialist at Beksa, Bekaert- Sabancı Çelik Kord (Steel Cord) Plc., Öker subsequently assumed various responsibilities at the same company between 1988-1998.
He continued his career as Human Resources Director at Kordsa Turkey, Quality and Information Systems Joint Services Director and then Projects Director within the Tire, Tire Reinforcement Materials and Automotive Group. In January 2007, Öker was appointed as Global Director of Human Resources.
In January 2009 Hakan Öker was appointed as Vice President responsible for Human Resources and Information Technologies.

Kordsa Global effectively reflected changes in raw material costs on sales prices, considerably recovering volume and market share during 2010 to pre-crisis levels.

Financial Activities 2010

High quality products, the ability to provide on a global scale, product diversity and superior services make Kordsa Global one of the most preferred players in the reinforcement materials market.

Kordsa Global's efficient capacity use and austerity measures on the financial structure implemented during the stagnation in the global economy during 2009 continued throughout 2010.

The company not only maximised sales and production volumes, it also effectively reflected changes in raw material costs on sales prices, considerably recovering volume and market share during 2010 to pre-crisis levels.

Besides lowering its risk profile, Kordsa Global's risk management initiatives implemented during 2010 allowed the creation of alternatives to raw-material diversification.

Kordsa Global's sustainable degree of profitability and especially the increase in sales volume is the outcome of effective management in balancing raw material costs and sales prices, coupled with strict cost control discipline and prolonged growth in the Asia Pacific region.

The effects of fluctuations in foreign exchange rates can be noticed in our end of year results. Compared to 2009, an overall appreciation in developing country currencies had an adverse effect on financial results in 2010. This effect was minimised by effective employment of financial instruments and operational decisions during 2010.

Kordsa Global managed to reduce interest costs to better levels in respect to the previous year by effective cash management and debt restructuring initiatives.

Investments

Kordsa Global has begun to implement investment projects drawn up in accordance with long term strategic plans. New investments made throughout 2010 in the Asian Pacific region continue in accordance with strategic planning.

Financial Ratios	**2010**	**2009**
Liquidity Ratios (%)		
Current Ratio	2.06	1.96
Acid-Test Ratio	0.91	0.94
Cash Ratio	0.19	0.21
Debt-to-Capital Ratio (%)	18	19
Profitability Ratios (%)		
Return on Equity	5.7	4.8
Gross Profit Margin	15.3	14.6
Operational Profit Margin	6.7	6.6
Net Profit Margin	4.0	4.1
EBITDA	11.9	11.4

2010 Activities

Together with improvements in regional conditions, 2010 saw relative alleviation in the effects of the financial crisis, which had dominated the previous two years. Capacity utilisation rates increased on a global scale, especially in the automotive and tire sectors, as well as a rise in demand especially from developing economies. China, on the other hand, was the centre of record breaking figures in the automotive sector. Government incentives and low interest policies had an effect that, in a sense, dispersed the intimidating double-dip recession scenario feared for 2010. Albeit, the end of incentives in economies like Western European countries and Japan saw a negative trend in vehicle sales. In conclusion, the overall economy and the state of the automotive sector in 2010 were better than forecasted. However, surging energy and raw material prices along with the struggle with debt that certain European countries underwent raised suspicions on the persistence of improving economic conditions.

In summary;

- Energy and raw material prices rose sharply parallel to an increase in demand, with crude oil continuing its ascent towards the 100 USD/barrel benchmark.
- Structural problems in the financial sector and real economy continued throughout 2010. Unemployment levels in developed countries hovered around or above the 10% level.
- The financial crisis that broke out in EU-27 countries, which greatly effected Greece, spread to Ireland with the threat of reaching Spain and Portugal.
- The trend of economic growth in Asia Pacific countries and especially China continued.
- The American Dollar largely maintained its reliability for investors, regardless of expectations, with anticipated value loss kept at minimum levels.
- Despite the measures, attempts at rising employment figures especially in developed economies failed, with the number of unemployed rising.
- Controlling budget deficits and the growing rate of excess liquidity was put off until after the crisis. This, on the other hand, caused price increase in commodities, recording historical records. Natural rubber prices continued an upward trend triggered by limited supply.
- The transformation of postponed consumer demands into sales saw double figure rises in global tire sales.
- The trend of excess stock depletion witnessed along the entire supply chain throughout the crisis reversed during this period however, general stock levels remain under pre-crisis levels due to shortages in capacity.

Europe, Middle East and Africa

The largest supplier in the territory, Kordsa Global reached a consolidated turnover of US$ 318 million in 2010 from production at its facilities in Turkey, Germany and Egypt.
Considering regional market dynamics, an unfavourable first quarter forced Western European countries to take drastic measures. In this context Western European countries effectuated programmes focusing on raising employment and automotive sales especially, in an attempt to minimise the effects of the financial crisis. Nonetheless passenger vehicle sales dropped by 5.4% by the end of 2010.
A heavy consumer of nylon and polyester cord fabric, light commercial and passenger vehicle sales within the European Union increased by 10.4%, compared to the previous year. This decline stood at 5.2% in Western Europe whilst growing 19% in the Middle East and Africa.
The tire market for light commercial and passenger vehicle production in Europe grew by 8.5%.
Acquiring a high growth rate in the first two quarters of the year (respectively 11.8% and 10.2%) the Turkish economy ended the third quarter with a 5.5% growth rate.
Growth was 36.58%, based on 12-month sales figure of 557.126 light commercial and passenger vehicles in 2009 with December 2010 passenger vehicle sales reaching 99.461, a 73.95% climb compared to the same month last year. Turkish automotive industry exports in the first 11 months of the year reached US$ 15.6 billion making it the largest in total foreign sales in 2010 with a 15% share.

North America

Serving the region with two facilities, Chattanooga for Nylon 6.6 yarn and Laurel Hill for all types of cord fabric production, Kordsa Global has reached a turnover of US$ 200 million in 2010. Positioned in one of the most important cord manufacturing centres, Kordsa Global production activities are shaped by the needs of domestic and international customers. Sales to automotive tire producers account for 80% of total production.

Producers of conveyor belts, power relay elements, minor mechanic rubber products such as automotive and industrial hoses and safety belts, fishnets and ropes account for the rest of sales.

During 2010, total light commercial vehicle sales in the North American market stood at 11.6 million.

The "big three" automobile producers presented a successful profile in 2010, following the unexpected bankruptcies witnessed the previous year.

Light commercial and passenger vehicle production reaching 8.5 million in 2009 reached 12 million the previous year, a rise of 41%. Inherently, this sudden change in production figures adversely affected the supply chain. The North American tire market for light commercial and passenger vehicles grew by 11%.

South America

Kordsa Global produces Nylon 6.6 yarn in Argentina and HMLS and technical polyester yarn and fabric in Brazil making it the most significant supplier for local customers.

2010 sales in the region returned a turnover of US$ 118 million. A powerful recovery of regional economies saw a 15.2% rise in light commercial and passenger vehicle sales compared to the previous year, exceeding the 4 million mark.

In 2010 light commercial and passenger vehicle production reached 4.3 million compared to 3.6 million the previous year, recording a rise of 15.2%. The South Americas tire market for light commercial and passenger vehicles grew by 11%. South America, especially Brazil continues to be one of the locomotive markets of global automotive and tire production.

Asia Pacific

Production facilities in Indonesia, Thailand and China have fuelled Kordsa Global's growth in the Asia Pacific market, where demand for automotive products and automotive tires continued to boom regardless of the financial crisis. Kordsa Global increased its polyester HMLS yarn capacity in Indonesia in an attempt to meet this rise in market demand.

Kordsa Global's regional companies reached a turnover of US$ 207 million in the 2010 period.

The main driving force behind steady regional growth in demand for tire reinforcement products is the consistent shift of global tire production to the region as well as the growing appetite for automotive products in China and India, now accounting for one third of the world population. Besides the worlds' 5 largest tire producers, quickly flourishing local tire brands especially in China continue their large-scale investment plans despite the crisis.

In China, the driving force of the region, light commercial vehicle sales exceeded 17 million, a 32.8% rise compared to 2009.

Total sales for 2009 remained just under the 13 million level. Meanwhile, light commercial and passenger automotive tire sales grew by 25%.

A surge in automotive tire sales has had a positive impact on the demand for both Nylon 6.6 and HMLS Polyester reinforcement materials. Rising living standards and increased infrastructural investments, especially in China, act as a significant locomotive for both the automotive and supply industry.

Tire companies, including the "big five" have all announced new investment plans in the Asia Pacific region for 2010. Thanks to substantial experience in global markets and advantages in sophisticated technology, Kordsa Global remains focused on phasing in strategies intended to maximise its presence in this region of tremendous strategic importance. Kordsa Global retains its leader position in the nylon market with a 35% market share and proves to be one of the largest suppliers in the polyester market with a share of 9%.

Research & Development

With more than 37 years of sector-based experience, new products, processes and applications offered in scope of R&D activities, Kordsa Global stands out as a leading solution partner of the tire reinforcement industry.

On April 24th, 2009 Kordsa Global R&D Centre was granted an "R&D Centre License", concentrating even further on offering the tire industry innovative reinforcement materials throughout 2010. A large portion of the research team, now reaching 56 people, hold PhD (15%) or MSc (35%) degrees received from prominent universities in Turkey and the United States.

Set out to offer better services to customers and increase power of innovation, new investments helped double the capacity of the R&D Centre with substantial increases in technological capabilities. In addition to traditional domains of specialisation including spinning, twisting, weaving, finishing and hybrid cord technologies, new capabilities like tire technologies, nanotechnology and new fibre synthesising, finite element analysis, dipping solutions, reinforcement analysis and equipment design have been included.

A subsidiary of the Technology and Market Development Function, current R&D activities are managed on 4 platforms in conjunction with the R&D laboratories:

- Technology Development Platform
- Rubber Reinforcement Platform
- Engineering and Equipment Development Platform
- Intellectual Property Platform

Innovation Projects

The concepts of "innovation and excellence" have become a part of corporate culture at Kordsa Global. The company maintains global and local cooperation with customer's operations and technical units in order to better understand their needs and remain capable of offering tailor-made solutions. Today in cooperation with its prominent tire customers, Kordsa Global is involved in more than 35 joint-projects at various developmental stages, ranging from laboratory assessment to tire testing.

Other than an in-house research team, Kordsa Global executes R&D activities together with researchers from other countries. In scope of the open innovation strategy, throughout 2010 Kordsa Global has been involved in joint projects with research teams from USA, Belgium, China, Netherlands, Japan and Germany besides various projects initiated in partnership with research institutes, universities and technology companies.

To ensure sustainability of R&D work and remain capable of offering products with a high degree of added value, all processes from the preliminary stage of conceiving the idea, right through to their transformation into value creating products are actively managed. In line with this approach a total of 35 projects during the year, which include the follow-up of those kick-started in previous years and new projects that have been undertaken after the completion of their feasibility studies in 2010. Certain new products developed within the scope of these projects have now reached marketing stage. Meanwhile, 3 new patent applications were made in 2010 on products from on-going projects.

MONOLYX™ Twixtra™ hybrid solutions

Products

Kordsa Global is the leading worldwide supplier of high denier Nylon 6.6, Polyester (HMLS and Technical) industrial yarn, cord fabric, single end cord and industrial fabric products. Primary customers include nearly all sector leading producers of automotive tire and mechanical rubber goods. Operating 11 production plants in 9 different countries, Kordsa Global offers global scale services to its customers with its products that are mainly used in a variety of applications including automotive tires, air suspension systems, hoses, conveyor belts, V-belts, ropes and cordage.

Yarn

Kordsa Global is global market leader in the Nylon 6.6 yarn market and one of the leading players in the polyester yarn market. Kordsa Global's yarn portfolio includes:

• High-resistance, high denier industrial nylon 6.6 yarn (940 dtex and above).

• High-resistance industrial HMLS and high denier technical polyester yarn (1100 dtex and above). Principal applications using yarn include cord fabric, industrial fabrics, chafer fabrics, single end cord, safety belts, ropes and cordage.

Cord Fabric

At sophisticated facilities, Kordsa Global processes Nylon 6.6, Polyester (HMLS and Technical), rayon and aramid yarn to produce cord fabric, a material that gives tires strength and flexibility. Kordsa Global's cord fabrics are developed specifically for individual customers according to their particular needs.

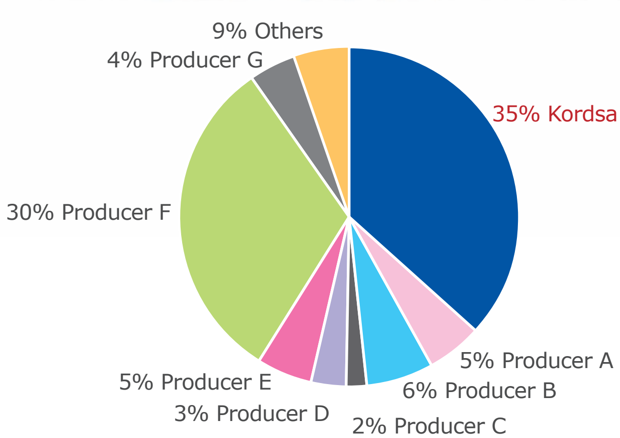
Single End Cord

Single end cord production uses a selection of synthetic yarns, such as nylon, polyester, aramid, rayon and yarns containing natural fibres.
In accordance with customer specifications these yarns are spun in single ply or multi ply, and later finished to provide required adhesion and physical properties.

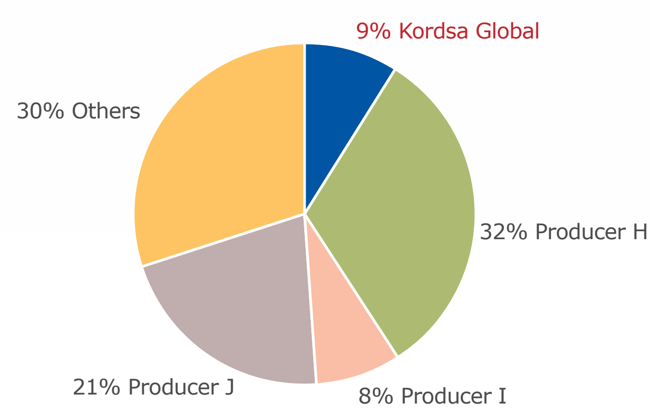
Industrial Fabrics

One of the leading suppliers of first class quality conveyor belts, Kordsa Global also manufactures a wide variety of industrial fabrics including chafer fabrics, lining fabrics, membrane and finishing fabrics to suit a range of customer requirements.
Developing production in line with regional requirements, Kordsa Global produces three kinds of chafer fabric: monofilament chafer fabrics, multifilament chafer fabrics and bulked chafer fabrics.
Kordsa Global's sustainable trend of profitable growth stems from adopting the principle of creating added value for its customers and meeting their evolving requirements. The company has successfully followed up product development initiatives throughout 2010.
Among our R&D centre's newly developed product projects, we have completed the commercialisation of products such as high denier polyester yarn, high tenacity polyester yarn and under the brand Monolyx™, twisted nylon monofilament. Again, under the brand Twixtra™ we have initiated efforts to commercialise new products like hybrid cords and high tenacity polyester yarn.
Commercialised in 2010, Kordsa Global's new product Monolyx™ became a finalist in the Large Scale Companies – Product Category in scope of the 9th Technology Awards organised by TÜSİAD (Turkish Industrialists and Businessmen's Association), TTGV (Technology Development Foundation of Turkey) and TÜBİTAK (Scientific and Technological Research Council of Turkey) for ranking in the top 10 companies amongst a total of 73.

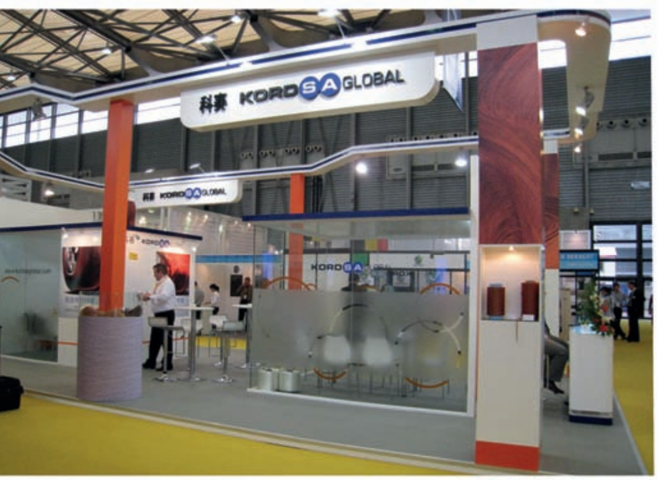
Global Market Shares



Nylon6.6



Polyester



Marketing Communication Activities

In scope of market development initiatives, during 2010 Kordsa Global launched various activities to increase brand awareness and visibility, acquire new customers and strengthen market presence both in existing and new markets.

As part of Kordsa Global’s goal of raising brand awareness, 2010 saw the start of a new global advertisement campaign. Advertisements appeared in sector publications in Europe and the Asia Pacific region.

Kordsa Global actively participated in international industry fairs, a significant marketing opportunity both in terms of brand awareness and securing new customers. Kordsa Global promoted its products on the international arena by opening stands at the largest and most comprehensive industry fairs in Brazil and China. This also gave the opportunity to meet existing and potentially new customers.

Besides participating in industry fairs on the international front, members of Kordsa Global management were invited as speakers to share their know-how and experience at a number of prominent industry conferences around the world.

Reaching global brand status, in 2010 Kordsa Global was the first company in its sector to get included in the Turquality® programme initiated to develop and support global Turkish brands and governed by the Undersecretariat of Foreign Trade.

TURQUALITY®

All employees and subcontractors are obliged to comply with SHE (Safety, Health, and the Environment) policy which is a part of their contracts.

Safety, Health and the Environment

Our goal is zero work accidents, zero environmental accidents and prevention of all occupational diseases.
Occupational health and safety (OHS) and environment management are a way of life for all our employees.

Kordsa Global's aim is to become one of the best companies in occupational health and safety (OHS) and environment management systems.

The company complies with all OHS and environment-related legal regulations and standards.

Kordsa Global carries out environmental impact studies for all its processes and eliminate negative impacts through continuous improvement activities.

All employees and subcontractors are obliged to comply with this policy which is a part of their contracts.

Kordsa Global continuously develops and improves its OHS and environment practices in line with technological developments and new findings and approaches, and carries its measurable improvements in all its operations.
All OHS and environment-related issues and policies are monitored and audited by senior management.

The management teams at all locations are responsible for training, informing and motivating employees to ensure that they understand and implement OHS and environment-related policies and the valid legal regulations.

Kordsa Global addresses and manages the issues of occupational health and safety and environment management in the same way at all its production sites. In addition to local laws and regulations, the company also implements global practices.

Kordsa Global undertakes to improve its performance in occupational health and safety and environment management, and systematically monitors developments.

Global Human Resources

Global Human Resources is responsible for developing and implementing the company's global human resources strategy. Global HR implements strategic operations related to staff selection and positioning, wages and benefits, performance management, organisational and individual review and succession plans, leadership and employee development, international appointments, corporate climate and similar HR processes in line with supporting Kordsa Global's sustainability and its business goals.

Global Human Resources Vision

Positioning the HR function as an important "business partner" of other company functions; offering domestic customers high quality world standard services and creating a company that is perceived as a preferred employer.

Global Human Resources Mission

To develop, implement and support programmes/processes that
• Help create a positive corporate climate,
• Lead the process of attracting and keeping skilled workforce,
• Support employee empowerment and development,
• Satisfies stakeholders.

Principal Responsibilities of Global Human Resources

The Global Human Resources function is positioned as a "specialisation centre". Its principal contribution and expectations from the function is at a strategic level only. Managing the implementation of human resources processes is left to individual sites at a local level.
The primary responsibilities of global human resources are summarised below:
• To support company strategy development through a human resources perspective,
• To develop and implement Human Resources strategies in accordance with corporate strategies,
• To develop and strengthen Global Human Resources processes and tools,
• To build and implement plans related to the creation and continuation of organisational structure,
• To work closely with senior management in order to execute organisational activities that ensure organisational consistency.
In conjunction with the aforementioned vision, mission and strategies and in line with its responsibilities, the Global Human Resources function in 2009 firstly completed it own restructuring process after which it moved on to define principal HR processes through a "human resources transformation" perspective. Developed in 2009 to establish and promote a culture of common performance, the "Global Performance Management System" was successfully implemented in all Kordsa facilities throughout 2010. Similarly, the "Organisational and Individual Review" process, developed to secure organisational sustainability via succession and skill management, was implemented at all our facilities in the course of 2010. International appointment process is another issue of significance undergoing improvement. As an international company, Kordsa Global continued offering its employees a variety of opportunities in terms of international assignments, thereby promoting staff development. In this context the company has implemented critical appointments to build and improve the know how of our facilities. 2010 also saw a revision of the Global Recognition and Rewarding System. In this context categories were redefined to be more coherent with corporate strategies, which in return supported their implementation. Likewise, evaluations were also executed in line with these new strategies.
In 2011 and in the short term, Global Human Resources will concentrate on improving other global process like wage and benefit practices, selection and positioning processes and tools, developmental programmes and initiatives to secure organisational sustainability and employee development with the intention of procuring the best resources for all our facilities.

Business Ethics Rules

Kordsa Global manages activities and relations in accordance with the Kordsa Global Business Ethics Rules, adopted by the Board of Directors.
Kordsa Global Business Ethics Rules regulate the company's relations with its customers, employees, shareholders, suppliers, business partners, competitors, the environment and society. The rules are handled in four categories: Kordsa Global's responsibilities (legal responsibilities and responsibilities towards customers, employees, shareholders, suppliers, business partners, competitors, the environment, society and the names "Kordsa", "Kordsa Global" and "Sabancı"), honesty, confidentiality and conflict of interest.
The Board of Directors reviewed Kordsa Global Business Ethics Rules during 2009 bringing to them a certain degree of flexibility to the prohibition on secondary employment and political party membership.
Kordsa Global Business Ethics Rules are shared with employees, shareholders and business partners through the company's corporate website in the local languages of the nine countries we operate in.
During 2010 all white-collar employees underwent a refresher-training course on Business Ethics Rules with employees having to sign a Business Ethics Rules compliance form at the end of the process.
2010 also saw the spread of Kordsa Global Business Ethics Rules amongst blue-collar employees by means of face-to-face training. Kordsa Global intends to complete the Business Ethics training of all blue-collar employees during 2011. Again during 2011, the intention is to initiate electronic Business Ethics training for the benefit of all employees.
Meanwhile, an "Ethics Compliance Officer" has been appointed to each Kordsa facility, responsible of the proper practice of the Kordsa Global Business Ethics Rules.

Audit Committee Members and Working Principles

The audit committee is responsible of informing the board of directors about the company accounting system, financial reporting, financial information shared with the public, activities of the internal audit department, the functioning and effectiveness of independent auditing and the internal control system. The committee also oversees monitoring of these processes in order to help the company's compliance with respective laws and legislation (especially Capital Markets Board Legislation), corporate management principles and company ethics.

Committee Framework and Scope of Responsibilities

The audit committee of the company consists of two people, Bülent Bozdoğan as chairperson and Cezmi Kurtuluş as member.
Members do not undertake direct executive function and neither do they hold the title of appointed member in the board of directors. Members consist of individuals with adequate knowledge and experience in financial issues. The Board of directors appoint the Audit Committee chairperson. The Internal Audit Unit acts as the Audit Committee's rapporteur.
The Audit Committee chairperson appoints the rapporteur. The Board of Directors provides the resources and support necessary for the functioning of the Audit Committee.
The Audit Committee monitors the functioning and effectiveness of the company accounting system, public sharing of financial information, independent auditing, internal control system and the internal audit department. In other words, the committee ensures that financial and operational activities are kept under surveillance whilst correctly implementing internal and external auditing. At the same time, the committee offers opinion on the authenticity of financial statements, makes suggestions to the board of directors on the election of independent auditing organisations, reviews conformity of company policies related to investigations concerning legal compliance, morality, conflict of interests, bad management and fraudulent transactions. Together with the Internal Audit Department, the committee reviews the adequacy of corporate management policies and establishes strong communication between the Board of Directors, financial managers, independent auditors and the Internal Audit Department by means of periodical meetings. The Audit Committee reports to the chairperson of the Board of Directors about its activities, findings and recommendations concerning duties and responsibilities.

Committee Meetings

The Audit Committee assembles every three months at the minimum, at least four times a year at company headquarters or at another location upon the invitation of the chairperson of the Audit Committee. The chairperson of the Board of Directors or the committee chairperson might gather the committee for an extraordinary session. Auditors and directors may assemble under a special agenda.
The Audit Committee has convened four times during 2010. These meetings saw company directors offering information on activities and internal control systems, independent auditors reporting on auditing findings alongside the review of internal audit reports and the approval of the auditing schedule. The Board of Directors was also presented a report on the authenticity and accuracy of consolidated financial statements to be shared with the public.

Internal Audit Department

In accordance with the principal of independence, the Company's Internal Audit Department reports directly to the Audit Committee consisting of independent board of director members functioning within the company's organisation structure. The executive committee and management of the affiliated partners are responsible for the internal control mechanism, coordinated and audited by the company's internal audit department.
The Internal Audit Department's duties include checking the reliability and accuracy of financial statements of the company and its affiliated partners, making sure activities are executed in accordance with laws and the company's accepted ethical rules, identify current and potential risks in order to increase effectiveness and efficiency by analysing processes and to contribute to the development of solutions to minimise or completely eliminate such risks.
The internal audit department is responsible for reporting periodically to The Audit Committee.

2010 Corporate Management Principles Compliance Report

1.Corporate Management Principles Compliance Declaration

Kordsa Global Industrial Yarn and Cord Fabric Industry and Trade Public Limited Company practices "Corporate Management Principles" published by the Capital Markets Board of Turkey for the Fiscal Year January 1st – December 31st 2010

PART I SHAREHOLDERS

2.Shareholder Relations Unit

The company organisational structure features a shareholder relations unit functioning under the finance department. The unit reports to the CFO (Chief Financial Officer) and offers service to shareholders.
The department is under the management of CFO (Chief Financial Officer) Barış Oran. (Phone: 0212 385 86 64 Fax: 0212 282 00 12, e-mail: baris.oran@kordsaglobal.com).
Mustafa Yayla, on the other hand, works within the department as officer in charge of shareholder relations. (Phone: 0212 385 85 30 Ext. 28539 - 28547 Fax: 0212 281 00 27 / 0212 282 54 00, e-mail: mustafa.yayla@kordsaglobal.com).
8.9% of company shares are traded publically with the remaining capital (91.1%) held by 5 corporate shareholders.
The department has assumed the duty of running shareholder relations.
During the twelve-months in 2010, 40 telephone calls were made in line with this duty with the intention of answering shareholder inquiries.

3.Shareholders' Right to Information

During the twelve-months in 2010 investors relations department responded to a total of 57 applications including telephone calls, e-mails and face-to-face meetings. Meanwhile, shareholder related information has been published on the corporate website, which can be accessed from www.kordsaglobal.com for durations implicated by laws.
Besides public information, the mentioned page also includes shareholder dividend policies.
The company principal agreement does not stipulate the appointment of a special auditor as an individual right. Shareholders did not come forward with such a request during the twelve-months in 2010.

4.General Assembly Information

The 2009 Shareholders Ordinary Meeting of the General Assembly took place on April 12th, 2010. The meeting saw the participation of shareholders representing 91.1% of the capital.
Invitations to the meetings have been executed in accordance with provisions of the Turkish Code of Commerce and Company principal agreement.
Assuming an application is made to the Company's investor relations department at least two days before the general assembly, entry documentation for shareholders whose shares are managed by financial intermediaries get issued via investor general assembly blockage forms, in order to ensure shareholder participation at the general assembly meeting.
The annual report incorporating audited 2009 figures was presented to shareholders at the Company's headquarters at least 15 days prior to the meeting. Shareholders did not exercise their right to ask questions during the general assembly meeting; no suggestions were put forth other than items on the agenda.
Significant decisions within the scope of the Turkish Code of Commerce were put forward at the general assembly for shareholders approval.
Significant decisions set for revision in accordance with the legislation will be submitted to the approval of shareholders at the general assembly with the provision of legal compliance related to Corporate Management Principles.
General assembly proceedings have been opened to the review of shareholders at Company headquarters. The proceedings can also be accessed from the address www.kordsaglobal.com.
Adequate quorum has been reached at the aforementioned meetings.
Invitations to meetings have been executed in accordance with provisions of the Turkish Code of Commerce and Company principal agreement.

5.Right to Vote and Minority Rights

Company principal agreement does not grant privileged rights to vote. The company is not affiliated with any other company involving reciprocal shareholding.

6.Dividend Policies and Dividend Distribution Timing

As per the Company's board of directors decision number 816, dated March 14th, 2006 the Company's dividend distribution policy is defined as follows:
"In accordance with Capital Markets Board legislation, other legal provisions and Company principal agreement (the Company) shall annually distribute cash (profit) dividends to its shareholders equivalent to at least 50% of distributable profit".
It is decided unanimously that the Board of Directors annually review the aforementioned policy with consideration to domestic and global financial conditions, the state of projects in the pipeline and available funds and immediately notify shareholders at the next general assembly meeting.
Articles 35, 36 and 41 of the Company principal agreement clearly define the means and timing of profit distribution.
Having concluded annual dividend distribution within acceptable time limits set out by laws the Company has not yet encountered any legal cases related to this issue.

7.Share Assignment

Company principal agreement does not include any provisions limiting share transfer.

PART II PUBLIC NOTIFICATION AND TRANSPARENCY

8. Corporate Notification Policy

The company adopts and practices a notification policy compliant with the Corporate Management Principles of the Capital Markets Board (CMB) of Turkey.
In compliance with CMB legislation and via the Istanbul Stock Exchange, the Company regularly makes timely public notifications in accordance with this policy including: independently audited

2010 Corporate Management Principles Compliance Report

2nd quarter and end of year consolidated reports prepared in conformity with international financial reporting standards (IFRS), unaudited 1st and 3rd quarter consolidated reports and special occasions requiring public notifications. Public notifications are made via the company website at www.kordsaglobal.com. Company President and CEO Selim Hakan Tiftik is responsible of the implementation of the notification policy.

9.Special Occasion Explanations

The Company has made 20 Special Occasion Declarations to the Istanbul Stock Exchange over the twelve months during 2010. The aforementioned declarations occurred on time with no sanctions placed by the Capital Market Board or Istanbul Stock Exchange. None of the company shares are listed in international stock exchanges.

10.Corporate Website and Website Content

The company website is accessible at www.kordsaglobal.com. The content of the website is in the Turkish language. The Company website was renewed on July 31st, 2009. Information listed in Capital Market Board's Corporate Management Principles is presented in "Investor Relations", under the sub-sections Corporate, Share Information, Annual Results and Contact.

11.Announcement of Real Person Ultimate Controlling Shareholder(s)

The company does not have an ultimate controlling shareholder. Company shares are nominative in their entirety. The company's shares representing public capital (8.889364%) are listed in the Istanbul Stock Exchange. The company does not monitor such transfer of shares. Henceforth the Company is only aware of 5 shareholders bearing the shares/dividends that represent the remainder of the Company's capital (91.110636%).

12.Public Announcement of Persons with Potential Access to Inside Information

Information related to members of the Board of Directors and members of the Managerial Committee are shared with the public in annual reports. Through the Istanbul Stock Exchange bulletin and officially through the Turkish Commercial Registration Gazette the public is informed about individuals elected as members of the Board of Directors within the respective term.

PART III BENEFICIARIES

13.Notification of Beneficiaries

Stakeholders are informed on developments concerning the Company by means of public announcements in compliance with valid legislation. Besides information featured in financial statements and reports publically announced in accordance with Capital Market Boards legislation, verbal or written information is also offered on request to beneficiaries including company employees, customers, distributors, syndicates, non-governmental organisations, the state and potential investors on issues of interest (with the exception of information currently undeclared to the public). Company employees are informed by way of meetings and various training programmes organised according to their areas of specialisation and interest.

14.Beneficiaries' Participation in Management

Beneficiaries have been defined as company employees, customers, suppliers and the society we interact with.
Employee participation in management is facilitated by means of annual goal setting and performance assessment meetings in addition to periodical internal meetings. In addition, the feedback mechanism gives employees, customers and distributors the opportunity to communicate feedback on their respective issues. Results are considered in committees that are set up to create action plans in order to enable necessary changes. These approaches intend to guarantee employee participation and contribution in terms of effective Company management.

15.Human Resources Policy

The Company's current human resources policy and practices are presented below and are also accessible at www.kordsaglobal.com. Respective activities are under the management of Vice President, Human Resources and Information Technologies Director. A summary of Human Resources (HR) duties is given below:

• Develop HR processes in accordance with business goals;
• Hire candidates that meet Company expectations in order to prolong the development of its skill pool;
• Promote first class professional specialists with consideration to succession plans;
• Provide employees the opportunity for development;
• Create and maintain an honest, fair and constructive working environment;
• Provide and improve respective safety, health and environmental practices capable of meeting the necessary requirements;
• Develop performance based management systems;
• Manage relations with employees and the Workers Union; create the most favourable results for all parties.

Set out to generate added value in scope of current HR practices, the Company intends to select only the best by utilising basic processes related to employment such as performance assessment, development, carrier planning and retirement in reaching the goal of becoming a favoured employer that holds a high calibre employee profile. The Company will secure this by installing a culture based on high performance, ensuring the development of necessary proficiencies and characteristics at all levels, matching the potential with the right position, maintaining retirement life standards above a certain level through private and individual retirement plans.

16.Information on Customer and Supplier Relations

The company aspires to establish long-term strategic partnerships with clients and act in accordance with these objectives. Relations with beneficiaries are based on creating value reciprocally.

Besides an honest and moral approach to customer relations, the company adheres to the principles of commercial and technological confidentiality.
Customer requests are answered as soon as possible with effective and creative solutions.
Kordsa Global's organisational framework is capable of offering full customer support in commercial and technical matters. Research and Development activities are based on the customer-centred principles with consideration to market developments.
Products and services offered by the Company are developed together with the customer with ultimate consideration of their current and future requirements.
Kordsa Global pays strict attention in doing business with reliable suppliers who are customer satisfaction oriented, capable of providing adequate guarantee in regards to worker health and occupational safety as well as environmental safety and quality.
Kordsa Global establishes long-term relations with its suppliers based on reciprocal trust, effective communication and partnership and practices a "win-win" principle.

17.Social Responsibility

Priority in all Kordsa Global activities goes to "Worker Health", "Occupational Safety – Environment" and "Quality," respectively.
Kordsa Global believes all occupational accidents and occupation related health problems are preventable. Henceforth, all personnel within working environment are trained in the fields of worker safety, occupational safety and environment, even for short-term tasks. The scope of safety training will be broadened in accordance with potential training needs.
Besides contributing to Sabancı University and to natural disaster assistance committees, the Company implements social responsibility duties by means of donations to related public authorities and institutions, universities and secondary schools.
There are no lawsuits against the Company related to environmental issues.

PART IV
BOARD OF DIRECTORS

18.Structure, Constitution and Independent Members of the Board of Directors

The company's board of directors consists of seven elected members to execute their duties until April 2012 in accordance with provisions of the Turkish Code of Commerce and Company principal agreement.

Mehmet N. PEKARUN :Chairperson (non-executive)

Bekir SOYTÜRK :Vice Chairperson (non-executive)

Turgut UZER :Member (non-executive)

Hakan AKBAŞ :Member (non-executive)

Mustafa N. BOZFAKIOĞLU :Member (non-executive)

Cezmi KURTULUŞ :Member (non-executive)

Bülent BOZDOĞAN :Member (non-executive)

Sections on the Board of Directors in the Company principal agreement do not feature any conditions concerning the separation of independent, executive and non-executive members. Pursuant to the general assembly resolution and according to Article 334 and 335 of the Turkish Code of Commerce, action may be taken against the chairperson and members of the board of directors.
Qualifications of Board of Directors Members Part 19 and 22 of the Company principal agreement specifies the qualifications of the members of the Board of Director and the conditions of their election. Pre-requisite qualifications correspond to respective articles stated within the Turkish Capital Market Boards' principles of corporate management.

20.Corporate Mission, Vision and Strategic Targets

Corporate mission and vision has been determined by the Company's board of directors and publically announced identically in the annual report and the company website at www.kordsaglobal.com. Activities related to meeting the corporate mission is periodically reviewed by the Board of Directors.

21.Risk Assessment and Internal Control Mechanism

Risk assessment and internal control mechanism are practiced at all levels of the Company.

22.Authorities and Responsibilities of Board of Directors Members and Directors

Company board of directors' rights to manage and represent have been defined in articles 14, 16, 17, 18, 19, 20, 21 and 22 of the principal agreement and have been publically announced via www.kordsaglobal.com website.
Directors' authorities and responsibilities on the other hand have not been resolved by the principal agreement. However, the Company's Board of Directors determines these authorities and responsibilities.

23.Operational Principles of Board of Directors

Throughout the twelve-months in 2010 the Company's board of directors have convened for 25 times. 20 of the topics on the agenda were handled by post and circulation. The agenda of the company Board of Director is determined in accordance with the chairperson's communications with board members.
None of the board members declared counter votes concerning any of the decisions at meetings held throughout the twelve-months in 2010. Consensus was reached on CMB's Corporate Management Principles Part IV, article 2.17.4.
Unexcused members actually participated the related board meetings. Board members did not pose any questions concerning these issues; hence none is mentioned in the minutes of the meeting. Board members are granted weighted right to vote and/or veto concerning such decisions.

24.Bans on Dealings with the Company and Competition

Members of the Company's board of directors have not been involved in any dealings with the company, neither have they been involved in any competitive attempts in identical fields of activity during the twelve month period in 2010.

25.Ethical Rules

All company activities are executed in accordance with the latest legislation, Company principal agreement and social values. More so, each company employee is expected to complete a Kordsa Global business ethics questionnaire once a year, which is evaluated at the senior management level.

26.The Quantity, Structure and Independence of Committees Established within the Board of Directors

No committees exist within the Board of Directors, with the exception of the Audit Committee. The Audit Committee assembles quarterly to examine financial results. Members of the Audit Committee do not have executive authority. There has not been a need to establish a separate commission since the Company Board of Directors directly handles corporate management principles and compliance to such principles.
The absence of any such commission in the Board of Directors has prevented the occurrence of a conflict of interest.

27.Remuneration Granted to the Board of Directors

The company principal agreement clearly indicates the means and provisions of all the rights, interests and claims offered to the members of the Company's board of directors. The general assembly has decided on a profit related payment to the chairperson and members of the board of directors. The Company principal agreement states the following provision: "The general assembly decides on the remuneration allocated to the board of directors members". The respective agenda topic was discussed at the recent general assembly. Board members did not receive any remuneration due to the approval of the motion stating that "no remuneration shall be allocated". Throughout the twelve-month period in 2010, the Board of Directors members did not receive any loans from the company and did not use credit; there was no change applied to the due dates of loans and credits or improvement in terms; no credit was assigned directly or via third parties classified as personal loan tools or any instructions such as bailment in favour of the board members.

March 16th, 2011

In Memory of

TURGUT UZER

Kordsa Global Industrial Yarn and Cord Fabric Industry and Trade Public Limited Company April 1st, 2011 Friday Agenda for 2010 Partners Ordinary Meeting of the Board

AGENDA

1. Opening and the organisation of the Executive Board,
2. Empowering the Executive Board to sign the General Assembly Meeting Proceedings,
3. The reading and discussion of Board of Directors and Auditor Reports concerning 2010 activities and accounts,
4. Notifying partners the amount of donations authorised throughout the year,
5. With respect to the Capital Markets Board decree, notifying partners of guarantees, pledges, and mortgages given in favour of third parties as well as incomes and interests acquired throughout the year,
6. Reading, debate and approval of budget and profit/loss calculations for 2010; discuss and conclude board of directors' profit distribution proposal,
7. Approval of elected Board of Directors members appointed to fill in vacant positions within the Board of Directors
8. Acquitting the Board of Directors members and legal auditors for the company's activities in 2010,
9. Selecting legal auditors, determining their tenure and wages,
10. Approval of an independent external auditing body elected by the Board of Directors for the auditing of the company's financial statements and reports for 2011 in accordance with the provisions of the Capital Markets Board Law (Nr. 2499),
11. Modifying articles 3, 5 and 10 of the Company Principle Agreement already approved by Republic of Turkey, Prime ministry's Capital Market Boards letter of permit dated March 4th, 2001 numbered B.02.1.SPK.0.13-110.03.02-476-2631 and Republic of Turkey Ministry of Industry and Trade Internal Trade Directorate letter of permit dated March 4th, 2011 numbered B.14.0.İTG.0.10.00.01/351.02-3195-26922-1369.
12. Empowering the Chairperson and members of the Board of Directors with the authority to execute proceedings stated in articles 334 and 335 of the Turkish Code of Commerce.

Assembly Date	: April 1st, 2011 Friday
Time	: 10:30
Location	: Sabancı Center, Hacı Ömer Sabancı Holding Conference Hall 34330 4. Levent, Beşiktaş - İSTANBUL

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.

We have audited the accompanying consolidated financial statements of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. and its subsidiaries (hereafter together referred to as "the Group") which comprise the consolidated balance sheet as of 31 December 2010, consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards published by Capital Market Board. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards issued by Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi Ticaret A.Ş. and its subsidiaries as of 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with financial reporting standards published by Capital Market Board.

Other Matter
The audit of the Group's consolidated financial statements for the year ended 31 December 2009 was performed by another independent auditing firm. The predecessor auditing firm expressed an unqualified opinion in the auditor's report dated 9 March 2010 on the consolidated financial statements as of 31 December 2009.

Additional paragraph for convenience translation into English

The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

İstanbul, 16 March 2011

Deloitte.

DRT BAĞIMSIZ DENETİM VE
SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Ömer Tanrıöver
Partner

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

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

	Notes	2010 USD (*)	2009 USD (*)	2010	2009
ASSETS					
Cash and Cash Equivalents	4	33.643.151	31.650.634	52.012.312	47.656.360
Trade Receivables (net)	8	129.033.071	115.443.962	199.485.127	173.823.974
Other Receivables	9	8.508.811	9.605.548	13.154.622	14.463.074
Inventories (net)	10	166.903.635	137.451.954	258.033.019	206.961.407
Other Current Assets	17	22.349.032	12.252.821	34.551.604	18.449.073
Total Current Assets		**360.437.700**	**306.404.919**	**557.236.684**	**461.353.888**
Other Receivables	9	10.636.871	8.694.439	16.444.603	13.091.217
Financial Assets	5	120.669	1.141.919	186.554	1.719.387
Property, Plant and Equipment (net)	11	442.729.987	453.971.493	684.460.560	683.544.877
Intangible Assets (net)	12	5.310.488	4.294.950	8.210.015	6.466.906
Goodwill	13	29.492.346	30.281.708	45.595.167	45.595.167
Deferred Tax Assets	24	12.043.098	9.827.430	18.618.629	14.797.161
Other Non-Current Assets	17	635.873	669.153	983.060	1.007.544
Total Non-Current Assets		**500.969.332**	**508.881.092**	**774.498.588**	**766.222.259**
Total Assets		**861.407.032**	**815.286.011**	**1.331.735.272**	**1.227.576.147**

(*) US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2010 and 31 December 2009, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009

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

	Notes	2010 USD (*)	2009 USD (*)	2010	2009
LIABILITIES					
Borrowings	6	67.259.955	64.228.250	103.983.891	96.708.476
Trade Payables	8	70.755.019	71.063.806	109.387.259	107.000.772
Other Payables	9	11.758.438	6.433.786	18.178.545	9.687.352
Income Tax Payable	24	3.025.048	359.004	4.676.724	540.553
Provision for Employee Benefits	16	8.193.191	7.296.113	12.666.674	10.985.757
Other Current Liabilities	17	13.915.069	6.905.947	21.512.696	10.398.285
Total Current Liabilities		**174.906.720**	**156.286.906**	**270.405.789**	**235.321.195**
Borrowings	6	39.831.658	39.950.276	61.579.743	60.153.131
Other Financial Liabilities	7	-	439.803	-	662.212
Other Liabilities	9	7.919.800	7.377.759	12.244.011	11.108.692
Government Grants	14	1.421.929	1.766.717	2.198.302	2.660.146
Provision for Employee Benefits	16	12.004.396	11.379.526	18.558.796	17.134.152
Deferred Tax Liabilities	24	38.475.798	38.348.503	59.483.583	57.741.341
Total – Non-Current Liabilities		**99.653.581**	**99.262.584**	**154.064.435**	**149.459.674**
Total Liabilities		**274.560.301**	**255.549.490**	**424.470.224**	**384.780.869**
EQUITY					
Equity attributable to owners of the parent	**18**	**513.225.119**	**490.600.293**	**793.446.034**	**738.696.862**
Share Capital	18	125.827.345	129.195.109	194.529.076	194.529.076
Share Premium	18	40.137.604	41.211.886	62.052.736	62.052.736
Shareholders' Contribution	18	317.997.298	326.508.482	491.623.822	491.623.822
Financial Assets Fair Value Reserve	18	(174.742)	(152.309)	(270.151)	(229.332)
Currency Translation Differences	18	(1.086.693)	(12.114.336)	(1.680.027)	(18.240.555)
Funds Borrowed for Hedging of Financial Risks	18	(785.530)	-	(1.214.430)	-
Restricted Reserves	18	7.836.791	7.670.172	12.115.679	11.548.978
Accumulated Losses	18	(2.040.468)	(25.255.542)	(3.154.564)	(38.027.270)
Net Income for the Period	18	25.513.514	23.536.831	39.443.893	35.439.407
Non-Controlling Interests		**73.621.613**	**69.136.226**	**113.819.014**	**104.098.416**
Total Equity		**586.846.732**	**559.736.519**	**907.265.048**	**842.795.278**
Total Liabilities and Equity		**861.407.033**	**815.286.009**	**1.331.735.272**	**1.227.576.147**
Commitments, Contingent Assets and Liabilities	15				

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KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

	Notes	2010 USD (*)	2009 USD (*)	2010	2009
OPERATING REVENUES					
Sales (net)	19	817.656.592	674.021.461	1.264.097.091	1.014.874.114
Cost of Sales (-)	19	(692.743.544)	(575.492.297)	(1.070.981.519)	(866.518.751)
GROSS PROFIT		**124.913.048**	**98.529.165**	**193.115.572**	**148.355.363**
Marketing, Selling and Distribution Expenses (-)	20	(31.531.811)	(22.557.426)	(48.748.180)	(33.964.716)
General and Administrative Expenses (-)	20	(37.420.027)	(37.078.968)	(57.851.362)	(55.829.802)
Research and Development Expenses (-)	20	(2.135.283)	(4.122.476)	(3.301.147)	(6.207.212)
Other Operating Income	21	8.108.712	12.892.548	12.536.069	19.412.310
Other Operating Expenses (-)	21	(7.262.128)	(2.900.069)	(11.227.250)	(4.366.634)
OPERATING PROFIT		**54.672.511**	**44.762.774**	**84.523.702**	**67.399.309**
Financial Income	22	21.246.663	38.022.303	32.847.341	57.250.182
Financial Expenses (-)	23	(25.093.816)	(36.261.660)	(38.795.040)	(54.599.181)
INCOME BEFORE TAX		**50.825.358**	**46.523.418**	**78.576.003**	**70.050.310**
Tax Expense:					
- Current Tax Expense	24	(20.567.013)	(18.519.736)	(31.796.602)	(27.885.167)
- Deferred Tax Income / (Expense)	24	1.773.554	(294.917)	2.741.915	(444.056)
NET INCOME FOR THE PERIOD		**32.031.899**	**27.708.765**	**49.521.316**	**41.721.087**
ATTRIBUTABLE TO:					
- Owners of the parent		25.513.514	23.536.831	39.443.893	35.439.407
- Non-controlling interests		6.518.385	4.171.933	10.077.423	6.281.680
Earnings per 1.000 ordinary shares	25	1,31	1,21	2,03	1,82

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

	2010 USD (**)	2009 USD (**)	2010	2009
NET INCOME FOR THE PERIOD	**32.031.899**	**27.708.765**	**49.521.316**	**41.721.087**
Other Comprehensive Income:				
Fair value decrease of financial assets	(37.719)	(186.752)	(58.313)	(281.192)
Currency translation differences	16.428.259	18.626.041	25.398.088	28.045.230
Changes in hedging reserves	(785.530)	-	(1.214.430)	-
Tax income related with other comprehensive income accounts (*)	11.316	56.026	17.494	84.358
OTHER COMREHENSIVE INCOME (AFTER TAX)	**15.616.326**	**18.495.315**	**24.142.839**	**27.848.396**
TOTAL COMPREHENSIVE INCOME	**47.648.225**	**46.204.080**	**73.664.155**	**69.569.483**
TOTAL COMREHENSIVE INCOME ATTRIBUTABLE TO				
- Non-controlling interests	12.234.788	9.470.205	18.914.983	14.259.288
- Owners of the parent	35.413.437	36.733.875	54.749.172	55.310.195

(*) Tax income related with other comprehensive income accounts is due to the fair value changes in available for sale financial assets.

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

	Share capital	Share premium	Shareholders' contribution	Financial assets fair value reserve	Hedging reserves	Currency translation differences	Restricted reserves	Accumulated loss	Net income for the period	Total	Total non-controlling interest	Total Equity
Balances at 1 January 2009	**194.529.076**	**62.052.736**	**491.623.822**	**(32.498)**	**-**	**(38.308.177)**	**11.240.678**	**(78.704.609)**	**40.985.639**	**683.386.667**	**99.478.329**	**782.864.996**
Transfers	-	-	-	-	-	-	308.300	40.677.339	(40.985.639)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9.639.201)	(9.639.201)
Total comprehensive income	-	-	-	(196.834)	-	20.067.622	-	-	35.439.407	55.310.195	14.259.288	69.569.483
Balances at 31 December 2009	**194.529.076**	**62.052.736**	**491.623.822**	**(229.332)**	**-**	**(18.240.555)**	**11.548.978**	**(38.027.270)**	**35.439.407**	**738.696.862**	**104.098.416**	**842.795.278**
Balances at 1 January 2010	**194.529.076**	**62.052.736**	**491.623.822**	**(229.332)**	**-**	**(18.240.555)**	**11.548.978**	**(38.027.270)**	**35.439.407**	**738.696.862**	**104.098.416**	**842.795.278**
Transfers	-	-	-	-	-	-	566.701	34.872.706	(35.439.407)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9.194.385)	(9.194.385)
Total comprehensive income	-	-	-	(40.819)	(1.214.430)	16.560.528	-	-	39.443.893	54.749.172	18.914.983	73.664.155
Balances at 31 December 2010	**194.529.076**	**62.052.736**	**491.623.822**	**(270.151)**	**(1.214.430)**	**(1.680.027)**	**12.115.679**	**(3.154.564)**	**39.443.893**	**793.446.034**	**113.819.014**	**907.265.048**

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

	Notes	2010 USD (*)	2009 USD (*)	2010	2009
Cash provided by operating activities					
Net income for the period		32.031.899	27.708.765	49.521.316	41.721.087
Adjustments to reconcile net income before taxation and minority interest to net cash provided by operating activities:					
Depreciation and amortization	11,12	34.184.106	34.104.429	52.848.628	51.351.039
Provision for impairment on fixed assets	11	5.935.450	-	9.176.205	-
Employee termination benefit	16	1.819.944	2.361.294	2.813.634	3.555.401
Deferred tax	24	(1.773.554)	294.917	(2.741.915)	444.056
Interest income	22	(877.002)	(1.399.097)	(1.355.845)	(2.106.621)
Interest expense	23	5.219.648	10.487.585	8.069.576	15.791.157
(Gain)/Loss from sale of property, plant and equipment – net	21	(11.044)	2.486	(17.074)	3.743
Redemption of government grants		(204.038)	(148.344)	(315.442)	(223.362)
Inventory obsolescence loss	10	(692.777)	450.228	(1.071.033)	677.908
Accrual for termination of service agreement		-	(867.629)	-	(1.306.389)
Personnel bonus accrual	16	3.005.886	2.219.928	4.647.100	3.342.546
Personnel vacation accrual	16	2.158.506	2.116.908	3.337.051	3.187.428
Employee retirement benefit provision	16	484.098	401.106	748.416	603.945
Provision for doubtful receivables	8	6.677	177.283	10.323	266.935
(Gain)/Loss on derivative financial instruments	7,17	851.539	439.803	1.316.479	662.212
Tax expense	24	20.567.013	12.418.441	31.796.602	18.698.447
Unrealized credit finance expense		51.470	551.850	79.572	830.920
Unearned credit finance income		(196.761)	100.035	(304.192)	150.622
Allowance for tax penalties		-	2.683.798	-	4.040.994
Unrealized foreign exchange losses		(1.825.798)	(6.378.257)	(2.822.683)	(9.603.741)
Net cash provided by operating activities before changes in operating assets and liabilities:		**100.735.264**	**87.725.528**	**155.736.718**	**132.088.327**
Changes in Assets and Liabilities of the Company					
Trade receivables		(16.653.310)	(5.923.783)	(25.746.017)	(8.919.440)
Inventories		(32.407.111)	54.737.774	(50.101.394)	82.418.667
Other current receivables		(9.144.884)	7.862.895	(14.137.990)	11.839.161
Other non-current receivables		(2.153.235)	(2.672.252)	(3.328.902)	(4.023.610)
Trade payables		1.740.413	(25.324.836)	2.690.679	(38.131.606)
Other short term payables		10.620.056	(3.086.344)	16.418.606	(4.647.108)
Other non-current liabilities and payables		306.020	4.035.490	473.107	6.076.237
Short term benefits to employees		241.620	381.445	373.544	574.342
Employee retirement benefit plans paid	16	(1.557.132)	(2.059.186)	(2.407.326)	(3.100.516)
Employment termination benefits paid	16	-	(3.141)	-	(4.729)
Employee vacation provision paid	16	(2.156.683)	(2.252.763)	(3.334.232)	(3.391.985)
Employee premium paid	16	(2.162.061)	(2.450.875)	(3.342.546)	(3.690.282)
Taxes paid		(17.891.611)	(14.302.162)	(27.660.431)	(21.534.766)
Taxes penalty paid		-	(232.711)	-	(350.393)
Net cash provided by operating activities		**29.517.345**	**96.435.079**	**45.633.816**	**145.202.299**
Cash flows from investing activities:					
Purchase of property, plant, equipment and intangible assets	11, 12	(31.956.197)	(27.883.017)	(49.404.280)	(41.983.459)
Proceeds from sale of property, plant and equipment		2.134.791	2.432.103	3.300.387	3.662.017
Interest received	22	877.002	1.399.097	1.355.845	2.106.621
Proceeds from sale of financial assets held for sale	5	991.483	1.011.170	1.532.833	1.522.519
Net cash used in investing activities		**(27.952.920)**	**(23.040.647)**	**(43.215.215)**	**(34.692.302)**
Cash flows from financing activities:					
Dividends paid to non-controlling interests		(5.947.209)	(6.401.807)	(9.194.385)	(9.639.201)
Payments of bank borrowings – net		7.454.534	(65.421.586)	11.524.710	(98.505.282)
Interest paid		(5.219.648)	(10.487.585)	(8.069.576)	(15.791.157)
Net cash provided by financing activities		**(3.712.323)**	**(82.310.978)**	**(5.739.251)**	**(123.935.640)**
Foreign currency translation differences		4.965.461	(1.067.592)	7.676.602	(1.607.474)
Net (decrease)/increase in cash and cash equivalents		2.817.563	(9.984.138)	4.355.952	(15.033.117)
Cash and cash equivalents at the beginning of the period	4	30.825.589	41.634.773	47.656.360	62.689.477
Cash and cash equivalents at the end of the period	**4**	**33.643.151**	**31.650.634**	**52.012.312**	**47.656.360**

(*) US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2010 and 31 December 2009, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret Anonim Şirketi ("Kordsa Global" or the "Company") was established on 9 February 2006 as a subsidiary of Hacı Ömer Sabancı Sabancı Holding A.Ş. ("Sabancı Holding") and is registered in İstanbul, Turkey. The Company operates under Turkish Commercial Code.

The Company 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.

Kordsa Global is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded in the Istanbul Stock Exchange ("ISE") since 1991. As of 31 December 2010, 9% of the Group's shares is listed on the ISE. As of the same date, the shareholders owning the Group's shares and the percentage of the shares are as follows (Note 18):

	%
Hacı Ömer Sabancı Holding A.Ş.	91,11
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	<1
Teknosa İç ve Dış Tic. A.Ş.	<1
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	<1
Temsa Global Sanayi ve Ticaret A.Ş.	<1
Public shares and Takasbank	8,89
	100,00

Average number of employees within the Group is 3.903 (31 December 2009: 3.957).

The address of the registered office is as follows:

Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.
Sabancı Center Kule 2 Kat: 17
34330 4. Levent
İstanbul

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS (Cont'd)

Subsidiaries

The country of the Subsidiaries consolidated in these consolidated financial statements as of 31 December 2010 and 2009 and, for the purposes of these consolidated financial statements, their respective geographical segments are as follows:

Subsidiaries	Country	Geographical segment
InterKordsa GmbH	Germany	Europe, Middle East and Africa
InterKordsa GbRmH	Germany	Europe, Middle East and Africa
Kordsa GmbH	Germany	Europe, Middle East and Africa
Nile Kordsa Company	Egypt	Europe, Middle East and Africa
Kordsa, Inc.	United States of America	North America
Kordsa Argentina	Argentina	South America
Kordsa Brazil	Brazil	South America
PT Indo Kordsa Tbk	Indonesia	Asia
PT Indo Kordsa Polyester	Indonesia	Asia
Thai Indo Kordsa Co., Ltd.	Thailand	Asia
Kordsa Qingdao Nylon Enterprise ("KQNE")	China	Asia
Sabancı Industrial Yarn and Tire Cord Fabric B.V. ("Sabancı B.V.")	The Netherlands	Other
Kordsa Mauritius	Mauritius	Other
Dusa Spain International, S.L.	Spain	Other
Acordis International B.V.	The Netherlands	Other

For the purposes of segment information in these consolidated financial statements, information related to corporate administrative operations of Kordsa Global have been included in the "Other" segment (Note 3).

These financial statements have been approved to be issued during the meeting of the Board of Directors held on 16 March 2011, and have been signed by the President and CEO Hakan Tiftik and Chief Financial Officer Barış Oran on behalf of the Board of Directors. The shareholders of the Group have the right to make changes in the consolidated financial statements after the aforementioned financial statements are issued, and they are subject to approval of the shareholders at the general assembly meeting of the Group.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

A) Financial Reporting Standards Applied

The Capital Markets Board of Turkey ("CMB") regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25 "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TAS/ TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB in its financial statements for the accounting periods starting 1 January 2005.

Until the differences of the IAS/IFRS adopted by the European Union from those issued by the International Accounting Standards Board ("IASB") are announced by the Turkish Accounting Standards Board ("TASB"), financial statements are prepared in accordance with IAS/IFRS based on the CMB Communiqué No: XI-29. The financial statements and explanatory notes are presented using the compulsory standard formats as published by the Communiqué Serial XI, No: 29 declared by the CMB on 17 April 2008 and 9 January 2009 including the compulsory disclosures.

The financial statements have been prepared on the historical cost basis except for the revaluation of available-for-sale financial assets and hedging instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Cheques received balance of TL 897.489 presented under Cash and Cash Equivalents as of 31 December 2009 has been reclassified to Trade Receivables.

<u>Functional and presentation currency</u>

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.1 Basis of preparation (cont'd)

New and Revised Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are set out in the following sections.

(a) New and Revised Standards affecting presentation and disclosure only

IFRS 3 (revised in 2008) Business Combinations

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquire.

b) to change the recognition and subsequent accounting requirements for contingent consideration.

c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.

d) in step acquisitions, previously held interests are to be remeasured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of profit or loss.

e) IFRS 3 (2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

Since the Group did not have any business combinations as of and after 1 July 2009, this interpretation is not applied.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.1 Basis of preparation (cont'd)

IAS 27 (revised in 2008) Consolidated and Separate Financial Statements

The application of IAS 27 (2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These revised accounting policies have been effective as of 1 January, 2010 in accordance with the related authorizations.

Since there is no change in the ownership interest in Group's subsidiaries, this interpretation is not applied.

(b) New and Revised Standards that affect the financial performance and/or balance sheet of the Group.

None.

(c) Standards, amendments and interpretations effective in 2010, but not relevant to the Group,

Amendments to IAS 7 *Statement of Cash Flows* (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
Amendments to IAS 1 *Presentation of Financial Statements* (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendments will be applied retrospectively.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.1 Basis of preparation (cont’d)

IAS 28 (revised in 2008) Investments in Associates

As per the revisions to IAS 28, when significant influence over an associate is lost, the Group measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

As part of Improvements to IFRSs issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively. Since the Group does not have associates, the revisions have not been applied.

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2009) are applicable on and after 1 July, 2009. Since the Group has neither non-current assets nor discontinued operations, the amendments are not applied.

IFRIC 17, “Distributions of non-cash assets to owners”, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, “Transfers of assets from customers”, effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not transferred any assets from customers.

“Additional exemptions for first-time adopters” (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IFRS 2, “Share-based Payments – Group Cash-settled Share Payment Arrangements” is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group does not have share-based payment plans.

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2008) clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.1 Basis of preparation (cont'd)

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/intepretations as follows: IFRS 2 *Share-based Payments*, IFRS 8 *Operating Segments*, IAS 1 *Presentation of Financial Statements*, IAS 17 *Leases*, IAS 18 *Revenue*, IAS 36 *Impairment of Assets*, IAS 38 *Intangible Assets*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRIC 9 *Reassessment of Embedded Derivatives*, IFRIC 16 *Hedges of Net Investment in a Foreign Operation*. The effective dates vary for each standard but most are effective from 1 January 2010.

(d) New and Revised IFRSs in issue but not yet effective and are expected to be preadopted by the Group

IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments*

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs and provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Group, as it is an existing IFRS preparer.

IFRS 7 *Financial Instruments: Disclosures*

In October 2010, IFRS 7 *Financial Instruments: Disclosures* is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.1 Basis of preparation (cont'd)

IFRS 9 *Financial Instruments: Classification and Measurement*

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this standard.

IAS 12 *Income Taxes*

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 24 (Revised 2009) *Related Party Disclosures*

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 32 (Amendments) *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.1 Basis of preparation (cont'd)

IFRIC 14 (Amendments) *Pre-payment of a Minimum Funding Requirement*

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Group does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/intepretations as follow: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations*; IFRS 7 *Financial Instruments: Disclosures*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 34 *Interim Financial Reporting* and IFRIC 13 *Customer Loyalty Programmes*. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments are allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

B) Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. and its Subsidiaries (the "Group") on the basis set out in sections (b), (c) and (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared taking into account the uniform chart of accounts principles and applications and in accordance with the CMB Financial Reporting Standards. The results of operations of Subsidiaries are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale, respectively.

b) Subsidiaries are companies in which the Group has the power to control the financial and operating policies for the benefit of the Group, either (a) through the power to exercise more than 50% voting rights relating to shares in the companies or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The table below sets out all consolidated Subsidiaries and shows their shareholding rates at 31 December 2010 and 2009:

Subsidiaries	Direct and indirect ownership interest by the Company and its Subsidiaries (%)	Proportion of effective interest (%)
InterKordsa GmbH	100,00	100,00
InterKordsa GbRmH	100,00	100,00
Kordsa GmbH	100,00	100,00
Nile Kordsa Company	51,00	51,00
Kordsa, Inc.	100,00	100,00
Kordsa Argentina	100,00	100,00
Kordsa Brazil	94,49	94,49
PT Indo Kordsa Tbk	60,21	60,21
PT Indo Kordsa Polyester (*)	99,99	60,20
Thai Indo Kordsa	64,19	38,65
KQNE	99,50	99,50
Sabancı B.V.	100,00	100,00
Kordsa Mauritius	100,00	100,00
Dusa Spain International, S.L.	100,00	100,00
Acordis International B.V.	100,00	100,00

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

B) Basis of Consolidation (cont'd)

The balance sheets and income statements of the Subsidiaries were consolidated by using the full consolidation method and the book value of the shares held by the Group and its Subsidiaries are net off from the related equity. The transactions and balances among the Group and the Subsidiaries are mutually net off within the scope of the consolidation. The cost of the subsidiary shares held by the Group and the Subsidiaries and the dividend incurring from these shares were deducted from the capital and the period profit.

c) Investments, in which the Group has interests below 20%, or over which the Group does not exercise a significant influence, or which are considered not having a significant impact on the consolidated financial statements are classified as available for sale. Available for sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for impairment (Note 5).

d) The results of Subsidiaries are included or excluded from consolidation regarding to their effective dates of acquisition and disposal, respectively.

e) The non-controlling interests' share in the net assets and results for the period for Subsidiaries is separately classified in the consolidated balance sheets and income statements as non-controlling interests.

2.2 Changes in the Accounting Policies

Significant changes in the accounting principles and significant accounting errors should de applied retrospectively and prior period financial statements should be restated. There are no changes in the accounting principles for the period between 1 January - 31 December 2010.

2.3 Changes in or Corrections of the Accounting Estimations

Changes in the accounting estimates should be accounted in financial statements prospectively; if the change is related to only one period, it should be accounted at the current year that the change is performed, but if it is related to more than one period it should be accounted at both the current and future periods. In 2010, the Group has started taking into account the estimated percentages of unpaid portion of provision for employment termination benefits due to voluntary resignations and this change has been accounted in the financial statements prospectively. In 2010, the percentage of voluntary resignations is 2.13% and its effect on the current year consolidated statements of income is 2.452.056 TL.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies

a) Revenue recognition

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

Other revenues earned by the Group are recognised on the following bases:
Royalty and rental income - on an accrual basis.
Interest income - on an effective yield basis.
Dividend income - when the Group's right to receive payment is established.

b) Inventories

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

c) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any (Note 11). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

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

d) Intangible assets

Intangible assets include rights, software and other identifiable rights. Intangible assets are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method over a period not exceeding 20 years (Note 12). The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Relevant Accounting Policies (cont’d)

e) Impairment of assets

Assets such as goodwill are not entitled to amortization since they do not have useful life. As for these assets, value impairment test is performed every year. For the ones that are entitled to amortization, value impairement test is applied when the book value of the asset is not recoverable any more. Provision for the value impairement is recorded when the book value is higher than the realizable value of the asset. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. As for the determination of the value impairement, assets are grouped in the lowest level of cash flows (cash generating groups). Non-financial assets that are obliged to value impairement except goodwill, are tested for the possible value impairement reversal during every reporting period.

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are classified on income statement in the period generated.

g) Business combinations

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income *Taxes* and IAS 19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

g) Business combinations (cont'd)

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

h) Goodwill

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

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

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

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

ı) Cash and cash equivalents

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

i) Trade receivables and provision for impairment

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 8).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

j) Due date income / (charges)

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

k) Provisions, contingent assets and liabilities

Provisions are recognised when the Group has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities and not included in financial statements (Note 15).

Restructuring

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

l) Leasing

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Principal payments are disclosed as liabilities and decreased according to payments made (Note 6). The interest element of the finance cost is charged to the income statement over the lease period. Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment and depreciated over the useful life.

m) Provision for employment termination benefits

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

n) Provision for post-employment benefits

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

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

o) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are recognised in the income statement by deducting from research and development expenses. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

ö) Available-for-sale financial instruments

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

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

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

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

ö) Available-for-sale financial instruments (cont'd)

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

Impairment of financial assets

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

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

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

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

p) Equity items

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

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

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

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

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

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

r) Taxes on income

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

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

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

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority and are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities (Note 24).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

s) Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at period-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statement of income.

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

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

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

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

ş) Borrowings and borrowing costs

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

International Accounting Standard No 23 "Borrowing Costs" was revised on 29 March 2007 by the IASB. The revised IAS 23 is effective from 1 January 2009, yet voluntary early transition to the application right is reserved. The Company opted for early adoption and changed its accounting policy, choosing the policy envisaged in IAS 23 related to borrowing costs at 1 January 2007. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 6).

t) Derivative financial instruments and embedded derivatives

The derivative financial instruments of the Group are comprised of foreign currency and interest rate swap and forward transactions.

<u>Foreign currency and interest rate swap transactions:</u>

Although the stated derivative financial instruments provide an effective hedge against the economic risks, they are treated as held for trading financial instruments since they not match the requirements of IAS 39 "Financial instruments: Recognition and measurement".

Held for trading derivative financial instruments are recognized in the financial statement at cost and carried at fair value after the period of recognition. Profit and loss arising from a change in the fair value of these financial instruments is recognized as income and expense in the consolidated income statement.

The positive fair valued derivative financial instruments are recognized in the asset side of the consolidated balance sheet where the negative fair valued derivative financial instruments are recognized in the liability side of the consolidated balance sheet (Note 7).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Relevant Accounting Policies (cont’d)

t) Derivative financial instruments and embedded derivatives (cont’d)

Forward transactions:

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

Group does not use hedging for speculative reasons.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income.

The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

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

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

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

u) Deferred financing costs

Deferred financing costs (primarily comprising legal and other costs incurred in relation to obtaining long-term bank borrowings from financial institutions) are amortised, using the effective interest method, over the remaining life of the long-term bank borrowings (Note 17).

ü) Related parties

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

v) Earnings per share

Earnings per share are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retrospective effect to the issuances of the shares without consideration (Not 25).

y) Reporting of cash flows

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

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

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

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

Cash and cash equivalents include cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within 3 months (Note 4).

z) Share premium

Share premium represents the difference between the nominal value of the Group's shares and the net proceeds from the offering of the Group's share to the public (Note 18).

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

aa) Segment reporting

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on three operating segments. These operating segments are affected by different economical conditions and geographical positions in terms of risks and rewards. The Company management has determined the Operating Profit as the most appropriate method for the evaluation of the performance of the operating segments (Note 3).

ab) Offsetting

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

ac) Comparatives and restatement of prior period financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. The Group prepared the consolidated balance sheet at 31 December 2010 in comparison with its consolidated balance sheet at 31 December 2009, the Group also prepared the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period 1 January - 31 December 2010 in comparison with the accounting period 1 January - 31 December 2009.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Estimations and Decisions

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

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in note 2.4. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by Kordsa Global Management covering a three-year period. Cash flows beyond three years are extrapolated by taking into consideration the shut-down periods recurring once a year. The USD fair value is converted into TL by using the related foreign exchange rate on the date of the balance sheet. Therefore, the value in use calculations are affected by the fluctuations in the foreign exchange market. The discount rate used in the value in use calculations is 8,95% and the risk premium is 2%. The discount rates used are after tax and reflect specific risks relating to the company. As of 31 December 2010, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions.

(b) Net realisable value

Inventories are valued at the lower of cost or net realisable value as described the accounting policy in Note 2.4. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(c) Useful lives of tangible and intangible assets

In accordance with the accounting policy given in the Note 2.4, tangible and intangible assets are stated at historical cost less depreciation and net of any impairment. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Useful lives depend on best estimates of management, are reviewed in each financial period and necessary corrections are made.

(d) Provision for doubtful receivables

In accordance with the accounting policy given in the Note 2.4, the Group calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the inability of its customers' to make required payments. The estimates used in evaluating the adequacy of the provision for impairment of trade receivables are based on the aging of the trade receivable balances and the trend of collection performance. The provision for doubtful trade receivables is a critical accounting estimate that is formed by past payment performance and financial position of customers.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Estimations and Decisions (cont'd)

(e) Provisions

In accordance with the accounting policy given in the Note 2.4, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(f) Deferred Tax

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 3 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External revenues

	2010	2009
Europe, Middle East and Africa	476.598.874	404.037.426
North America	300.531.606	214.942.497
South America	176.321.044	155.903.864
Asia	310.645.567	239.990.327
	1.264.097.091	**1.014.874.114**

b) Segment assets	**2010**	**2009**
Europe, Middle East and Africa	583.365.032	560.598.957
North America	182.024.445	159.941.085
South America	282.713.089	253.754.625
Asia	275.356.491	233.214.267
Other	707.708	501.381
Segment assets (*)	**1.324.166.765**	**1.208.010.315**
Unallocated assets	26.175.136	30.985.030
Less: Intersegment eliminations and reclassifications	(18.606.629)	(11.419.198)
Total assets per consolidated financial statements	**1.331.735.272**	**1.227.576.147**

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 3 - SEGMENT REPORTING (Cont'd)

c) Segment liabilities

	2010	2009
Europe, Middle East and Africa	87.378.683	76.067.774
North America	33.559.756	24.449.406
South America	71.984.424	49.601.801
Asia	32.107.178	30.529.350
Segment liabilities (*)	**225.030.041**	**180.648.331**
Unallocated liabilities	217.532.158	215.143.501
Less: Intersegment eliminations and reclassifications	(18.091.975)	(11.010.963)
Total liabilities per consolidated financial statements	**424.470.224**	**384.780.869**

(*) Segment liabilities comprise mainly operating liabilities and exclude taxation, other financial liabilities and financial liabilities.

d) Segmental analysis for the period 1 January - 31 December 2010

	Europe, Middle East and Africa	North America	South America	Asia	Inter -segment elimination	Total
External revenues	476.598.874	300.531.606	176.321.044	310.645.567	-	1.264.097.091
Inter-segment revenues	30.367.771	7.024.085	98.545	619.911	(38.110.312)	-
Revenues	506.966.645	307.555.691	176.419.589	311.265.478	(38.110.312)	1.264.097.091
Segment operating expenses	(445.175.174)	(275.395.263)	(201.794.308)	(280.346.802)	35.917.389	(1.166.794.158)
Total segment operating result	61.791.471	32.160.428	(25.374.719)	30.918.676	(2.192.923)	97.302.933
Unallocated expenses						(12.779.231)
						84.523.702

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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NOTE 3 - SEGMENT REPORTING (Cont'd)

e) Segmental analysis for the period 1 January - 31 December 2009

	Europe, Middle East and Africa	North America	South America	Asia	Inter-segment elimination	Total
External revenues	404.037.426	214.942.497	155.903.864	239.990.327	-	1.014.874.114
Inter-segment revenues	9.144.518	11.048.591	3.410.051	585.982	(24.189.142)	-
Revenues	413.181.944	225.991.088	159.313.915	240.576.309	(24.189.142)	1.014.874.114
Segment operating expenses	(376.655.947)	(191.399.303)	(168.809.494)	(217.387.562)	22.372.414	(931.879.892)
Total segment operating result	36.525.997	34.591.785	(9.495.579)	23.188.747	(1.816.728)	82.994.222
Unallocated expenses						(15.594.913)
						67.399.309

f) Capital expenditure

	2010	2009
Europe, Middle East and Africa	14.577.520	13.106.420
North America	4.933.484	9.058.442
South America	7.256.910	8.016.841
Asia	22.636.366	11.801.756
	49.404.280	**41.983.459**

g) Depreciation and amortisation

	2010	2009
Europe, Middle East and Africa	20.395.410	23.940.126
North America	9.739.860	8.958.232
South America	9.299.287	9.669.610
Asia	13.414.071	8.783.071
	52.848.628	**51.351.039**

h) Provision for doubtful receivables

	2010	2009
Europe, Middle East and Africa	-	247.973
North America	10.323	18.962
	10.323	**266.935**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 3 - SEGMENT REPORTING (Cont'd)

i) Provision for inventory obsolescence:

	2010	2009
Europe, Middle East and Africa	949.124	895.367
North America	410.949	245.983
South America	11.590.652	4.161.107
Asia	165.000	1.024.751
	13.115.725	**6.327.208**

j) Provision for employment termination benefits

Provision for employment termination benefits amounting to TL 4.001.153 as of 31 December 2010 (2009: TL 3.320.294) comprise the provisions of Europe, Middle East and Africa.

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

a) External revenues

	2010	2009
Nylon yarn	317.331.394	234.356.504
Polyester yarn	14.380.188	20.638.104
Fabric	871.545.707	715.683.126
Other	60.839.802	44.196.380
	1.264.097.091	**1.014.874.114**

b) Segment assets

	2010	2009
Nylon yarn	406.355.605	367.484.153
Polyester yarn	141.490.690	110.084.122
Fabric	566.126.266	544.903.318
Other	46.975.629	59.627.513
Segment Assets	**1.160.948.190**	**1.082.099.106**
Unallocated assets	191.836.072	153.001.624
Less: Intersegment eliminations and reclassifications	(21.048.990)	(7.524.583)
Total liabilities per consolidated financial statements	**1.331.735.272**	**1.227.576.147**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 3 - SEGMENT REPORTING (Cont'd)

c) Capital expenditure

	2010	2009
Nylon yarn	11.702.358	16.721.642
Polyester yarn	12.987.598	2.821.227
Fabric	12.491.398	10.498.633
Other	12.222.926	11.941.957
	49.404.280	**41.983.459**

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2010 and 2009 are as follows:

	2010	2009
Cash	332.274	16.716
Time Deposits	6.581.752	14.468.482
Demand Deposits	45.098.286	33.171.162
	52.012.312	**47.656.360**

Time deposits have less than 3-months maturity. Average annual interest rate for time deposits in Indonasian Rupiahs is 7,15% (2009:7,21%) and 1% for Thailand Baht (2009: 0,94%).

NOTE 5 - MARKETABLE SECURITIES

Available-for-sale financial assets

	2010	2009
Corporate bonds	-	1.535.814
	-	**1.535.814**
Common stocks	186.554	183.573
	186.554	**1.719.387**

As of 31 December 2009 the interest rate of the corporate bonds available for sale is 7,75%. The corporate bonds belong to Indosat International Finance Company B.V. The country where this company has operations, and the credit rating given by Moody's Investor's Service Inc. are the Netherlands, and Ba1, respectively.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 5 - MARKETABLE SECURITIES (Cont'd)

Details of the common shares are as follows:

	2010		2009	
	Percentage of shareholding %	**Amount**	**Percentage of shareholding %**	**Amount**
Investimentos Lei 8200	<0,01	101.449	<0,01	94.548
Desenbanco	<0,01	71.766	<0,01	66.885
Incentivos Fiscais Finor	<0,01	6.567	<0,01	6.121
Other	-	6.772	-	16.019
		186.554		**183.573**

Movement schedule of marketable securities for the years ended 31 December 2010 and 2009 is as follows:

	2010	2009
Balances at 1 January	1.719.387	3.013.251
Disposals	(1.583.717)	(1.522.519)
Fair value reserve change	(58.313)	(281.192)
Translation gain/loss (net)	109.197	509.847
Balances at 31 December	**186.554**	**1.719.387**

NOTE 6 - BORROWINGS

	2010	2009
Short term borrowings	91.822.885	93.875.336
Factoring liabilities	12.161.006	2.833.140
Total short term financial liabilities	**103.983.891**	**96.708.476**
Long term bank borrowings	61.286.540	60.153.131
Long term financial leasing	293.203	-
Total long term financial liabilities	**61.579.743**	**60.153.131**
Total financial liabilities	**165.563.634**	**156.861.607**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 6 - BORROWINGS (Cont'd)

	2010		2009	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term bank borrowings:				
USD borrowings	3,20	30.470.482	4,01	23.296.710
Euro borrowings	2,45	2.153.503	3,61	13.033.546
TL borrowings	-	1.205.052	-	-
		33.829.037		**36.330.256**
Short-term portion of long-term bank borrowings:				
USD borrowings	2,47	53.251.782	3,02	53.392.099
Euro borrowings	3,18	4.742.066	5,28	1.540.894
Brazilian Real borrowings	-	-	8,50	2.612.087
		57.993.848		**57.545.080**
Total short-term bank borrowings		**91.822.885**		**93.875.336**
Long-term bank borrowings:				
USD borrowings	3,44	59.463.444	3,02	50.915.460
Euro borrowings	4,07	1.823.096	5,28	5.901.957
Brazilian Real borrowings	-	-	8,50	3.335.714
Total long-term bank borrowings		**61.286.540**		**60.153.131**

	2010		2009	
	Fair value	Book value	Fair value	Book value
USD borrowings	143.185.708	143.185.708	128.896.234	127.604.269
Euro borrowings	8.718.665	8.718.665	21.199.422	20.476.397
TL borrowings	1.205.052	1.205.052	-	-
Brazilian Real borrowings	293.203	293.203	6.100.592	5.947.801
Total Borrowings	**153.402.628**	**153.402.628**	**156.196.248**	**154.028.467**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 6 - BORROWINGS (Cont'd)

Redemption schedules of long-term borrowings are summarised below:

	2010	2009
1 to 2 years	7.111.600	42.823.370
2 to 3 years	9.717.747	11.907.074
3 to 4 years	11.327.359	5.422.687
4 to 5 years	21.249.507	-
Over 5 years	11.880.327	-
	61.286.540	**60.153.131**

Lease Payables

Payment schedule of the lease payables is listed below:

	2010	2009
1-3 months	-	-
Over 12 months	293.203	-
	293.203	**-**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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NOTE 7 - OTHER FINANCIAL LIABILITIES

Derivative Financial Instruments

As of 31 December 2010 the Group has swap transactions in USD from HSBC and Citibank. Details of the transaction are summarised as follows:

Libor Fixing	:CITIBANK
Credit Bank	:HSBC BANK
Amount	:USD 6.000.000
Effective Date	:8 September 2009
Initial Settlement Date	:4 March 2011
Date of Completion for Libor Fixing	:4 March 2011
Fixed Settled Libor	:2,10
USD Floating interest rate	:Libor (6months = 0,48%+ 3,50%) = %3,98

Libor Fixing	:HSBC Bank
Credit Bank	:HSBC+CITIBANK
Amount	:USD 14.571.429
Effective Date	:19 June 2009
Initial Settlement Date	:17 June 2011
Date of Completion for Libor Fixing	:16 December 2011
Fixed Settled Libor	:1,85
USD Floating interest rate	:Libor (6months = %0,45+ %1,48) = %1,93

Libor Fixing	:HSBC Bank
Credit Bank	:HSBC+CITIBANK
Amount	:USD 2.485.714
Effective Date	:26 August 2009
Initial Settlement Date	:25 February 2011
Date of Completion for Libor Fixing	:16 December 2011
Fixed Settled Libor	:1,85
USD Floating interest rate	:Libor (6months = %0,51+ %1,48) = %1,99

As of 31 December 2010 the Group's total fair value of swap transactions amounts to TL (318,840) and the net amount is presented under other current liabilities in the balance sheet (2009: TL (662.212) other long term financial liabilities).

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables

	2010	2009
Trade receivables	193.538.432	169.779.930
Checks received	2.036.539	897.489
Due from related parties (Note 26)	5.848.136	5.599.287
	201.423.107	**176.276.706**
Less: Provision for doubtful receivables	(1.633.788)	(2.132.617)
Less: Unearned credit finance income	(304.192)	(320.115)
	199.485.127	**173.823.974**

As of 31 December 2010, annual interest rates for discount of TL, USD and Euro trade receivables and payables are %6,54, %2,28 and %2,82, respectively (2009: %6,08, %3,25 and %3,57). The average maturities of the trade receivables and payables as of 31 December 2010 and 2009 are up to 3 months.

As of 31 December 2010, the trade receivables amounting to TL 11.557.500 (2009:TL 10.450.641) were past due but not impaired. The aging of these receivables as of 31 December 2010 and 2009 is as follows:

	2010	2009
Up to 1 month	8.762.034	7.762.873
1 to 3 months	1.876.675	1.850.907
3 to 12 months	918.791	836.861
	11.557.500	**10.450.641**

As of 31 December 2010, the trade receivables amounting to TL 1.633.788 (2009: TL 2.132.617) were impaired and provided for. The aging of these receivables as of 31 December 2010 and 2009 is as follows:

	2010	2009
1 to 3 months	178.264	54.979
3 to 12 months	434.429	983.521
Over 12 months	1.021.095	1.094.117
	1.633.788	**2.132.617**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES (Cont'd)

Movement schedules of provision for doubtful receivables as of 31 December 2010 and 2009 are as follows:

	2010	2009
Balances at 1 January	2.132.617	2.895.998
Additions	10.323	266.935
Collections	(504.121)	(1.005.025)
Currency translation differences	(5.031)	(25.291)
Balances at 31 December	**1.633.788**	**2.132.617**

Trade payables

	2010	2009
Trade payables	105.634.021	102.497.105
Due to related parties (Note 26)	3.832.810	4.569.357
	109.466.831	107.066.462
Less: Unrealised credit finance expense	(79.572)	(65.690)
	109.387.259	**107.000.772**

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other Short Term Receivables

	2010	2009
Taxes and other dues (**)	5.398.833	4.652.473
Receivables from insurance company	4.666.428	-
Advances given	2.057.384	1.641.383
Deposits and guarantees given	38.960	29.964
Advances given to related parties (Note 26)(*)	-	7.193.088
Other	993.017	946.166
	13.154.622	**14.463.074**

Other Long Term Receivables

	2010	2009
Taxes and other dues (**)	15.790.737	12.509.797
Other	653.866	581.420
	16.444.603	**13.091.217**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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NOTE 9 - OTHER RECEIVABLES AND PAYABLES (Cont'd)

Other short term payables

	2010	2009
Taxes and dues payable	10.725.255	4.536.958
Payable to personnel	2.063.822	2.884.644
Advances received	2.781.054	695.332
Other	2.608.414	1.570.418
	18.178.545	**9.687.352**

Other long term payables

	2010	2009
Taxes and dues payable (***)	12.141.525	11.108.692
Other	102.486	-
	12.244.011	**11.108.692**

(*) The balance of advances given to related parties result from the polyester chip supply agreement signed with Advansa in 2008 and was not subject to valuation. The contract was terminated by mutual agreement as of 2 February 2010 (Note 26).

(**) Prepaid taxes and other withholding taxes mainly comprise the social security premiums and other tax receivables of Kordsa Brazil which are over paid in excess in previous periods and the Company has the right to recollect from the Federal Bureau of Taxation.

(***) Taxes, duties and charges payable comprise the long term payables of Kordsa Brazil related to social security premiums and other taxes payables.

NOTE 10 - INVENTORIES

	2010	2009
Raw materials and supplies	93.432.138	70.537.202
Semi-finished goods	27.278.481	27.524.581
Intermediate goods	15.730.808	6.653.888
Finished goods	85.595.304	68.565.677
Spare parts	29.790.513	28.549.743
Other inventories	11.447.595	11.342.371
	263.274.839	**213.173.462**
Less: Provision for obsolescence	(5.241.820)	(6.212.055)
	258.033.019	**206.961.407**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 10 - INVENTORIES (Cont'd)

The allocation of the provisions for obsolescence for the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
Finished goods	2.654.691	3.012.182
Spare parts	2.465.376	1.751.040
Raw materials and supplies	121.753	1.448.833
Balances at 31 December	**5.241.820**	**6.212.055**

Movement schedules for provision for obsolescence for the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
Balances at 1 January	6.212.055	4.844.442
Additions	13.115.725	6.327.208
Reversals	(14.186.758)	(5.649.300)
Currency translation differences	100.798	689.705
Balances at 31 December	**5.241.820**	**6.212.055**

The amount of provision for inventory obsolescence classified to cost of goods sold for the year 2010 is TL 1.071.033 (2009: TL 677.908).

The cost of inventories recognised as expense and included in cost of sales amounted to TL 644.180.411 for the period 1 January - 31 December 2010 (2009: TL 496.687.873).

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment as of 31 December 2010 is as follows:

	1 January 2010	Additions	Disposals	Provision for impairment	Transfers	Currency translation differences	31 December 2010
Cost:							
Land and land improvements	80.541.221	3.836	-	-	19.900	2.947.393	83.512.350
Buildings	244.064.006	362.531	(18.004)	-	988.918	5.388.933	250.786.384
Machinery end equipment	1.131.585.062	6.816.346	(8.626.225)	-	2.712.854	34.190.978	1.166.679.015
Motor vehicles	3.324.308	494.953	(289.042)	-	123.802	148.769	3.802.790
Furniture and fixtures	40.420.886	1.256.582	(1.774.175)	-	588.890	1.608.332	42.100.515
Construction in progress	20.890.755	39.061.213	(53.605)	-	(7.291.916)	2.413.624	55.020.071
	1.520.826.238	**47.995.461**	**(10.761.051)**	**-**	**(2.857.552)**	**46.698.029**	**1.601.901.125**
Accumulated depreciation:							
Land improvements	23.287.042	1.484.486	-	-	-	905.097	25.676.625
Buildings	104.954.952	9.989.292	(7.502)	-	-	3.108.278	118.045.020
Machinery and equipment (*)	674.330.769	38.225.276	(5.712.634)	9.176.205	(1.881.373)	23.140.057	737.278.300
Motor vehicles	2.605.658	316.360	(289.042)	-	-	110.341	2.743.317
Furniture and fixtures	32.102.940	1.750.126	(1.468.560)	-	-	1.312.797	33.697.303
	837.281.361	**51.765.540**	**(7.477.738)**	**9.176.205**	**(1.881.373)**	**28.576.570**	**917.440.565**
Net book value	**683.544.877**						**684.460.560**

(*) Impairment on machinery and equipment is related to South America Region and Asia Pacific Region amounting TL 4.501.080 and TL 4.675.125, respectively.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The movement of property, plant and equipment as of 31 December 2009 is as follows.

	1 January 2009	Additions	Disposals	Provision for impairment	Transfers	Currency translation differences	31 December 2009
Cost:							
Land and land improvements	75.815.858	1.679	-	-	529.026	4.194.658	80.541.221
Buildings	236.384.025	90.147	(2.442)	-	856.972	6.735.304	244.064.006
Machinery end equipment	1.040.163.198	11.963.570	(6.635.928)	-	23.897.940	62.196.282	1.131.585.062
Motor vehicles	4.358.021	57.698	(1.412.280)	-	-	320.869	3.324.308
Furniture and fixtures	33.783.261	931.994	(420.343)	-	1.995.011	4.130.963	40.420.886
Construction in progress	17.428.638	28.113.212	(156.655)	-	(27.278.949)	2.784.509	20.890.755
	1.407.933.001	**41.158.300**	**(8.627.648)**	**-**	**-**	**80.362.585**	**1.520.826.238**
Accumulated depreciation:							
Land improvements	20.335.443	1.361.657	-	-	-	1.589.942	23.287.042
Buildings	91.758.357	9.814.561	(930)	-	-	3.382.964	104.954.952
Machinery and equipment	600.621.011	37.008.313	(3.256.532)	-	-	39.957.977	674.330.769
Motor vehicles	3.334.375	315.888	(1.296.430)	-	-	251.825	2.605.658
Furniture and fixtures	26.898.114	1.750.294	(407.996)	-	-	3.862.528	32.102.940
	742.947.300	**50.250.713**	**(4.961.888)**	**-**	**-**	**49.045.236**	**837.281.361**
Net book value	**664.985.701**						**683.544.877**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

TL 48.784.385 of current period depreciation and amortisation expenses are included in cost of sales (2009: TL 46.537.694), TL 635.551 of them are included in research and development expenses (2009: TL 1.798.070) and TL 3.428.692 of them are included in general administrative expenses (2009: TL 3.015.275).

Amount of mortgage on property, plant and equipment is TL 21.588.930 (2009: TL 49.239.683).

Leased assets included in property, plant and equipment

	2010	2009
Cost	2.760.209	2.642.475
Accumulated depreciation	(2.414.655)	(1.925.666)
Net book value	**345.554**	**716.809**

NOTE 12 - INTANGIBLE ASSETS

	1 January 2010	Additions	Transfers	Currency translation differences	31 December 2010
Cost:					
Rights	50.335	-	-	-	50.335
Technology licences	21.667.547	-	-	634.726	22.302.273
Computer software	12.498.176	1.396.819	955.083	409.320	15.259.398
Customer relationships	659.479	-	-	-	659.479
Other	1.078.158	12.000	21.096	(5.122)	1.106.132
	35.953.695	**1.408.819**	**976.179**	**1.038.924**	**39.377.617**
Accumulated Amortization:					
Rights	50.335	-	-	-	50.335
Technology licences	17.882.227	319.647	-	219.325	18.421.199
Computer software	10.501.164	760.794	-	378.400	11.640.358
Other	1.053.063	2.647	-	-	1.055.710
	29.486.789	**1.083.088**	**-**	**597.725**	**31.167.602**
Net book value	**6.466.906**				**8.210.015**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 12 - INTANGIBLE ASSETS (Cont'd)

	1 January 2009	Additions	Transfers	Currency translation differences	31 December 2009
Cost:					
Rights	50.335	-	-	-	50.335
Technology licences	21.000.232	48.330	-	618.985	21.667.547
Computer software	11.188.747	776.829	-	532.600	12.498.176
Customer relationships	659.479	-	-	-	659.479
Other	1.078.158	-	-	-	1.078.158
	33.976.951	**825.159**	**-**	**1.151.585**	**35.953.695**
Accumulated Amortization:					
Rights	50.335	-	-	-	50.335
Technology licences	17.345.240	406.061	-	130.926	17.882.227
Computer software	9.436.531	661.208	-	403.425	10.501.164
Other	1.020.006	33.057	-	-	1.053.063
	27.852.112	**1.100.326**	**-**	**534.351**	**29.486.789**
Net book value	**6.124.839**				**6.466.906**

NOTE 13 - GOODWILL

The goodwill with an amount of TL 45.595.167 (2009: TL 45.595.167) net book value as of 31 December 2010 consisted of TL 42.570.007 (2009: TL 42.570.007), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş on 30 September 1999, and TL 3.025.160 (2009: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006.

In Note 2.5 details of assessment for the impairment of goodwill is defined. There is no change in the book value of the goodwill, which is TL 45.595.167 for the period ended as of 31 December 2010 (31 December 2009: TL 45.595.167).

NOTE 14 - GOVERNMENT GRANTS

	2010	2009
Government grants	2.198.302	2.660.146

Government grants comprise the incentives related to the fixed asset purchase of Interkordsa GmbH.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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

NOTE 15 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

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

	2010	2009
a) Guarantees given:		
Letter of credits	32.604.626	17.302.880
Mortgages Given	21.588.930	49.239.683
Letter of guarantees	6.511.434	19.951.399
Pledges given for machinery and equipment	4.583.871	21.969.629
Pledges	423.046	245.857
Pledges given to banks	279.868	2.891.576
Pledges bonds given for long term borrowings	-	46.935.625
Other pledges	335.051	-
	66.326.826	**158.536.649**

	2010	2009
b) Guarantees received:		
Mortgages received	5.000.000	5.000.000
Letter of guarantees	1.458.457	1.151.015
Letter of credits	-	340.538
Cheques and notes received as collateral	1.186.260	1.721.410
	7.644.717	**8.212.963**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 15 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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

2010	TL Equivalent	TL	USD	EUR	Thai Baht	Indonesian Rupiah (000)	Brazilian Real	Other TL Equivalent
A. Given on behalf of its own legal entity	66.326.826	2.413.234	3.877.680	4.237.017	430.355.712	156.551.512	-	251.262
B. Given in favor of partnership within full scope of consolidation	82.311.393	-	53.241.522	-	-	-	-	-
C. Given for the third parties that are in the context of commercial activities	-	-	-	-	-	-	-	-
D. Other	-	-	-	-	-	-	-	-
i. In favor of the parent company	-	-	-	-	-	-	-	-
ii. Given in favor of group companies that are not in the scope of clauses B and C	-	-	-	-	-	-	-	-
iii. Given in favor of the third parties that are not in the scope of clause C	-	-	-	-	-	-	-	-
Total	**148.638.219**	**2.413.234**	**57.119.202**	**4.237.017**	**430.355.712**	**156.551.512**	**-**	**251.262**

2009	TL Equivalent	TL	USD	EUR	Thai Baht	Indonesian Rupiah (000)	Brazilian Real	Other TL Equivalent
A. Given on behalf of its own legal entity	158.536.649	879.555	1.567.925	18.998.043	466.211.742	401.037.363	32.965.745	472.316
B. Given in favor of partnership within full scope of consolidation	64.461.008	-	34.342.418	5.902.712	-	-	-	-
C. Given for the third parties that are in the context of commercial activities	-	-	-	-	-	-	-	-
D. Other	-	-	-	-	-	-	-	-
i. In favor of the parent company	-	-	-	-	-	-	-	-
ii. Given in favor of group companies that are not in the scope of clauses B and C	-	-	-	-	-	-	-	-
iii. Given in favor of the third parties that are not in the scope of clause C	-	-	-	-	-	-	-	-
Total	**222.997.657**	**879.555**	**35.910.343**	**24.900.755**	**466.211.742**	**401.037.363**	**32.965.745**	**472.316**

The percentage of the Group's other GPMs to the Group's equity is 0% (31 December 2009: 0%)

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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NOTE 15 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Cont'd)

i) During the preparation of the consolidated financial statements for the fiscal period 01 January to 31 December 2008, the Group found that a person employed in the accounting department of Kordsa Global İzmit had caused the Group to suffer loss through misappropriation of the Company's assets, and in an attempt to recover the money embezzled by the employee the Group initiated legal proceedings with a claim of TL 4.774.030 without limiting its right to litigation and to claim any excess.

ii) In 2008 PT Indo Kordsa Polyester, a subsidiary of the Group, underwent inspection by the tax authorities and received a tax loss penalty amounting to USD 2.9 million. The Group has objected to the stated amount, but decided to pay this amount by the end of 31 December 2009. This payment has been accounted in prepaid taxes under other current assets. Since the legal process has been continuing as of the preparation date of consolidated financial statements, USD 762.000 amounted provison has been reserved for the interest. Since the reclaim has not ended, Group does not hold any legal or current liability. Additionally, group does not expect any other type of liability to incur in the future regarding this case.

iii) In 2003, Kordsa Argentina, which is a subsidiary of the Group, entered into a collective labour agreement with the Textile Workers' Association of Argentina, but this agreement was terminated by the Textile Workers' Association of Argentina subsequently. Kordsa Argentina filed a lawsuit challenging the termination of this agreement, but the case was rejected in 2008. Following the rejection of this lawsuit, 29 workers subject to the stated agreement demanded salary differences to be paid by Kordsa Argentina. The total liability of Kordsa Argentina was calculated as USD 765 thousand, (including the principal amount and interest). If other employees in the same situation also sue, Kordsa Argentina may face an additional obligation amounting to USD 130 thousand. Provision of USD 667 thousand has been reserved in the consolidated financial statement related to this case.

iv) Three lawsuits have been filed against The Groups' subsidiary, Kordsa Argentina with a total risk of USD 506 thousand in 2009, comprising occupational accidents, terminations and claims. Based on the Group's legal counsel, the outcomes of the cases are uncertain and the Group has not reserved provision for these amounts in the consolidated financial statements.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 16 - RETIREMENT PLANS

Current Retirement Plans

	2010	2009
Provision for unused vacation	4.903.731	4.723.437
Provision for bonus accrual	4.647.100	3.342.546
Provision for salary accrual	863.732	604.158
Provision for capital contribution plan (*)	2.252.111	2.315.616
	12.666.674	**10.985.757**

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

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

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

	2010	2009
1 January	4.723.437	3.203.474
Increase during the year	3.337.051	3.187.428
Decrease during the year	(3.334.232)	(3.391.985)
Currency translation differences	177.475	1.724.520
31 December	**4.903.731**	**4.723.437**

Non-Current Retirement Plans

	2010	2009
Provision for employment termination benefits	15.965.025	15.558.717
Accruals for employee retirement benefit plans	2.593.771	1.575.435
	18.558.796	**17.134.152**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 16 - RETIREMENT PLANS (Cont’d)

Provision for employment termination benefits

Provision for employment termination is allocated in accordance with the disclosures given below:

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2010 the amount payable consists of one month’s salary limited to a maximum of TL 2.517 (2009: TL 2.365) for each year of service.

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2010	2009
Discount rate (%)	4,66	5,92
Turnover rate to estimate the probability of retirement (%)	97,87	100,00

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 2.623 (1 January 2010: TL 2.427), which is effective from 1 January 2011, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

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

	2010	2009
1 January	15.558.717	15.103.832
Increase during the year	4.001.153	3.320.294
Paid during the year	(2.407.326)	(3.100.516)
Actuarial loss/(gain)	(1.187.519)	235.107
31 December	**15.965.025**	**15.558.717**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 16 - RETIREMENT PLANS (Cont'd)

Provision for employment retirement benefits plans:

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

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

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

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

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

	2010	2009
Balances at 1 January	1.575.535	868.717
Additions	748.416	603.945
Payments	-	(4.729)
Exchange rate differences	269.820	107.502
Balances at 31 December	**2.593.771**	**1.575.435**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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NOTE 17 - OTHER ASSETS AND LIABILITIES

	2010	2009
Deductable VAT	12.358.107	5.907.616
Prepaid expenses	9.207.779	3.429.707
Prepaid Taxes	4.880.375	7.355.341
Deferred VAT	4.061.330	577.360
Insurance claim income	1.639.721	11.069
Derivative financial instruments(Note 27)	1.870.519	-
Advances given to personnel	234.732	516.098
Other	299.041	651.882
	34.551.604	**18.449.073**

Other non-current assets	**2010**	**2009**
Deferred financing cost	567.382	647.300
Other	415.678	360.244
	983.060	**1.007.544**

Other short-term liabilities	**2010**	**2009**
Cost accruals	5.794.956	4.799.434
Other tax accruals(*)	3.325.074	2.078.154
Derivative financial instruments (Footnote 27)	3.186.998	-
Sales discounts and commission accruals (**)	2.279.068	2.131.473
Provision for reconstruction	1.749.919	-
Provision for legal claims	1.166.104	50.748
Other	4.010.577	1.338.476
	21.512.696	**10.398.285**

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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NOTE 18 - EQUITY

Paid-in share capital

The Company's authorized and issued capital consists of 19.452.907.600 shares at 1 shares of Kr1 nominal value (2009: 19.452.907.600 shares). All shares are paid and there is no preferred stock. The Company's shareholders and their shareholdings at 31 December 2010 and 2009 are as follows:

	2010	Share (%)	2009	Share (%)
Hacı Ömer Sabancı Holding. A.Ş.	177.233.427	91,11	177.233.427	91,11
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş	1.516	<1	1.516	<1
Teknosa İç ve Dış Tic. A.Ş.	1.357	<1	1.357	<1
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	327	<1	327	<1
Temsa Global Sanayi ve Ticaret A.Ş.	52	<1	52	<1
Other (Public and Takasbank)	17.292.397	8,89	17.292.397	8,89
Total paid-in share capital	**194.529.076**		**194.529.076**	

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 18 - EQUITY (Cont'd)

Revaluation Reserves

	2010	2009
Financial assets fair value reserve	(270.151)	(229.232)
Funds borrowed for hedging of financial risks	(1.214.430)	-
	(1.484.581)	**(229.232)**

Financial Assets Fair Value Reserve:

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

Funds Borrowed for Hedging of Financial Risks:

The Cash Flow Hedging Reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Share Premiums

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

After the decision of Kordsa Global and Kordsa Turkey's merger through acquisition of Kordsa Global by Kordsa Turkey as a whole with its assets and liabilities in the Extraordinary General Assembly Meeting of Kordsa Turkey on 29 November 2006, the share premium of TL 57.736 was accounted as addition to share premium.

Restricted Reserves

As of 31 December 2010 restricted reserves comprise the legal reserves amounting to TL 12.115.679 (2009: TL 11.548.978).

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 18 - EQUITY (Cont'd)

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

In addition, in accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilized in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of the CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment To Share Capital";

- if the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings".

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NOTE 18 - EQUITY (Cont'd)

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

Profit Distribution:

Public companies pay dividend according to Capital Market Board Standards as explained below:

In accordance with the Capital Markets Board's (the "Board") Decree issued as of 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:IV, No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extend that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

Inflation adjustment to equity can only be netted-off against losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders.

In accordance with the above explanation, the composition of Group's equity, which is considered as the basis for profit distribution, in accordance with Communiqué No. XI/29, is as follows:

	2010	2009
Share premium	62.052.736	62.052.736
Net income for the period	39.443.893	35.439.407
Accumulated losses	(3.154.564)	(38.027.270)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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NOTE 19 - SALES AND COST OF SALES

	2010	2009
Sales income (Gross)	1.274.619.159	1.024.659.674
Sales returns (-)	(1.568.625)	(1.024.424)
Sales discounts (-)	(2.368.376)	(1.369.573)
Other sales discounts (-)	(6.585.067)	(7.391.563)
Sales income (Net)	**1.264.097.091**	**1.014.874.114**
Cost of sales (-)	(1.070.981.519)	(866.518.751)
Gross profit	**193.115.572**	**148.355.363**

NOTE 20 - EXPENSES BY NATURE

	2010	2009
Raw materials and consumables used	644.180.411	496.687.873
Personnel expenses	178.269.238	159.111.526
Energy expenses	103.478.697	96.338.651
Depreciation expenses	52.848.628	51.351.039
Distribution expenses	30.498.777	20.973.114
Packaging expenses	27.675.062	24.046.210
Fixed Assets Impairment Expenses	9.176.205	-
Consultancy expenses	6.440.207	4.407.831
Idle mill expenses	5.153.569	24.285.124
Other	123.161.414	85.319.113
	1.180.882.208	**962.520.481**

NOTE 21 - OTHER INCOME/EXPENSES

	2010	2009
Other income		
Domestic production incentive income (*)	9.699.553	9.585.493
Income from insurance damages (**)	24.322	5.459.052
Export incentive income	1.735.500	2.113.388
Gain on sale of property, plant and equipment	593.270	344.244
Rent income	117.123	168.448
Insurance agency income	-	43.644
Other	366.301	1.698.041
	12.536.069	**19.412.310**

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NOTE 21 - OTHER INCOME/EXPENSES (Cont’d)

	2010	2009
Other expenses		
Donations	3.326.222	-
Taxes and duties	2.664.695	2.162.802
Expense of contract breach with suppliers	1.385.162	-
Loss on sale of property, plant and equipment	576.196	347.987
Doubtful receivable provision	36.459	266.935
Other	3.238.516	1.588.910
	11.227.250	**4.366.634**

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

(**) Kordsa Inc., a subsidiary of the Group has incurred loss due to a suppliers’ declaration of force majeure in USA in 2009. For the compensation of the loss, related insurance companies have been admitted in the year 2010 and USD 5.5 million dollars of compensation was received. USD 3.4 million of the compensation was recorded as other income.

NOTE 22 - FINANCIAL INCOME

	2010	2009
Foreign exchange gain	28.725.057	52.954.837
Interest income	1.355.845	2.106.621
Credit finance income	2.131.652	2.084.542
Derivative financial instruments	573.745	-
Other	61.042	104.182
	32.847.341	**57.250.182**

NOTE 23 - FINANCIAL EXPENSE

	2010	2009
Foreign exchange loss	26.861.193	34.376.568
Interest expense	8.069.576	15.791.157
Credit finance expense	1.366.566	2.516.751
Derivative financial instruments	1.049.025	854.778
Other	1.448.680	1.059.927
	38.795.040	**54.599.181**

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NOTE 24 - TAXES ON INCOME

Corporate Tax

	2010	**2009**
Corporate tax currently payable	31.796.602	18.698.447
Less: Prepaid taxes	(27.119.878)	(18.157.894)
	4.676.724	**540.553**

Corporate Income Tax Law has been changed with the law numbered 5520 which was published at 13 June 2006. Most of the rules of the new Corporate Income Tax Law are applicable from 1 January 2006. According to this, corporate tax rate applicable in Turkey is % 20 (2009: %20). Corporate tax rate is applied to the taxable profit which is calculated by adding non-taxable expenses and deducting some exemptions taken place in tax laws (exemptions for participation revenues, exemptions for investment incentives) from accounting profit of the Company. No additional taxes are paid unless profit is distributed (except %19.8 witholding tax paid over used investment incentives).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Investment Incentive

According to the regulation, published in the Official Gazette on August 1, 2010 based on Law No. 6009, the investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the concerned period. In addition to this, 20% corporate tax rate will be applied on the income after the deduction of the allowance.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. As of 1 January 2005, forementioned conditions are not valid thus, there are no inflation adjustments.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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NOTE 24 - TAXES ON INCOME (Cont'd)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to the Company are as follows:

Real property, investment equity, preferential rights, usufruct shares, founding shares, sales exemption:

A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of 5 years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized.

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate cannot benefit from this exemption.

Apart from the abovementioned exemptions considered in the determination corporate income tax base, allowances stated in Corporate Income Tax Law Articles 8, 9 and 10 and Income Tax Law Article 40 are also taken into consideration.

The taxes on income reflected to consolidated income statements for the years ended 31 December 2010 and 2009 are summarized as follows:

	2010	**2009**
Current period corporate tax (*)	(31.796.602)	(27.885.167)
Deferred tax	2.741.915	(444.056)
	(29.054.687)	**(28.329.223)**

(*) The Group's subsidiary Kordsa Argentina, has recorded income tax rebate as 10% of FOB amount of export of goods in 2005 and 2006. Information was requested by the tax authorities regarding this issue in 2007 and tax penalty were notified regarding to the 2005 rebate amount in 2008. Concerned about the amount of the appeal proceedings have been opened. 2009 in January amount USD 6 million including interest equivalent of TL 9,186,720 was declared as the final amount by the tax authority. This amount was added to the current tax expense, taxes payable amounting to TL 3.601.635 in other long-term liabilities in the consolidated financial statements at 31 December 2009.

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NOTE 24 - TAXES ON INCOME (Cont'd)

The details of these amounts are as follows:

2009	**TL**
Sentential tax penalty	7.227.360
Interest expense on tax penalty	1.772.975
Current period tax expense	9.000.335
Covered with tax loss carry forward	(4.040.994)
Covered with tax rebates	(1.007.313)
Tax liability	3.952.028
Prepaid tax	(350.393)
Net tax liability	**3.601.635**

The reconciliation of tax for the years ended 31 December 2010 and 2009 is as follows:

	2010	**2009**
Profit before tax in the consolidated financial statements	78.576.003	70.050.310
Tax charge according to parent company's tax rates 20%	15.715.201	14.010.062
Tax rate differences of subsidiaries	13.286.914	11.815.502
Expected group tax charge	**29.002.115**	**25.825.564**
Disallowable expenses	497.422	9.969.409
Other exempt income	717.634	574.553
Dividend income	(1.406.510)	(5.469.606)
Lump expense provision	(399.491)	(1.565.973)
Research and development incentive allowance	(1.211.055)	(3.599.820)
Consolidation eliminations without deferred tax effect	1.854.572	-
Effective tax charge	29.054.687	24.285.223
Tax penalty	-	4.040.994
Tax expense of the Group	**29.054.687**	**28.329.223**

Deferred income taxes

	2010	**2009**
Deferred income tax assets	18.618.629	14.797.161
Deferred income tax liabilities	(59.483.583)	(57.741.341)
Deferred income tax liabilities - net	**(40.864.954)**	**(42.944.180)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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NOTE 24 - TAXES ON INCOME (Cont’d)

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements.

Tax rates used for deferred income 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 20% in Turkey (2009: 20%).

At 31 December 2010 and 2009, tax rates used for companies operating in Egypt and Germany are %20% and 30%, respectively.

At 31 December 2010 and 2009, tax rate used for companies operating in the United States of America is 35%, Argentina is 35% and Brazil is 21,5%.

At 31 December 2010 and 2009, tax rate used for companies operating in Indonesia is 25% (2009: 28%), Thailand is 30% and China is 24% (2009: 30% and 24%).

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2010 and 2009 using the enacted tax rates are as follows:

	Cumulative temporary differences		**Deferred income tax assets/(liabilities)**	
Deferred income tax asset	**2010**	**2009**	**2010**	**2009**
Carry forward tax losses	25.800.970	15.132.702	9.034.841	5.490.452
Provision for employment termination benefits	17.371.876	16.158.007	4.073.369	3.703.400
Inventories	3.369.900	2.977.970	1.032.008	812.900
Adjustment for consignment sales	2.314.666	2.437.920	462.933	487.584
Unearned credit finance income	362.990	364.594	75.539	77.367
Other	11.361.242	14.342.630	3.939.939	4.225.458
Deferred income tax assets			**18.618.629**	**14.797.161**
Property,plant and equipment and intangibles	213.211.315	210.101.465	(56.085.836)	(57.674.623)
Provision for carry forward tax losses	9.580.315	-	(3.353.110)	-
Other	52.449	205.700	(44.637)	(66.718)
Deferred income tax liabilities			**(59.483.583)**	**(57.741.341)**
Deferred income tax liabilities - net			**(40.864.954)**	**(42.944.180)**

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NOTE 24 - TAXES ON INCOME (Cont'd)

Since it is not anticipated to be able to offset the financial losses of the Group's subsidiary Kordsa Brazil, which amounted TL 42.548.347 to as of 31 December 2010 (2009: TL 27.763.614), from the profit of the Company, the deferred income tax asset was not calculated. According to the Brazilian tax system, there is no time limitation for the carry forward of the financial losses. However, the maximum amount which can be offset within any given year is limited to the 30% of the total profit, which is subject to tax, of the related year.

	2010	2009
Deferred income tax assets to be realized after twelve months	9.034.841	5.490.452
Deferred income tax liabilities to be settled after twelve months	59.438.946	57.674.623

Movements in deferred income taxes for the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
Balances at 1 January	(42.944.180)	(37.558.739)
Current year deferred tax expense-net	2.741.915	(444.056)
Accrued tax penalty	-	(4.040.994)
Associated with the equity	17.494	84.358
Currency translation differences	(680.183)	(984.749)
Balances at 31 December	**(40.864.954)**	**(42.944.180)**

NOTE 25 - EARNINGS PER SHARE

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

	2010	2009
Net income attributable to equity holders of the parent	39.443.893	35.439.407
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	2,03	1,82

Nominal values of ordinary shares for the years ended 31 December 2010 and 2009 are assumed to be Kr 1 each.

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NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Bank balances:

	2010	2009
Akbank T.A.Ş. - bank borrowings	8.879.017	20.226.958
Akbank T.A.Ş. - demand deposits	10.957.437	8.507.999
	19.836.454	**28.734.957**

Due from related parties:

	2010	2009
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	5.686.817	4.372.051
Akbank A.G. (*)	1.647	656.701
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. ("Bimsa")	37.138	167.418
Aksigorta A.Ş.	-	119.145
Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding")	-	77.684
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	35.435	33.040
Other	87.099	173.248
	5.848.136	**5.599.287**

(*) Balance consists of the receivables from factoring transactions of Interkordsa.

Other current due from related parties:

	2010	2009
Advansa Sasa Polyester Sanayi A.S. ("Advansa") (Note 9)	-	7.193.088

Due to related parties:

	2010	2009
Enerjisa	3.525.264	3.059.165
Bimsa	138.549	345.295
Aksigorta	38.815	122.587
Brisa	29.197	65.209
Olmuksa International Paper Sabancı Ambalaj San. Tic. A.Ş. "Olmuksa"	76.089	57.314
Sabancı Holding	7.746	17.793
Sabancı Üniversitesi	6.419	1.400
Advansa	-	856.008
Other	10.731	44.586
	3.832.810	**4.569.357**

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NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Product sales

	2010	2009
Brisa	**25.015.649**	**19.300.785**

Service sales

	2010	2009
Bimsa	-	163.314
Akbank T.A.Ş.	-	17.265
Teknosa	-	7.625
Brisa	1.400	2.639
Beksa	-	-
Enerjisa	-	-
Temsa	-	-
Other	-	5.637
	1.400	**196.480**

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

Product purchases

	2010	2009
Olmuksa	245.053	343.982
Temsa	4.794	4.425
Advansa	-	374.678
	249.847	**723.085**

Service purchases

	2010	2009
Enerjisa	33.248.355	28.280.753
Aksigorta	3.031.994	2.833.546
Bimsa	1.824.332	1.325.139
Brisa	118.959	246.910
Avivasa Emeklilik A.Ş.	439.878	166.055
Sabancı Holding	91.328	118.334
Sabancı Üniversitesi	50.832	3.242
Other	326.120	183.615
	39.131.798	**33.157.594**

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NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Property, plant and equipment purchases	2010	2009
Bimsa	71.599	443.839
Aksigorta A.Ş.	-	128.112
Teknosa İç ve Dış Tic. A.Ş.	-	8.648
	71.599	**580.599**

Interest income	2010	2009
Akbank T.A.Ş.	29.636	36.326

Interest expense	2010	2009
Akbank T.A.Ş.	684.100	705.219

Foreign exchange losses-net	2010	2009
Akbank T.A.Ş.	(951.951)	(308.145)

Rent expense	2010	2009
Sabancı Holding	421.116	479.119
Ak Finansal Kiralama A.Ş.	-	105.789
	421.116	**584.908**

Rent income	2010	2009
Bimsa	44.529	42.596
Other	32.636	24.043
	77.165	**66.639**

Agency income	2010	2009
Aksigorta A.Ş.	-	161.422

Donations	2010	2009
Sabancı Üniversitesi	1.500.000	-

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NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Renumerations:

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

Details of the renumerations provided by the Group for 2010 and 2009 are as follows:

	2010	2009
Short-term employee benefits	8.528.233	6.004.121
Employee termination benefits	-	719.419
Post-employment benefits	309.627	144.164
Other long-term benefits	512.490	41.752
	9.350.350	**6.909.456**

Security and guarantee letters given

2010

Related party	Amount	Currency	Description	Bank
Kordsa Inc.	5.875.000	USD	Credit Guarantee	GE Capital
Kordsa Argentina	3.550.000	USD	Credit Guarantee	Akbank N.V.
Kordsa Argentina	7.500.000	USD	Credit Guarantee	İş Bankası
Kordsa Argentina	1.316.522	USD	Credit Guarantee	Citibank Argentina
Kordsa Argentina	10.000.000	USD	Credit Guarantee	HSBC Argentina
Kordsa Brazil	25.000.000	USD	Credit Guarantee	IFC

2009

Related party	Amount	Currency	Description	Bank
Interkordsa GmbH	4.494.103	Euro	Credit Guarantee	Dresdner Bank
Interkordsa GmbH	1.408.609	Euro	Credit Guarantee	DZ BANK
Kordsa Argentina	5.650.000	USD	Credit Guarantee	Akbank N.V.
Kordsa Argentina	8.000.000	USD	Credit Guarantee	İş Bank
Kordsa Argentina	1.192.418	USD	Credit Guarantee	Citibank Argentina
Kordsa Brazil	2.500.000	USD	Credit Guarantee	Akbank
Kordsa Brazil	12.500.000	USD	Credit Guarantee	ING Bank
Kordsa Brazil	4.500.000	USD	Credit Guarantee	İş Bankası

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NOTE 27 - FINANCIAL RISK MANAGEMENT

Financial risk management

Financial risk factors

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

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

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

(a) Liquidity risk

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

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

Liquidity risk analysis of the financial liabilities of the Group is as follows:

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

2010	Book value	Contractual cash flow	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	165.563.634	176.998.631	25.710.863	86.516.199	19.749.966	45.021.603
Trade payables	109.387.259	109.466.831	109.173.628	-	293.203	-
Other payables	30.422.556	30.759.291	16.447.119	1.666.339	10.834.367	1.811.466
	305.373.449	**317.224.753**	**151.331.610**	**88.182.538**	**30.877.536**	**46.833.069**

2009	Book value	Contractual cash flow	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	156.861.607	165.538.170	48.305.024	90.451.157	26.781.989	-
Trade payables	107.000.772	107.066.462	106.267.395	606.818	192.249	-
Other payables	20.796.044	20.796.044	5.157.169	1.142.006	12.260.669	2.236.200
	284.658.423	**293.400.676**	**159.729.588**	**92.199.981**	**39.234.907**	**2.236.200**

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market risk

Interest rate risk

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

Interest rate risk table of the Group as of 31 December 2010 and 2009 is as follows:

Variable interest financial assets

	2010	**2009**
Financial payables	102.294.403	128.443.798
Cash and Cash Equivalents	-	4.794.137

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

At 31 December 2010, if interest rates on USD denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 651.557 (2009: TL 582.547), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2010, if interest rates on Euro denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 35.194 (2009: TL 39.872), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2010, if interest rates on Brazilian Real denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 0 (2009: TL 97.356), mainly as a result of higher/lower interest expense on floating rate borrowings.

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

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. In addition, the Group aims to reduce foreign exchange risk arising from assets and liabilities by using currency and interest rate swap instruments.

Derivative financial instruments

The derivative financial instruments of the Group comprise foreign currency and interest rate swap transactions and forward contracts.

Foreign Currency and Interest Rate Swap Transactions:

Although the stated derivative financial instruments provide an effective hedge against the economic risks, they are treated as available for sale financial instruments since they not match the requirements of IAS 39 "Financial instruments :Recognition and measurement".

Available for sale derivative financial instruments are recognized in the financial statement at cost and carried at fair value after the period of recognition. Profit and loss arising from a change in the fair value of these financial instruments is recognized as income and expense in the consolidated income statement.

The positive fair valued derivative financial instruments are recognized in the asset side of the consolidated balance sheet where the negative fair valued derivative financial instruments are recognized in the liability side of the consolidated balance sheet (Note 7).

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

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

Group does not use hedging for speculative reasons.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income.

The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

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

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

The Group involved in forward exchange rate transaction agreements in order to manage the risks emerged from the sales transactions that are expected to occur within 12 months following the balance sheet date. The book values of the items hedged against the non-financial risk will be adjusted once the expected sales will take place. The Group also made forward exchange rate transactions with due date 2011 in order to hedge its trade receivables and payables from the effects of the changes in foreign currency exchange rates.

The Group also uses fair value hedge to hedge its trade receivables/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 displayed in the income statement and the effectiveness of the hedge accounting is evaluated at each balance sheet term.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

Derivative Financial Assets (Cont'd)

31 December 2010	**Average Rate**	**Foreign Currency (TL)**	**Contract Value (TL)**	**Fair Value Amount (TL)**
USD Buy EUR Sell				
Less than 3 months	1,3999	6.761.926	7.141.129	326.512
3-6 months	1,3612	15.572.920	15.465.720	(201.792)
6-9 months	1,3700	6.147.205	6.354.060	185.336
9-12 months	1,3591	16.392.547	16.699.892	262.221
TL Buy EUR Sell				
Less than 3 months	2,0147	21.822.578	21.455.350	(630.024)
3-6 months	2,0265	17.621.988	17.413.600	(648.553)
6-9 months	2,0611	19.466.150	19.542.300	(579.735)
9-12 months	2,0965	21.720.125	22.178.000	(585.447)
USD Buy TL Sell				
Less than 3 months	1,4322	3.580.500	3.865.000	297.525
BRL Buy USD Sell				
Less than 3 months	1,7508	3.555.800	3.735.842	160.992
3-6 months	1,7822	2.782.800	2.976.537	122.338
6-9 months	1,8177	4.328.800	4.724.541	172.959
9-12 months	1,8485	5.101.800	5.661.708	187.474
Indonesian Rupiah Buy USD Sell				
Less than 3 months	9.088	9.430.600	9.534.595	(23.272)
3-6 months	9.193	3.323.900	3.398.440	3.173
6-9 months	9.341	4.638.000	4.818.375	(4.111)
9-12 months	9.468	7.420.800	7.817.798	(12.433)
				(966.839)

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to TL 1.214.430 has been deferred in equity (2009: None).

Sales are expected to be realized within the upcoming 12 months after the balance sheet date and therefore hedging fund is expected to be recycled to income statement.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

Foreign Currency Position

Group's assets and liabilities denominated in foreign currencies at 31 December 2010 and 2009 are as follows:

	2010	2009
Assets	300.173.629	258.798.141
Liabilities	(316.246.580)	(284.182.931)
Net foreign currency position	**(16.072.951)**	**(25.384.790)**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

2010	Total TL Equivalent	USD	EUR	Thailand Baht	Indonesian Rupiah (000)	Brazilian Real	Argentinean Pesos	Other TL Equivalent
Assets								
Trade receivables	190.689.594	54.256.927	33.325.186	310.203.146	-	18.536.930	49.538	4.062.062
Cash and cash equivalent	51.722.549	15.468.471	2.283.098	86.481.914	14.288.975	9.806.782	2.306.840	6.242.378
Monetary other receivables and assets	11.058.279	3.341.490	202.939	2.146.027	852.273	6.209	11.906.706	-
Non-monetary other receivables and assets	29.275.544	4.648.017	81.121	4.784.916	108.093.607	1.760.509	2.927.156	887.914
Current Assets	**282.745.966**	**77.714.905**	**35.892.344**	**403.616.003**	**123.234.855**	**30.110.430**	**17.190.240**	**11.192.354**
Assets held-for sale	-	-	-	-	-	-	-	-
Monetary other receivables and assets	17.427.663	367.000	-	476.720	2.275.281	17.723.156	-	-
Non-current Assets	**17.427.663**	**367.000**	**-**	**476.720**	**2.275.281**	**17.723.156**	**-**	**-**
Total Assets	**300.173.629**	**78.081.905**	**35.892.344**	**404.092.723**	**125.510.136**	**47.833.586**	**17.190.240**	**11.192.354**
Liabilities								
Trade payables	93.400.133	52.933.308	6.343.511	24.647.578	5.778.014	4.867.304	5.954.180	1.639.072
Financial payables	102.753.174	62.018.560	3.365.170	-	-	-	-	-
Monetary other payables and liabilities	41.487.671	10.113.370	3.052.701	57.552.325	23.905.611	5.095.073	22.082.974	1.419.767
Total short term liabilities	**237.640.978**	**125.065.238**	**12.761.382**	**82.199.903**	**29.683.625**	**9.962.377**	**28.037.154**	**3.058.839**
Financial Payables	61.579.763	38.462.771	889.706	-	-	-	-	-
Monetary other payables and liabilities	17.025.839	-	1.122.829	17.959.899	11.969.241	9.695.615	8.089.212	-
Total Long Term liabilities	**78.605.602**	**38.462.771**	**2.012.535**	**17.959.899**	**11.969.241**	**9.695.615**	**8.089.212**	**-**
Total liabilities	**316.246.580**	**163.528.009**	**14.773.917**	**100.159.802**	**41.652.866**	**19.657.992**	**36.126.366**	**3.058.839**
Fair value of financial instruments used for foreign currency hedging	(966.839)	(645.264)	-	-	-	-	-	-
Hedged amount of foreign currency based assets	31.856.531	20.789.800	-	-	-	-	-	-
Hedged amount of foreign currency based liabilities	27.964.414	-	11.900.000	-	-	-	-	-
Net Foreign Currency asset/(liability) Position	**(12.180.834)**	**(64.656.304)**	**9.218.427**	**303.932.921**	**83.857.270**	**28.175.594**	**(18.936.126)**	**8.133.515**
Monetary Items Net foreign Currency asset/(liability) Position	**(45.348.495)**	**(90.094.121)**	**21.037.306**	**299.148.005**	**(24.236.337)**	**26.415.085**	**(21.863.282)**	**7.245.601**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

2009	Total TL Equivalent	USD	EUR	Thailand Baht	Indonesian Rupiah (000)	Brazilian Real	Argentinean Pesos	Other TL Equivalent
Assets								
Trade Receivables	171.546.865	45.252.504	32.305.183	247.829.239	-	22.284.037	26.401	3.211.296
Cash and Cash Equivalent	47.425.867	10.388.973	5.021.115	229.293.812	21.370.488	761.433	2.581.761	5.485.059
Monetary other receivables and assets	5.483.207	262.900	98.721	3.951.068	1.785.175	67.218	10.915.914	-
Non-Monetary other receivables and assets	18.707.627	3.910.260	58.866	6.758.775	43.029.515	406.687	10.646.773	466.347
Current Assets	**243.163.566**	**59.814.637**	**37.483.885**	**487.832.894**	**66.185.178**	**23.519.375**	**24.170.849**	**9.162.702**
Assets held-for sale	1.535.814	1.020.000	-	-	-	-	-	-
Monetary other receivables and assets	14.098.761	429.900	-	636.720	2.069.615	15.138.757	-	-
Non-current Assets	**15.634.575**	**1.449.900**	**-**	**636.720**	**2.069.615**	**15.138.757**	**-**	**-**
Total Assets	**258.798.141**	**61.264.537**	**37.483.885**	**488.469.614**	**68.254.793**	**38.658.132**	**24.170.849**	**9.162.702**
Liabilities:								
Trade Payables	85.027.431	31.707.318	8.282.794	13.558.276	5.551.550	15.004.025	8.209.657	1.663.685
Financial Payables	96.708.476	50.932.328	6.746.489	-	-	3.020.634	-	-
Monetary other payables and liabilities	27.662.810	5.786.453	2.077.455	43.389.813	14.152.107	4.936.411	12.111.398	1.169.708
Total Short Term liabilities	**209.398.717**	**88.426.099**	**17.106.738**	**56.948.089**	**19.703.657**	**22.961.070**	**20.321.055**	**2.833.393**
Financial Payables	60.153.131	33.815.143	2.732.008	-	-	3.857.439	-	-
Monetary other payables and liabilities	14.631.083	-	1.231.378	-	5.382.943	9.110.625	8.152.431	-
Total Long Term liabilities	**74.784.214**	**33.815.143**	**3.963.386**	**-**	**5.382.943**	**12.968.064**	**8.152.431**	**-**
Total liabilities	**284.182.931**	**122.241.242**	**21.070.124**	**56.948.089**	**25.086.600**	**35.929.134**	**28.473.486**	**2.833.393**
Fair Value of Financial Instruments for using foreign currency hedging (A-B)	-	-	-	-	-	-	-	-
A. Hedged amount of foreign currency based assets	-	-	-	-	-	-	-	-
B. Hedged amount of foreign currency based liabilities	-	-	-	-	-	-	-	-
Net Foreign Currency asset/(liability) Position	**(25.384.790)**	**(60.976.705)**	**16.413.761**	**431.521.525**	**43.168.193**	**2.728.998**	**(4.302.637)**	**6.329.309**
Monetary Items Net foreign Currency asset/(liability) Position	**(44.092.417)**	**(64.886.965)**	**16.354.895**	**424.762.750**	**333.218**	**2.322.311**	**(14.949.410)**	**5.862.962**

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

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

	2010	2009
Year-end rates		
American Dollar	1,5460	1,5057
Euro	2,0491	2,1603
Indonesian Rupiah (1000 units)	0,1719	0,1602
Argentinean Peso	0,3888	0,3962
Brazilian Real	0,9279	0,8647
Thai Baht	0,0513	0,0451
Chinese Renminbia	0,2334	0,2205
Egyptian Pound	0,2702	0,2713

	2010	2009
Average rates		
American Dollar	1,5004	1,5471
Euro	1,9894	2,1505
Indonesian Rupiah (1000 units)	0,1651	0,1492
Argentinean Peso	0,3836	0,4150
Brazilian Real	0,8524	0,7745
Thai Baht	0,0473	0,0451
Chinese Renminbia	0,2231	0,2265
Egyptian Pound	0,2683	0,2813

Foreign currency position as of 31 December 2010 and 2009 in regard to the changes in foreign currency rates is depicted in the table below:

2010

	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	(19.572.943)	19.572.943	24.148.980	(24.148.980)
Hedged USD (-)	-	-	-	-
USD net effect	**(19.572.943)**	**19.572.943**	**24.148.980**	**(24.148.980)**
Change in EURO against TL by 10%				
Euro net assets/liabilities	8.855.434	(8.855.434)	45.953.575	(45.953.575)
Hedged Euro (-)	-	-	-	-
Euro net effect	**8.855.434**	**(8.855.434)**	**45.953.575**	**(45.953.575)**
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(62.131)	62.131	-	-
Hedged other currency (-)	-	-	-	-
Other currency net effect	**(62.131)**	**62.131**	-	-
	(10.779.640)	**10.779.640**	**70.102.555**	**(70.102.555)**

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

2009

	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	(6.148.029)	6.148.029	19.702.399	(19.702.399)
Hedged USD (-)	-	-	-	-
USD net effect	**(6.148.029)**	**6.148.029**	**19.702.399**	**(19.702.399)**
Change in EURO against TL by 10%				
Euro net assets/liabilities	2.351.404	(2.351.404)	47.883.707	(47.883.707)
Hedged Euro (-)	-	-	-	-
Euro net effect	**2.351.404**	**(2.351.404)**	**47.883.707**	**(47.883.707)**
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(198.658)	198.658	-	-
Hedged other currency (-)	-	-	-	-
Other currency net effect	**(198.658)**	**198.658**	-	-
	(3.995.283)	**3.995.283**	**67.586.106**	**(67.586.106)**

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

	2010		**2009**	
	Original Balance	**TL**	**Original Balance**	**TL**
Euro	153.532.808	305.430.492	116.330.800	250.171.713
USD	59.636.892	89.476.807	33.054.105	51.136.683
Total Export		**394.907.299**		**301.308.396**

	2010	**2009**
Import	229.757.340	147.292.004

(c) Funding risk

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. The borrowings of the Group are from financially strong various financial institutions.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Credit risk

Credit risk arises from deposits with banks, as well as credit exposures to customers, including outstanding receivables.

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

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

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2010, the credit risk regarding the financial instruments is as follows:

	Trade Receivables		Other Receivables (*)		Bank Deposits	
2010	**Related Party**	**Other**	**Related Party**	**Other**	**Related Party**	**Other**
Maximum credit risk based on financial instruments as of reporting date	**5.848.136**	**193.538.432**	**-**	**8.409.655**	**10.957.401**	**40.722.637**
- Collateralized or secured with guarantees part of maximum credit risk	-	-	-	-	-	-
Net book value of not due or not impaired financial assets	5.021.323	182.807.745	-	-	-	-
Net book value of past due but not impaired financial assets	826.812	10.730.687	-	-	-	-
- Collateralized or guaranteed part	-	-	-	-	-	-
Net book value of impaired financial assets	-	-	-	-	-	-
- Gross amount of overdue part	-	1.633.006	-	-	-	-
- Impairment (-)	-	(1.633.006)	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-

(*) Excludes tax and other legal receivables.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2009, the credit risk regarding the financial instruments is as follows:

	Trade Receivables		Other Receivables (*)		Bank Deposits	
2009	**Related Party**	**Other**	**Related Party**	**Other**	**Related Party**	**Other**
Maximum credit risk based on financial Instruments as of reporting date	**5.599.287**	**169.779.930**	**7.193.088**	**3.198.933**	**8.507.999**	**39.131.645**
- Collateralized or secured with guarantees part of maximum credit risk	-	-	-	-	-	-
Net book value of not due or not impaired financial assets	5.579.018	159.349.558	7.193.088	3.198.933	-	-
Net book value of past due but not impaired financial assets	20.269	10.430.372	-	-	-	-
- Collateralized or guaranteed part	-	-	-	-	-	-
Net book value of impaired financial assets	-	-	-	-	-	-
- Gross Amount of Overdue part	-	2.132.617	-	-	-	-
- Impairment (-)	-	(2.132.617)	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-

(*) Excludes tax and other legal receivables.

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Cont'd)

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

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

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

	2010	**2009**
0-1 month	8.762.034	7.762.873
1-3 month	1.876.675	1.850.907
3-12 months	918.791	836.861
	11.557.500	**10.450.641**

(e) Capital risk management

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

As of 31 December 2010 and 2009 Net debt/(Equity+net debt+non-controlling interest) ratio is:

	2010	**2009**
Total liabilities	165.563.364	156.861.607
Cash and cash equivalents	(52.012.312)	(47.656.360)
Net debt	113.551.052	109.205.247
Equity	793.446.034	738.696.862
Non-controlling interest	113.819.014	104.098.416
Equity+net debt+non-controlling interest	1.020.816.100	952.000.525
Net debt/(Equity+net debt+non-controlling interest) ratio	11%	11%

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 28 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

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

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

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

Monetary liabilities

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

Since, long term foreign currency loans generally have floating rate, fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 6).

(f) Fair value estimation:

Effective from 1 January 2009, Group has applied the amendment in IFRS 7 related to financial instruments measured at fair value in the balance sheet. This amendment is explained based on the steps in the hierarchy of fair value calculations:

Level: 1: Quoted prices in markets for assets and liabilities

Level: 2: Direct or indirect observable inputs for the assets or liabilities other than quoted prices in market

Level: 3: Inputs for the assets and liabilities where observable market data can not be determined.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTE 28 - FINANCIAL INSTRUMENTS (Cont'd)

2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets / (Liabilities)				
Financial assets at FVTPL				
– Trading derivatives	-	(1.316.479)	-	(1.316.479)
Available-for-sale financial assets				
– Common stocks	-	-	186.554	186.554
– Corporate bonds	-	-	-	-
Total Assets / (Liabilities)	**-**	**(1.316.479)**	**186.554**	**(1.129.925)**

2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets / (Liabilities)				
Financial assets at FVTPL				
– Trading derivatives	-	(662.212)	-	(662.212)
Available-for-sale financial assets				
– Common stocks	-	-	183.573	183.573
– Corporate bonds	1.535.814	-	-	1.535.814
Total Assets / (Liabilities)	**1.535.814**	**(662.212)**	**183.573**	**1.057.175**

NOTE 29 - EVENTS AFTER THE BALANCE SHEET DATE

None.

2010 Statutory Audit Report

To the General Assembly of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.

Trade Name : Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.
Head Office : Istanbul
Issued Capital : TL 194,529,076

Field of Operation: Production of fabrics, which are contained in the structure of vehicle tires and constitute the main frame, and of industrial fabrics; production of industrial fabrics and industrial single end cord contained in the structure of rubber and plastic materials such as drive belts, V-belts, rubber hoses; production of heavy denier fibers and liners; transformation of any kind of yarn into tire cord fabric, into fabrics used in mechanical rubber goods and other rubber reinforcement materials, and marketing thereof; production of Nylon 6, Nylon 6.6, and PET (Polyethyleneterephthalate) HMLS (High Modulus Low Shrinkage) polyester and rayon heavy decitex yarn to be used in auto tires and mechanical rubber products; and marketing, sales, importation and exportation of all the abovementioned and other affairs as stated in the amendment proposal registered on 30.11.2006.

Name(s) and Duration of Office of the Auditor(s) and if they are shareholders:
Levent DEMİRAĞ 12 April 2010 to April 2013
Bahadır BORAN 3 August 2010 to April 2013
Duration of office is 3 years. They are not shareholders of the Company.

Numbers of Board Meetings and Auditors' Meetings Attended:
3 Board of Directors' meetings were attended and 4 Auditing Committee meetings were held.

Scope and Dates of the Examinations Conducted on the Corporate Accounts, Books, and Documents and Conclusions:
Investigations and controls have been carried out on the last weeks of 3^{rd}, 6^{th}, 9^{th} and 12^{th} months according to the Tax Regulations and Commercial Code, no subject for criticism has been detected.

Number and Dates of Cash Counts Performed at the Company's Treasury, according to Paragraph 3, Clause 1 of Turkish Commercial Code Article 353:
Due to the accepted principle of the Company, there is no cash present in the safe.

Examinations and dates performed according to Paragraph 4, Clause 1 of Turkish Commercial Code Article 353:
On the examinations conducted on the 1^{st} business day of each month, it is observed that the valuable documents are in compliance with the records.

Complaints and Unlawful Acts Noted and Measures Taken:
No complaints have been received.

We have examined the accounts and transactions of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. for the period of 01.01.2010 - 31.12.2010 according to Turkish Commercial Code, Articles of Association, other regulation and Generally Accepted Accounting Principles and Standards.

In our opinion, the Balance Sheet as of 31.12.2010 reflects the true financial status of the Company at the date; the Profit and Loss Statement for period 01.01.2010 - 31.12.2010 reflects the true operational results of the period.

We hereby submit the approval of the Balance Sheet, Profit and Loss Statement, and ratification of the actions of the Board of Directors to your votes.

BOARD OF AUDITORS
Levent DEMİRAĞ Bahadır BORAN

KORDSA GLOBAL

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