



REINFORCED BY
KORDSA[®]
ANNUAL
REPORT 2013

KORDSA GLOBAL



**KORDSA
GLOBAL
ANNUAL
REPORT
2013**

KORDSA GLOBAL



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WE ARE REIN
OUR EMPLOYEES BY IN
FUTURE FOR 40 YEAR
OUR CUSTOMERS WIT
SOLUTIONS,
OUR SHAREHOLDERS I
VALUE TO THEIR INVES

REINFORCING,
INVESTING THEIR
AS,
TH INNOVATIVE

BY CREATING
STMENTS.

2013 WAS A SUCCESSFUL YEAR FOR KORDSA GLOBAL WITH MANY ACHIEVEMENTS FROM MARKET DEVELOPMENT TO EXPORTS, FROM CORPORATE VALUES TO TEHNOLOGY AND TO BUSINESS PROCESSES.

KORDSA GLOBAL RANKED IN THE PATENT APPLICATION TOP TEN

Kordsa Global ranked 10th with 16 patent applications to Turkish Patent Institute in 2013. The number of patents, considered to be indicators of countries' economic and technological development level; has a significant emphasis on Kordsa Global's success and innovative feature, as a technology company.



SUPPLIER OF THE YEAR AWARD TO KORDSA FROM MICHELIN

Kordsa Global received the Supplier of the Year Award at the ceremony on September 25, 2013; at Clermont Ferrand. This special award was merited to Kordsa Global due to the company's full allocation of resources in order to support Michelin during the flood disaster in Thailand.



TIRE TECHNOLOGY EXPO 2013

Kordsa Global participated in Tire Technology Expo on February 2013 and made a presentation on "Twixtra® Hybrid Cord Solutions" and exhibited the first tire produced with Capmax®. Tire Technology Expo hosts Nearly 2.000 visitors from 80 countries.



KORDSA WAS IN TURKEY INNOVATION WEEK

Kordsa Global, drawing the attention of the market with its brands, designed with the company's technological competence and innovation capability; introduced an array of its innovative products; primarily Capmax®, Monolix® ve Twixtra® in Turkey Innovation Week, held by Turkish Exporters Assembly, on 28, 29, 30 November 2013.



CAPMAX® WAS FEATURED IN 20TH ANNIVERSARY SPECIAL EDITION OF TIRE TECHNOLOGY INTERNATIONAL

Kordsa Global was featured with an article about Capmax® in Tire Technology International's special edition, one of the most important sector publications.



KORDSA GLOBAL İZMİT FACTORY BUILT THE MOST EFFICIENT NYLON PRODUCTION PLANT IN THE WORLD WITH ITS LINE 1 INVESTMENT

The project with the value of 10,4 million USD, which was fully designed, produced and installed by Kordsa Global's Engineering and Operation Teams, had been completed with zero incidents. The increased capacity, besides the cost advantage, will provide significant contributions to growth in priority business areas with high added value.



AN IMPORTANT AWARD FOR KORDSA GLOBAL'S THE ETHICS PROCESSES AND THEIR IMPLEMENTATIONS.

Kordsa Global was awarded by Ethics Values Center Foundation (EDMER), one of the most important ethics associations in Turkey, after the evaluations regarding a variety of topics such as; brand management, corporate governance/management, corporate social responsibility, integration management, leadership and creativity; within ETİKA 2012 Turkey Ethics Awards, held in April.



KORDSA GLOBAL RECEIVES THE 2013 QUALITY CHAMBER AWARD ONCE AGAIN.

Kordsa Global was merited ONCE again with the Quality Chambers Award in 2013, which was annually held by Turkish Society for Quality (KALDER).



KORDSA GLOBAL'S HUMAN RESOURCES PROCESSES IMPLEMENTATIONS WERE AWARDED

Kordsa Global was awarded with the first prize in Training and Development Management category during the 21st HR Management Awards, held by Peryön.



AWARD FROM IDC FOR KORDSA GLOBAL'S SUPPLY CHAIN OPTIMIZATION AND BUSINESS ANALYTICS PROJECT

Kordsa Global was awarded with the "Best Large Data and Business Analytics Project" prize with its "Supply Chain Optimization and Business Analytics" (SCO) project, in the category of Manufacturing Sector, during "IDC Large Data and Business Analytics" conference, which was held on 21 November 2013. The award was accepted by Tekin Gülşen, Global Information Technologies and Corporate Planning Director, on behalf of all project teams



KORDSA GLOBAL SPONSORED THE GREEN TIRE SEMINAR, HELD IN CHINA IN 2013

Kordsa Global Technology and Market Development Team, taking its place within the sponsors of the seminar, which was co-held by China Rubber Industry Association and Chinese rubber manufacturer Double Coin, provided information on its new technologies and products, primarily Capmax®, Monolyx® ve Twixtra®.



EXPORT PLATINUM AWARD FOR KORDSA GLOBAL

Kordsa Global was awarded with the Platinum Award in Textiles and Textiles Raw Material Exporters category within the "Export Stars Night", organized by Istanbul Textile and Apparel Exporter Associations (ITKIB) on May 1, in order to reward 133 successful companies.



NEW CONCRETE REINFORCING FIBER KRATOS

The commercialization efforts for Kratos brand, which the R&D work has been mainly completed in 2013; will continue in 2014.

KraTos™



KORDSA GLOBAL IS ONCE AGAIN THE MOST ADMİRED TEXTILES COMPANY OF TURKEY IN 2013

Kordsa Global was elected as the "Turkey's Most Admired Company" in textiles sector, within the "Capital Magazine 14th Turkey's Most Admired Companies Research."



TECHTEXTIL FAIR

Kordsa Global attended the Techtextil Fair, held in Frankfurt on 11 – 13 June 2013. The company's new products have drawn great attention.





“The companies of Sabancı Group are the leaders of the sectors they operate in”

Sabancı Group in Brief

Sabancı Group companies currently operate in 18 countries and market their products in regions across Europe, the Middle East, Asia, North Africa and North and South America. Sabancı Group, with its reputation, brand image, strong joint ventures, knowledge and experience on Turkish markets helped the company to further extend its operations in its main areas of operation and became a significantly powerful influence that contributes to the development of the Turkish economy.

In addition to coordination of finance, strategy, business development and human resource functions; Sabancı Holding is in charge of determination of the Group's vision and strategies as well as increasing shareholder value through creating synergy among the group companies.

Hacı Ömer Sabancı Holding A.Ş. is the main company to represent the subsidiary companies of Sabancı Group, one of the largest groups in Turkey. The main areas of interest of Sabancı Group are; financial services, energy, cement, retail and industry, which are the rapidly growing sectors of Turkey. The companies of Sabancı Group are the leaders of the sectors they operate in. Besides its own shares of Sabancı Group, the shares of its 10 other shareholdings are traded on Borsa İstanbul (BİST). Sabancı Group companies currently operate in 18 countries and market their products in regions across Europe, the Middle East, Asia, North Africa and North and South America. Sabancı Group, with its reputation, brand image, strong joint ventures, knowledge and experience on Turkish markets helped the company to further extend its operations in its main areas of operation and became a significantly powerful influence that contributes to the development of the Turkish economy. Sabancı Holding's multinational business partners include such prominent companies as Ageas, Aviva, Bridgestone, Carrefour, Citi, E.ON, Heidelberg Cement and Philip Morris. In addition to coordination of finance, strategy, business development and human resource functions; Sabancı Holding is in charge of determination of the Group's vision and strategies as well as increasing shareholder value through creating synergy among the group companies. In 2013, the consolidated sales revenue of Sabancı Holding was TL 24.2 billion (US\$ 12.7 billion) with a consolidated operating profit

(EBIT) of TL 4.9 billion (US\$ 2.6 billion). The Sabancı Family is Sabancı Holding's major shareholder group with 57.7% of shares. Sabancı Holding having the highest free float rate with 40.1% in BİST, its depository receipts are quoted on the SEAQ International and Portal.

24,2
MILLION TL

CONSOLIDATED SALES REVENUE

In 2013, Sabancı Group acquired a consolidated sales revenue of TL 24.2 billion (US\$ 12.7 billion)

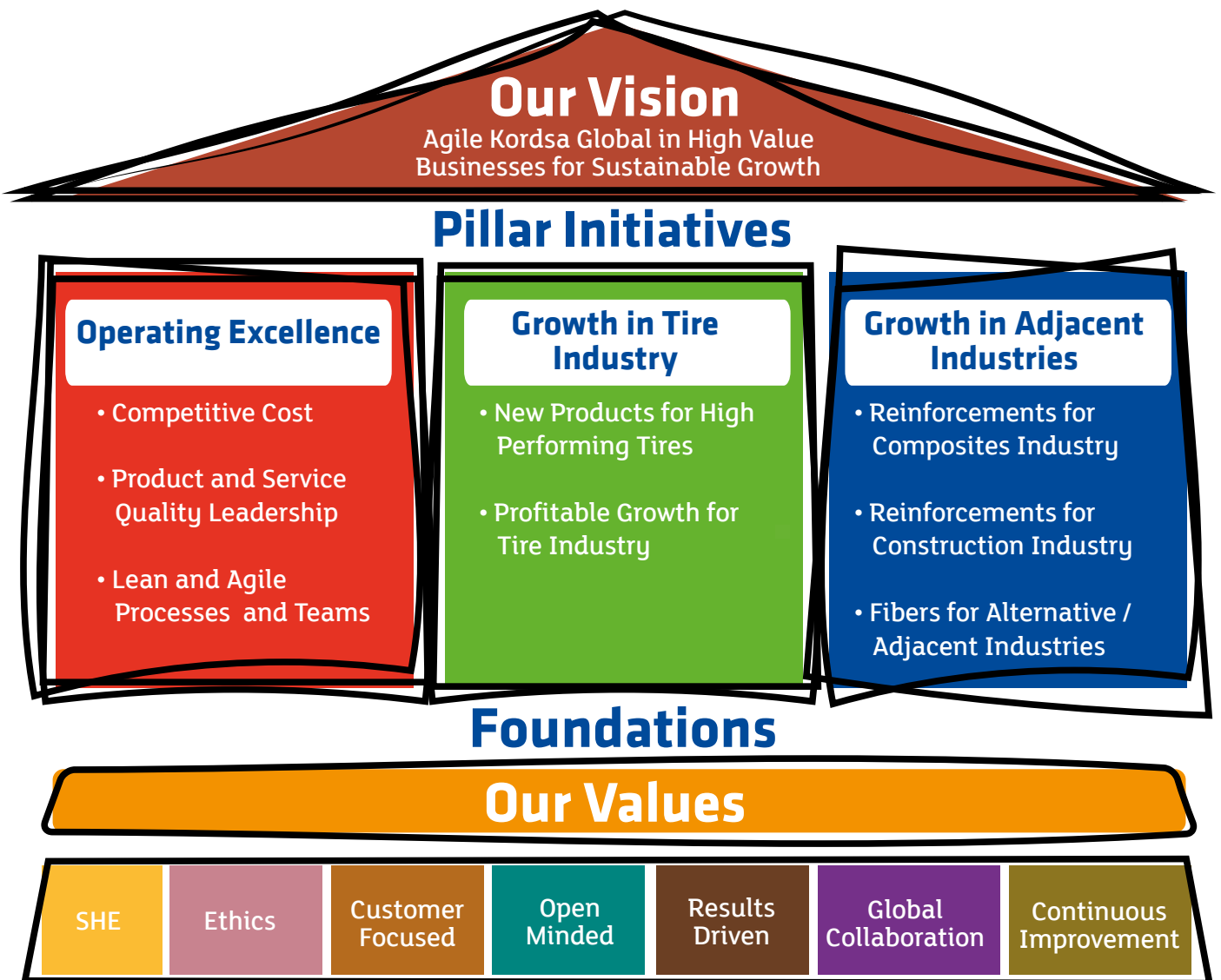


EVERY 2 OUT OF 3 PLANE
TIRES ARE REINFORCED
BY KORDSA® CORD
FABRICS.



REINFORCED BY KORDSA®

OUR STRATEGY HOUSE





GENETICALLY INNOVATIVE...

KORDSA GLOBAL

www.kordsaglobal.com

KORDSA

Nylon 6.6 PET HMLS

Capmax

Twixtra

MONOLYX

InterPlast

InterCord

KraTos

HARtech



SAFETY, HEALTH AND ENVIRONMENT

WE BELIEVE THAT ALL OCCUPATIONAL AND ENVIRONMENTAL ACCIDENTS MAY BE PREVENTED. OUR TARGET IS TO CREATE A 100% ACCIDENT-FREE AND SAFE WORK ENVIRONMENT AND TO PRODUCE 0% WASTE.

COMMITMENT TO THE ETHICAL VALUES

WE ARE 100% COMMITTED TO OUR ETHICAL VALUES CONDUCTING OUR RELATIONSHIPS WITH OUR EMPLOYEES, SHAREHOLDERS, CLIENTS, SUPPLIERS, BUSINESS PARTNERS, COMPETITORS, ENVIRONMENT AND SOCIETY.

CUSTOMER FOCUSED

WE GROW TOGETHER WITH OUR CUSTOMERS WHO PREFER US AS THEIR STRATEGIC TECHNOLOGY PARTNER AND WE OFFER THEM INNOVATIVE, ACCURATE AND CUSTOM MADE SOLUTIONS.

OPEN MINDED

INNOVATION IS IN OUR GENES. WE CONTINUOUSLY DEVELOP NEW PRODUCTS, TECHNOLOGIES AND PROCESSES THROUGH OUR 40 YEARS OF EXPERIENCE.

RESULTS DRIVEN

AS THE LEADER OF GLOBAL NYLON 6.6 MARKET AND A COMPANY CONTINUOUSLY CREATING VALUE FOR ITS SHAREHOLDERS, WE PROVIDE OUR CUSTOMERS WITH THE HIGHEST QUALTY SERVICES. OUR TECHNOLOGIES REINFORCE ONE CAR TIRE OUT OF EVERY THREE ONE PLANE TIRE OUT OF EVERY TWO.



GLOBAL COLLABORATION

WE RETRIEVE OUR POWER FROM GLOBAL COOPERATION BENEFITTING FROM BENCHMARKS OF OUR FACTORIES SPANNING GLOBALLY.



CONTINUOUS IMPROVEMENT

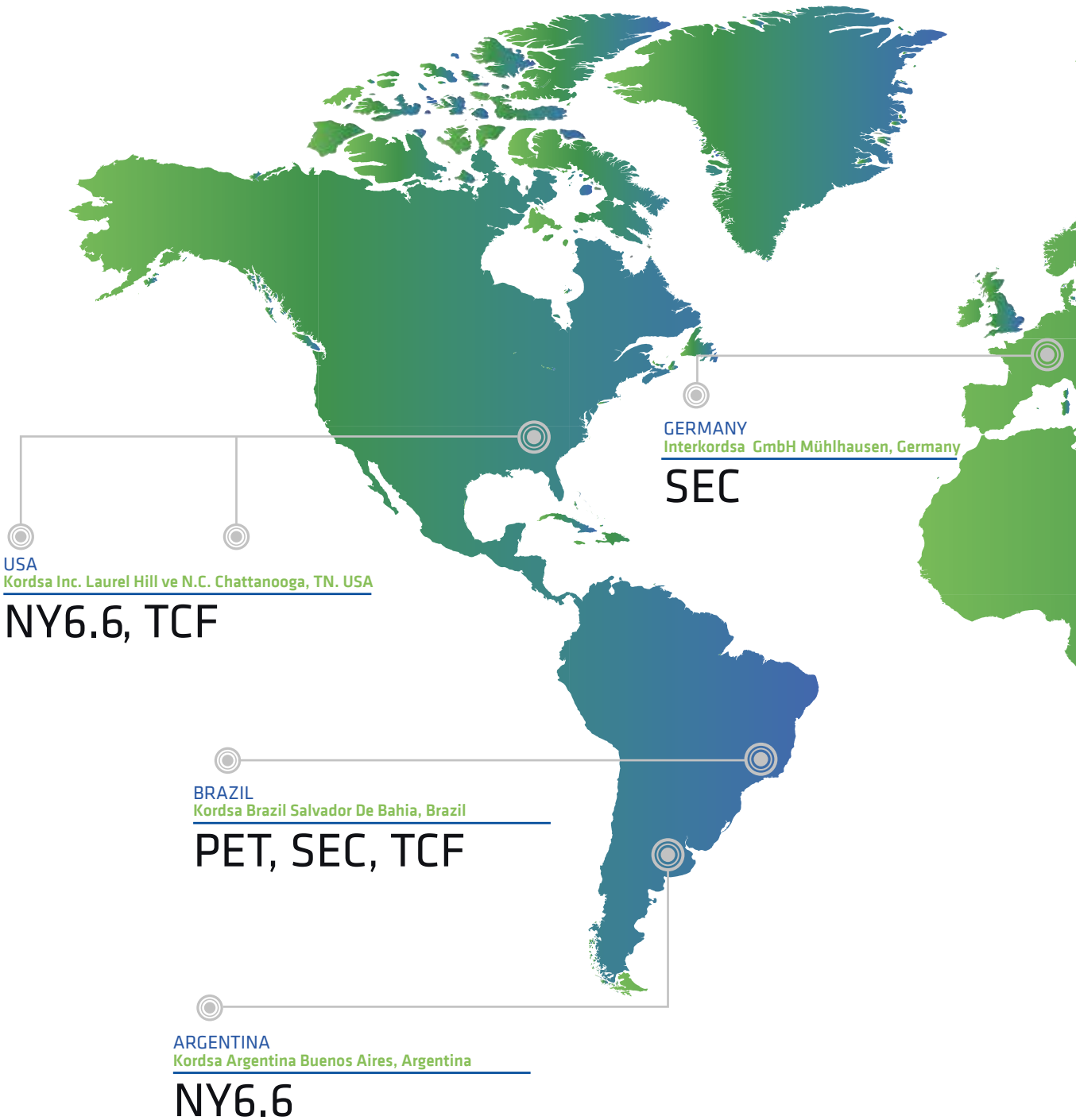
WE CONTINUOUSLY ENHANCE ALL OUR PROCESSES WITHIN OUR ORGANIZATION THROUGH OUR CUSTOMER FOCUSED APPROACH AND TOTAL QUALTY MANAGEMENT.



335 MILLION TL
ANNUAL TURNOVER
NORTH AMERICA

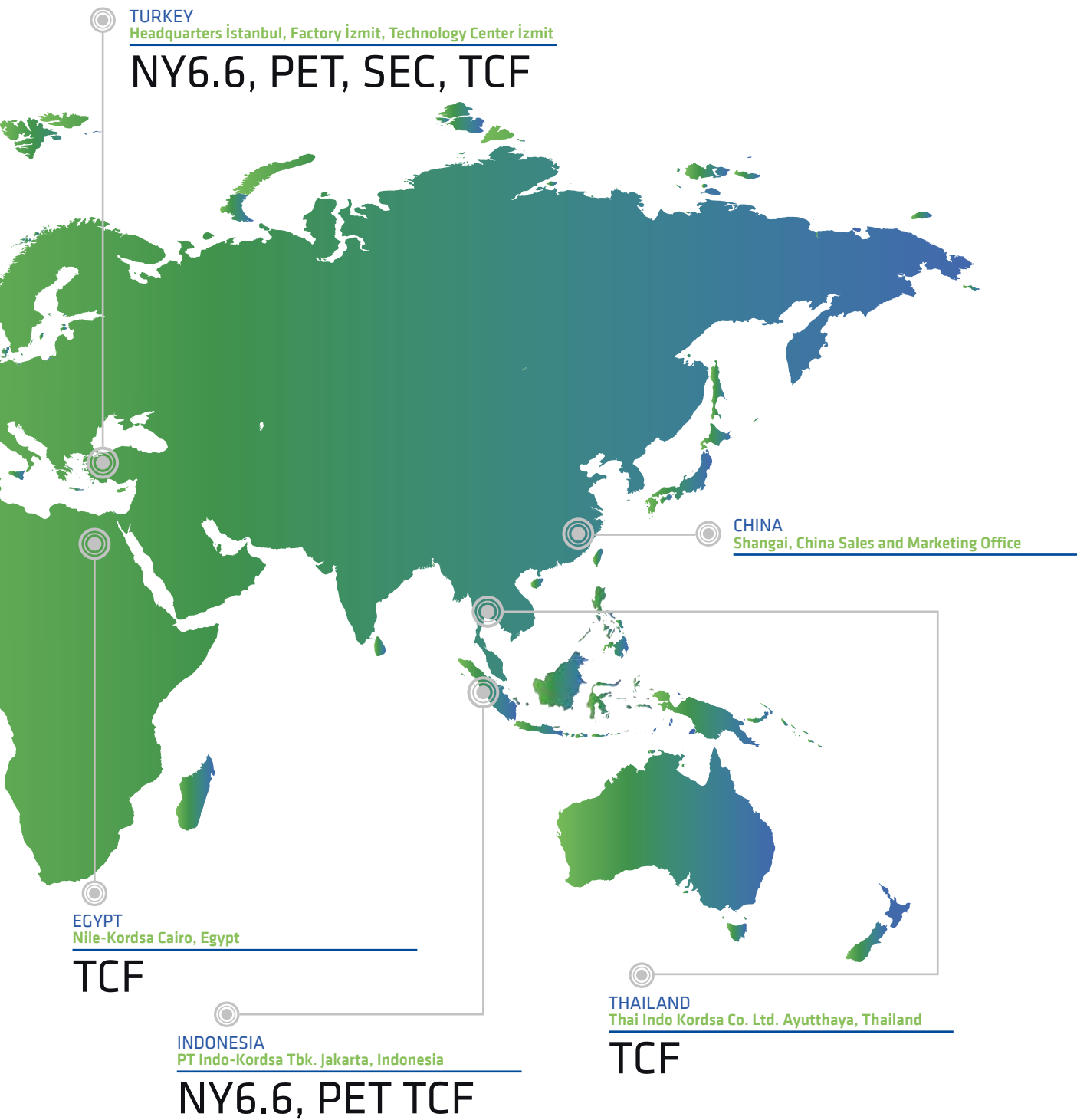
204 MILLION TL
ANNUAL TURNOVER
SOUTH AMERICA

In 2013 **KORDSA GLOBAL** secured a total annual turnover of **1,546 million TL**.



631 MILLION TL
**ANNUAL TURNOVER
EMEA**

376 MILLION TL
**ANNUAL TURNOVER
ASIA PACIFIC**





**1973
2013**

40 years filled with innovation,
added value and international
company culture, Kordsa Global
proceeds with its sustainable
growth vision.



MESSAGE FROM THE CHAIRMAN

**MEHMET NURETTİN
PEKARUN**

Chairman



With our lean organization and agile teams established through our operational excellence strategy, our company focused on production efficiency and cost competitiveness.

Differentiating itself in the eyes of the customer from the competition with its product and service quality, Kordsa Global further strengthened its position in the markets it operates

Dear stakeholders,

For Kordsa Global 2013 has been a year of accelerated improvements in business results with the “Lean Kordsa” efforts despite the continuing tough market conditions.

With our lean organization and agile teams established through our operational excellence strategy, our company focused on production efficiency and cost competitiveness.

At the same time differentiating itself in the eyes of the customer from the competition with its product and service quality, Kordsa Global further strengthened its position in the markets it operates.

Kordsa Global managed to achieve positive results in profitability figures by utilizing the “Differentiation Strategies” both in production and services.

Being one of the deep rooted companies of our Innovative and Entrepreneur Strategic Business Unit-Industry, Kordsa Global targets to increase its profitability of its existing businesses with its competitive costs within the same market conditions.

On the other hand, with its innovative technologies in both tire and non-tire sectors, our company will continue its sustainable profitable growth as “Differentiating Kordsa Global” in its current and new business areas.

On behalf of our Board of Directors I would like to express my gratitude and thank to our employees who are working selflessly to increase the added value and assertion of Kordsa Global in its sector, to our shareholders for their continuous support, to our customers, suppliers and all stakeholders for the trust they have invested in our Company.

Respectfully yours.



Seyfettin Ata Köseoğlu Member of the Board of Directors

- Ata Köseoğlu graduated from Boğaziçi University, Department of Mechanical Engineering.
- He completed his post graduate degree at Lehigh University, Department of Electrical Engineering, and received an MBA degree from Boston University.
- Ata Köseoğlu who began his banking career at İktisat Bank, worked at Finansbank since its establishment until 1994 as Assistant General Manager in charge of investment banking, treasury and capital markets, asset management and international relations.
- From 1994 to 1999, he worked at Bear Stearns, one of the largest investment banks in USA as the manager in charge of investment banking in Turkey, Greece and Egypt.
- Then moved to Paris and was appointed as the manager in charge of Turkey and Middle East at Société Générale's Investment Banking Division. In this task, he took part in developing regional financial strategies of the bank responsible from managing and developing relations with the key accounts of Société Générale in the region.
- Between 2000 and 2005, he worked in London/ Istanbul for Credit Suisse First Boston Bank as Managing Director/CEO. He took the responsibility of transactions regarding corporate finance, project finance, capital markets, fixed income and derivative products.
- He joined BNP Paribas/TEB Group in 2006 and later served as Chairman of the Board and CEO at TEB Investment. During his service he took part in various mergers and acquisitions projects and carried TEB Investment within the top 5 financial intermediaries in terms of transaction volume and profitability.

Peter Charles Hemken Member of the Board of Directors

- Graduated with distinction from Iowa State University in 1977 with a BS degree in Chemical Engineering.
- He earned an MBA degree from the Robins School of Business at the University of Richmond in 1982.
- Serving DuPont Company for 35 years, he worked as high level executive in all areas of business development and growth. He led the company's cooperation process with Sabancı Holding.
- From 2000 to 2006 as Chief Executive Officer of the company, back then called as DuPont-Sabancı International (DUSA).
- Currently he runs his own business. Strategy Development Partners LLC provides strategy and business development consulting services for small and medium sized businesses and not-for-profit organizations.

Atıl Saryal Independent Board Member

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



Neriman Ülsever Deputy Chairman of the Board of Directors

- Graduated from Boğaziçi University, Department of Business Management and Operational Research.
- Starting her professional career in 1973 at Turkish Airlines, Ülsever later assumed various roles at Anadolu Bankası A.Ş., Emlak Bankası A.Ş., Group Sanfa and Impexbank.
- Starting from 1995, Ms. Ülsever was the Managing Partner at her own company, IKE Ltd., and specialized in human resources consultancy and training.
- From 1999 to 2010, she worked as HR Director at Indesit Company.
- Having served as a Board Member at Indesit Turkey since 1996, Ülsever was appointed as Indesit Turkey's Chairperson of the Board on January 1, 2011, and on May 16, 2011, as President of Human Resources Department at Sabancı Holding. She fulfills both roles simultaneously

Bülent Bozdoğan Member of the Board of Directors

- Graduated from Middle East Technical University, Department of Business Administration.
- He has worked in audit, finance, purchasing, and planning departments at PwC, Unilever, Brisa, Kordsa Global and Sabancı Holding's various domestic and international companies at management levels for 30 years.
- For the past year, Mr. Bozdoğan has served as President of Audit at Sabancı Holding A.Ş.
- He is also a Board Member and Secretary General for the Institute of Internal Auditing - Turkey.

Hüsnü Ertuğrul Ergöz Independent Board Member

- Graduated from Robert College, Department of Chemistry in 1963.
- He received his Master's degree from Middle East Technical University (METU) in 1965, and his PhD degree from Florida State University in 1970.
- Between 1972 and 1976, Mr. Ergöz was a professor at METU, Department of Chemistry.
- He began his professional career as Technical Studies and Projects Specialist at Kordsa, Ergöz later assumed various roles within Sabancı Holding and its companies, such as Brisa.
- He retired from his latest position as General Secretary of Sabancı Holding in 2003. After his retirement, Ergöz having served as Board Member at Pressan A.Ş., carries out studies on "Institutionalization of Family Businesses".

Mehmet Nurettin Pekarun Chairman of the Board of Directors

- Graduated from Boğaziçi University, Industrial Engineering Department
- He received his Master's degree in Finance and Strategy from Purdue University (USA).
- He began his professional career in 1993 in America at General Electric, Transportation Systems division.
- From 1996 to 1999 he served in GE Healthcare Europe, as the Director of Finance responsible from first Turkey and Greece then from Eastern Europe.
- He was the Managing Director for GE Lighting Turkey from 1999 to 2000, and between 2000 and 2005 served as the Director of Business Development Unit first and then Managing Director of Medical Accessories Unit at GE Healthcare, in EMEA Region.
- He was appointed as the CEO of Kordsa Global on March 1, 2006 and in September 20, 2010 as the President of Tire Reinforcement Materials and Automotive Group.
- The Tire Reinforcement Materials and Automotive Group had been restructured as Industry Group Presidency on March 1, 2011, and Mehmet Nurettin Pekarun has been serving as the President of the Industry Group.



CENK ALPER
President and CEO

A handwritten signature in black ink, reading "Cenk Alper". The signature is written in a cursive style with a large initial "C".

As a priority of our corporate strategy, in 2013, we quickly realized our growth target.

Evolving out of the key priorities of our strategy house, in 2013, we strengthened our leadership in the Nylon 6.6 market with our competitive costs, lean production processes and operational excellence approaches without compromising from our product and service quality.

As the technology leader of our sector, we contribute not only to our sector and our company, but also to our country's economic and technological development, with the products that we manufacture in our own R&D.

Dear stakeholders,

Despite the uncertain conditions of the global economy, increasing competition and the increasing number of Asian players in its sector in 2013, Kordsa Global managed to sustain its operational profitability by focusing on efficiency of its internal processes. Evolving out of the key priorities of our strategy house, in 2013, we strengthened our leadership in the Nylon 6.6 market with our competitive costs, lean production processes and operational excellence approaches without compromising from our product and service quality.

On the other hand, in order to increase our profitable growth and create more value to our customers with advanced technologies in the tire sector with the introduction of Capmax®, Monolyx®, Twixtra® and other new products we acquired a turnover of 26 million USD. Next year we target to double this turnover. As the technology leader of our sector, we contribute not only to our sector and our company, but also to our country's economic and technological development, with the products that we manufacture in our own R&D. Our company taking the 10th place in the local patent application ranking of Turkish Patent Institute with 16 patent applications had been a pleasant development for us. We launched our "Commercial Excellence" project to strengthen the process of differentiating us from our competitors. In the upcoming period we will continue to be differentiating by perfection of our sales and marketing processes.

As another priority of our corporate strategy, in 2013, we quickly realized the target of growing in the adjacent industries. Through our R&D department with a continuous running innovation engine, we focused on composites being increasingly utilized in industries like automotive, aviation and

wind energy. In addition we focused on reinforcement materials production for the construction sector. We plan to launch our new products for the composites industry in 2014 after the ongoing final application tests.

Our core values have, as always, been the guide for Kordsa Global while we implement all our strategies. We are proud that our values consisting of health and safety, being adamantly attached to our ethic codes, customer and result focus, open mindedness and continuous renewal; lead our company to be awarded in all its related fields in 2013. With the positive wind started at the end of 2013, improvements and growth in the global economy is expected in 2014. It is predicted that this positive expectation will have a positive reflection in the regions that we have commercial activity in and as a result the growth will continue. Our company will, at breakneck speed, continue investing in increasing capacity and R&D, in light of our long term strategic plans and agile Kordsa Global vision. We started our organic growth by transforming our İzmit facility, into the world's most efficient nylon plant with our 10 million USD investment in 2013. In 2014 we will realize our investment of approximately 72 million USD in our Indonesia plant, as a continuation of our investment plans, which reinforces our profitable growth in Asia.

On behalf of the Kordsa Global management team I would like to thank to our shareholders for their trust and support during this process, our employees for their selfless efforts and contributions, our clients who always had faith in us and always support us to achieve better results, our suppliers and all our other stakeholders.

Sincerely,



Ali Çalışkan Vice President, Operations

- Received his BSc degree from Middle East Technical University, Mechanical Engineering Department in 1983.
- Started his professional career in Soyut Holding as Project Engineer in 1984.
- Joined Kordsa Turkey in 1986 as Technical Office Engineer
- After the establishment of Dusa (SA-DUPONT Joint Venture) in October 1987, he was transferred to Dusa as Project Engineer.
- Starting from 1989, he assumed managerial roles in polymer production, yam production, engineering maintenance and support, project and production departments of Dusa and Kordsa Turkey. In 2005, he was promoted as Operations Director, Kordsa Turkey.
- In 2009 he was appointed as Operations Director, Kordsa Turkey & Nilekordsa.
- From March 2010 to June 2013, he held the position of Operations Director, of Indo Kordsa and Indo Kordsa Polyester
- Since June 2013, he works as the Vice President in charge of Operations for Kordsa Global.



Bülent Araslı Vice President, Sales

- Graduated from Middle East Technical University with a BA degree in Business Administration in 1982 and continued his education with the MBA program at Bosphorus University.
- He started his professional career in 1982 as an Export Specialist at Çukurova Foreign Trade Co.
- He continued his career in M.A.N. Bus and Truck Co.
- He joined Kordsa in 1986 as an Export Specialist. Took responsibilities in marketing and sales.
- In 2000, he was assigned as Europe, M. East & Africa Region Marketing and Sales Director.
- Between 2005 and 2009, he worked as Single End Cord Global Business Director and General Manager of Interkordsa GmbH and Kordsa GmbH in Germany.
- Between 2009 and 2010 he assumed Global Accounts and Market Intelligence Director position.
- Since October 2010, he has been holding the position of Vice President, responsible for Sales



Fatma Arzu Ergene Vice President, Finance and Sourcing

- Graduated from Marmara University department of Business Administration in 1991 and completed her MBA in 1993 from Loyola University of Chicago.
- Joining Kordsa Global in 1994 she served, between 1994 and 1999 as Marketing Specialist, between 1999 and 2005 as the Finance Manager, between 2005 and 2009 as EMEA Finance Director and between 2009 and 2013 as Global Purchasing Director.
- She was appointed as Vice President, Finance and Purchasing as of June 2013.



Cenk Alper President and CEO

- Graduated from Middle East Technical University, Mechanical Engineering Department in 1991, and received his MSc degree from the same department in 1994. He later went on to complete an Executive MBA at Sabancı University in 2002.
- He started his professional career in 1996 as a Process Engineer at Beksa, and continued working at various managerial positions within technology and production departments.
- After working at Bekaert Technology Center (Belgium) as a Project Manager, where he was appointed in 2002, he 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.
- He joined Kordsa Global in 2007 as Global Technology Director
- He worked as the Vice President responsible of Technology and Market Development between 2009 and 2010.
- Between October 2010 and June 2013 he served as Vice President responsible of Operations.
- He was appointed to the position of CEO and President in June 2013.

İbrahim Özgür Yıldırım Chief Technology Officer

- He, received his BSc degree from METU, Chemical Engineering Department, and his MBA degree from Sabancı University in 1993 and 2005 respectively.
- He started his professional career at Rafine Chemicals in 1994 and worked in different manufacturing companies
- Between 1998 and 2007, he served in Sakosa as Technical Engineer and Production Engineer.
- In 2007, he was appointed as Technical Manager at Kordsa Turkey
- In 2008, he was transferred to Global Technology Center as New Product Development Manager. In 2009, he was appointed as New Product and Process Development Director.
- In 2011, he was appointed as Technology Development Director.
- Since October 2013 he has been working as the Chief Technology Officer.

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

- Graduated from Hacettepe University's Department of Sociology in 1986.
- He started his professional career in 1988 as a Personnel Specialist at Beksa, Bekaert-Sabancı Çelik Kord (Steel Cord) Plc.,
- After assuming various responsibilities in Beksa between 1988 and 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, he was appointed as Global Director of Human Resources.
- Hakan Öker was appointed as Vice President responsible for Human Resources and Information Technologies In January 2009.



REINFORCED BY KORDSA®



**WE ARE WORKING
FOR HER SAFETY**

WE MAINTAIN OUR COMPETITIVE EDGE BY DECREASING OUR PRODUCTION COSTS WITHOUT COMPROMISING FROM OUR SERVICE QUALITY THROUGH OUR UNDERSTANDING OF OPERATIONAL EXCELLENCE; WE CREATE VALUE FOR OUR CLIENTS WITH OUR INNOVATIVE PRODUCTS



RAW MATERIAL

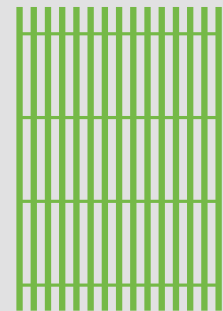
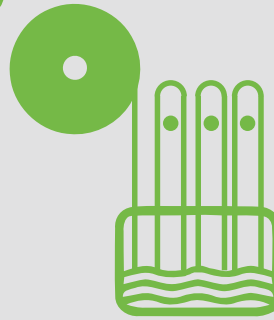


- POLYESTER CHIP
- NYLON POLYMER
- NYLON 6.6 SALT
- ADIPIC ACID
- HMD



PRODUCTION

- NYLON 6.6 YARN
109.143 mton
- POLYESTER YARN
43.508 mton
- GRAIGE FABRIC
102.368 mton
- FABRIC 102.368 mton



PRODUCTS

Naylon 6.6 Products

- Kordsa® T728
- Kordsa® T802
- Kordsa® T728 SEC
- InterCord®
- Kordsa® SA164
Technical Yarn
- Kordsa® NY 6.6
- Kordsa® SA147
Airbag Yarn

PET HMLS Products

- Kordsa® 2G-HMLS
- Kordsa® 3G-HMLS
- Kordsa® 4G-HMVLS
AA&NAA

Kordsa® Specialty Products and Technologies



Produced by
KORDSA®

2013

MARKETING COMMUNICATION ACTIVITIES



Global Fairs and exhibitions

Innovation

KORDSA

Solution

Dedication

Worldwide operation

since 1973

Innovation is Our Passion

KORDSA GLOBAL

KORDSA
 KORDSA PFT-HAS CapmaX Feltex PDSQAH Interflex InterGel Kordas HARTech

www.kordsaglobal.com

SA

CapmaX
 Ready to Use Cap Fly Strips

efficiency
 economy
 ecology

At Max

CapmaX™ is engineered as a replacement for calendered tire cord fabric in the cap ply material. CapmaX™ strips can be directly applied to the tire during the manufacturing stage, reducing the use of rubber in cap-ply as well as eliminating many steps in tire production. CapmaX™ greatly simplifies the manufacturing process, optimizes raw material usage and significantly reduces costs. Tires manufactured with CapmaX™ maximize raw resources, energy and tire materials contributing to reducing the carbon footprint of the tire.

Kordas Global is the world's leading supplier of textile reinforcement materials for the tire industry with more than 41 years of experience, expertise and commitment to define advanced technologies and products to fulfill the unique needs of the manufacturer worldwide.

41 Years of Experience and Innovation

With its exclusive Global Technology Center and 32 production plants in 11 countries across 5 continents, Kordas Global is the world's technology leader in textile reinforcement materials for more than 41 years.

As a global company, we offer tailor made solutions to our customers through our worldwide presence and commitment to define advanced technologies and a strategic understanding of our customer's unique needs.

The global economy is a reflection of our commitment to innovation and the excellent service we provide to our customers.

KORDSA GLOBAL

Global Collaboration
Ethics
Open Minded Results
Customer Focus
Continuous Improvement
Driven
Safety Health and Environment

Living our values for 41 years

Whenever you are in touch, we are here to introduce you with our values.

KORDSA GLOBAL

www.kordsaglobal.com

Global Advertisements

PRODUCTS

Kordsa Global is the leading supplier of high denier Nylon 6.6 and polyester (HMLS and Technical) yarns, industrial yarn, cord fabric, single end cord and industrial fabric products; and the company's main customers are the manufacturers of tires and mechanical rubber goods.

The company serves its customers on a global scale with its products to be used in diverse applications; such as automotive tires, air springs, hoses, conveyor belts, V-belts, ropes and cordage.



Yarn

Kordsa Global is the global leader of Nylon 6.6 yarn market and also stands out as one of the leading actors of Polyester yarn market.

The yarn portfolio of Kordsa Global consists of high-resistance, high density industrial Nylon 6.6 yarn (940 dtex and over) and high-resistance industrial HMLS and high density technical polyester yarn (1100 dtex and over).

Some basic application areas of the yarns include cord fabric, industrial fabrics, chafer fabrics, single end cord, security belts, ropes and cordage.

Cord Fabric

At its hi-tech facilities, Kordsa Global processes Nylon 6.6, polyester (HMLS and Technical), rayon and aramid yarns, used in the production of cord fabric which gives tires strength and flexibility.

Single End Cord

Single end cord production uses a selection of synthetic yarns, such as nylon, polyester, aramid, rayon, and yarns containing natural fibers. Pursuant to customer specifications,

these yarns are spun in single ply or multi ply, and later cured to provide the 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, to meet a wide range of customer requirements. Developing its production in line with regional requirements, Kordsa Global produces three types of chafer fabrics: monofilament chafer fabrics, multifilament chafer fabrics and bulked chafer fabrics.

CapmaX®

Capmax® is engineered as a replacement for calendared tire cord fabric as a cap-ply material, Capmax is a ready to use textile reinforcement product that can be directly applied at the tire building machinery without the need of coating rubber. Through the process, Capmax® decreases the production costs and increases efficiency, by eliminating many stages in tire production such as calendaring and cutting. Capmax is applied without the need to use rubber decreasing the total amount

of rubber usage in the tire. Besides the increased cost advantage, reduction in rolling resistance contributes to the reduction in fuel consumption.

The potential market for Capmax®, is the Global Light Vehicle Tires Market, where cap ply is utilized. In this market, the most important factor is the extreme safety criterion in original equipment tires and the tire manufacturers make strict supplier contracts with the automotive industry. As a result, the new products go through tough, detailed and long approval phases. The approval tests are initially performed in the change market following periodical field performance tests to complete the general approval. That's why, for Capmax® the initial target market is the Change Market tires. Among these; low speed class tires mark the lowest risk segment for the product approval of cap strips..

Additionally tires with smaller rim size are the tires with the lowest profit margin; therefore the cost reduction efforts are inevitable. Moreover the change market, with its potential volume advantage (almost 80% of all the tires in the market) creates a high sale potential. Considering all these inputs, in the first phase a market strategy



CAPMAX®

that focuses on local clients in the emerging regions, which can increase their capacity with the cap stirp that can directly be applied without any additional investment in their current coating process was set and through this strategy, the product is commercialized in 2013, with initial sales to the clients in these regions.



Hybrid Cord Solutions

Products with combination of different kinds of fibers in one cord are called hybrid cords.

The product groups that consist of hybrid cords are commercially presented to the industry with the brand of “Twixtra®”. The Aramid Nylon 6.6 hybrid cord is the most preferred structure in this means. The manufacturers’ choice in high performance tires is the Aramid Nylon 6.6 hybrid cord structure. In 2013, Kordsa Global launched Twixtra® that can be acknowledged as the world’s lightest hybrid cord product. The product is very much lighter compared to its predecessor; it allows the tire to be

produced with fewer raw materials. Lighter tires mean better fuel consumption. In the upcoming years the volume of this product will increase significantly.



Protective Tire Shield

The cord structures made by plying the monofilaments together had been commercialized with “Monolyx®” brand.

Currently the production runs for carting tires. During the truck tire implementation in 2013, significant advantages came up. The rolling resistance decreased by 5% in the “cargo” tires, which Monolyx® is applied. With an average calculation, this means an annual return of 15% per tire. In the damp trucks, it is seen that especially in tough road conditions, the tire keeps its integrity and the tire damages are reduced. The client approval processes of both applications continue. Another very important feature of Monolyx® is that it is resistant to “cutting”. Monolyx®, with this special feature, which is 2.5 times better than standard textile materials, will be used as a protective layer in plane tires.



Concrete Reinforcement Fiber

Kordsa, with its fiber technology that has been acquired in many years, is developing a new concrete reinforcement fiber for the construction sector. These fibers will be used with the purpose of reinforcing the concrete while preventing the concrete cracks. Consequently, it is expected for Kratos to replace the materials that are used in floor concrete such as steel mash. Kratos Reinforcement Fiber, which was merited with a Golden Prize in the 2013 Golden Collar Award in Synergy Corporate Subcategory, with Akçansa and Çimsa in April, will be the

first domestic product in the national fiber market, which approximately, has a volume of 3.500 tons. The tests that are conducted in Istanbul Technical University Constructional Engineering Department reached its last phase and the product is targeted to be launched in the second half of 2014.

Kordsa® SA164 Technical Nylon

Kordsa rapidly spreads its industrial fabric production know-how through the other areas of technical textiles. The orders are taken after the connections with the leading fabric producers, protective textiles, net/cordage industries, fiber/flock manufacturers in Turkey and Europe has been established, for the Polyamid 66 fibers that has high endurance and erosion resistance with its different molecular structure.

Kordsa® Nylon 6.6 Products

Kordsa® T728

Yarn: T728

Polymer: PA66

Kordsa® T802

T802 cord fiber is mainly used in plane tires.

Kordsa Global is the market leader in this field.

Product Feature Highlights

- Lightness
- High processability
- Long life
- Enhanced safety
- High load capacity

Areas of Application:

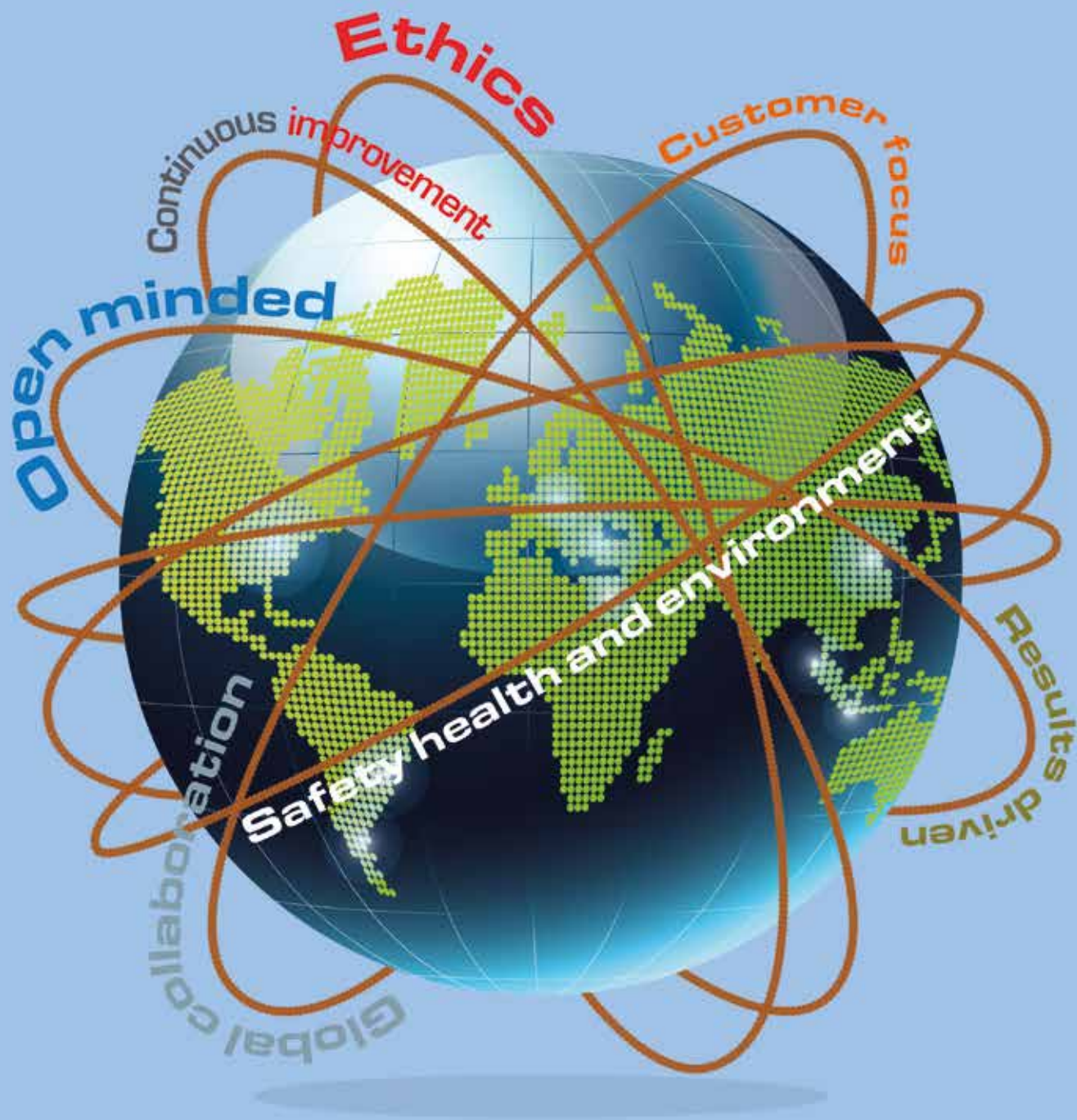
- Top band strip material for passenger and light commercial vehicles.
- Carcass, reinforcement strip material.

Kordsa® T728 SEC InterCord®

T-728 is the multifilament PA66 yarn product that is specially designed for advanced industrial solutions. It has high mechanical yarn quality with its enhanced physical properties. The product is widely used in the moduler tire production. Some other usage areas are hoses, airsprings and v-belts.



KRATOS™



Living our values for 41 years

Whenever you are in need, we are here to reinforce you with our values.

Global Markets

SAW AN UPTREND IN THE SECOND HALF OF 2013



The economic slowdown expectation in the Euro zone and the increasing vulnerability trend in the emerging countries brought together the expectations of downsizing for the global economy in 2013.



Tire manufacturers, in order to gain an edge in dense competitive environment, emphasized on operational efficiency and made their new investments in environment friendly tires to differentiate from their competitors.



Nevertheless, in the second half of 2013, in line with the occurrences in developed countries, a growth had been seen in global trade; upturns in the economic data had been surprisingly observed with the increasing demand. The increasing exportation within the emerging countries and the regional demand strengthening in China accelerated the world economy.



It is expected; for the global economy, which recovered and saw an uptrend in 2013, to continue growing in 2014 in line with the developments and all the sectors to be affected from this positive climate.



As the automotive industry; which is of great interest to the of Kordsa Global customers, therefore to Kordsa Global itself; recovered through the end of 2013 in China, Europe and North America; a sales record has been broken at the end of the year.



The increasing demand in tires according to all these positive developments, reflected to the profitability of tire manufacturers.

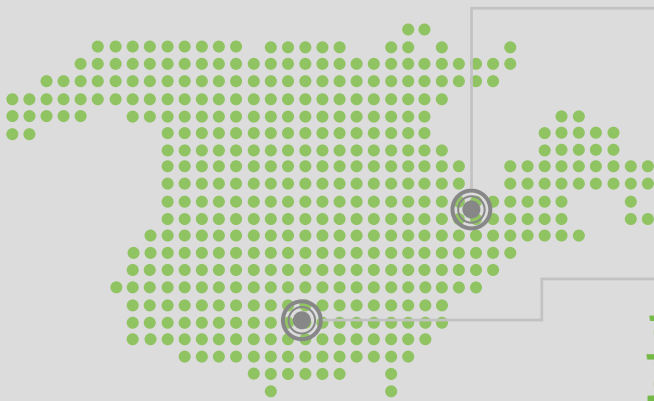


Kordsa Global is the global leader with 36% market share in terms of sales of high denier Nylon 6.6 yarn and fabrics; and ranks 4th in the world with 10% market share in high denier polyester market.

Our Regions and DEVELOPMENTS IN REGIONAL MARKETS

North America Region

Number 1 manufacturer in North America
Canada, United States of America, Mexico and Latin America



Facilities

Chattanooga, Tennessee

The facility, which produces Nylon 6.6 yarn, serves for the manufacturers of cord fabric, cordage, net and mechanical tires.

Laurel Hill, North Carolina

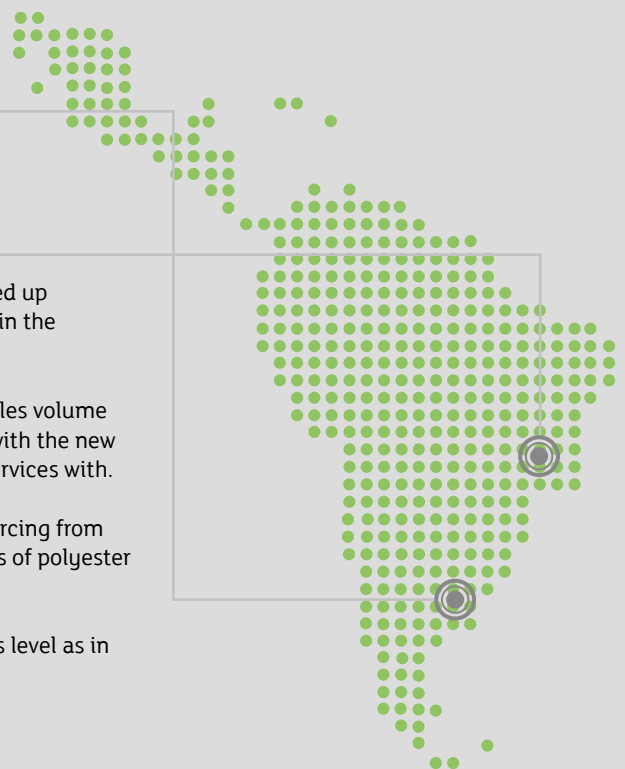
The facility produces Nylon 6.6 and polyester cord fabric for international and regional tire manufacturers.

Market

- The automobile sales increase 8% compared to the previous year and reached up to an amount of 15,6 units; creating a significant opportunity for tire manufacturers regarding the original equipment tire sales.

South America Region

Number 1 manufacturer in Latin America



Facilities

Argentina

The facility produces Nylon 6.6 yarn and offers its products to Kordsa Brazil and the manufacturers in Latin America.

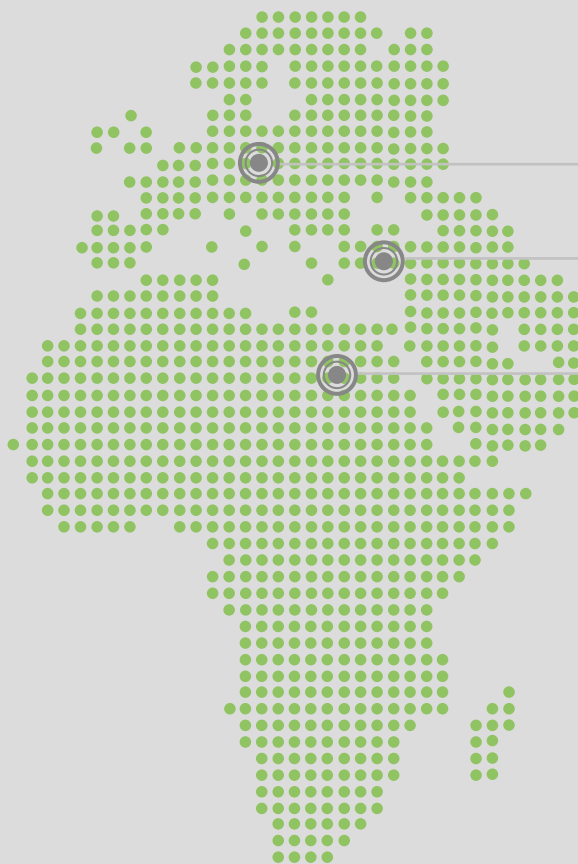
Brazil

The only Polyester cord fabric producer in Latin America. Reached up to 50% market share by serving 100% of the tire manufacturers in the region with the production of Nylon 6.6 cord fabric.

Market

- Kordsa Global targets to carry its successful sales volume in the original equipment tire market further with the new sectors that the company started to provide services with.
- The intense competition in Asia especially sourcing from Korea, is being effective on the prices and sales of polyester cord fabric.
- In 2014, the market is expected to maintain its level as in 2013.

EMEA Region



Number 1 manufacturer of the region
Europe, Middle East and Commonwealth of Independent States

Facilities

Interkordsa, Germany

The facility produces single end cord, which has high demand in the manufacturing of high performance passenger vehicle tires

İzmit, Turkey

The largest integrated facility of Kordsa Global serves for local and global clients.

Nile Kordsa, Egypt

Produces cord fabric for local and global tire manufacturers in Africa and Middle East.

Market

- With the positive economic climate that emerged during the second half of 2013 the sales of passenger vehicles increased by 11%.
- It is expected for the sales to accelerate in 2014.
- It is foresighted that the positive climate in passenger vehicles will reflect to the passenger vehicle tires positively.
- The market overall is in competition with the imported products of Asian manufacturers.

Asia Pacific Region

Leading manufacturer with the increasing production capacity and it advanced technology

Facilities

Indo Kordsa, Indonesia

Indo Kordsa, which produces Nylon 6.6 and Polyester yarn and cord fabric, serves for Kordsa Global's global clients and regional manufacturers that operate in Asia.

Thai Indo Kordsa, Thailand

Produces cord fabric for Kordsa Global's global clients.

China Sales Office

Market

- The Light commercial vehicles sales catches a strong growth rate with 12% in China, which is the most important country in th region.
- It is observed great sales activity before the new tax regulation in Japan
- In 2014, it is expected an increase in the sales according to the China and Southeast Asia effect.



WE CREATE VALUE

WITH OUR INNOVATIVE SOLUTIONS THAT WE DEVELOP IN OUR GLOBAL TECHNOLOGY CENTER FOR OUR COUNTRY, CLIENTS AND OUR COMPANY

29

TECHNICIANS

31

RESEARCHERS

5

SUPPORT STAFF

65

TOTAL

6

DOCTORATE

20

MASTERS

16 23 65

UNIVERSITY

OTHER

TOTAL

such as spinning, twisting, weaving, nurturing, finish and hybrid cord technologies.

Current R&D activities is being managed in 5 different platforms with the R&D Labs, under the Technology and Market Development Function;

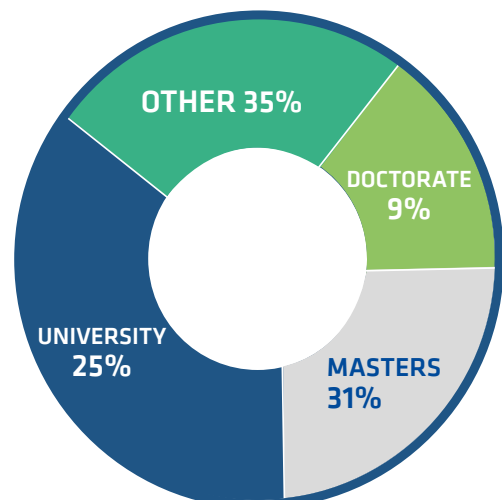
- Technology Development Platform
- Research and Labs Platform
- Rubber Reinforcement Platform
- Engineering and Equipment Development Platform
- Intellectual Property and Projects Coordination Platform

R&D Team

As of the end of last year, 29 technicians, 31 researchers and 5 support staff; a total of 65 people worked in 64 R&D projects that are executed within the year. Among these people, 6 of them doctorate and higher degree, 20 masters degree and 16 of them has university degree. In 2013 common projects and consultancy agreements with Sabancı University, Bosphorus University, Yıldız Technical University, Kocaeli University, İzmir High Technology University, Istanbul Technical University, Tokyo Institute of Technology, FORTH/ICE-HT Institute of Chemical Engineering Sciences, ETH Zurich and TITK Germany, continued.

A sponsorship support is provided for IUPAC 2013 - 44th World Chemistry Congress, which is one of the most important chemical congresses of the world for "Chemical Industry and Innovation". Additionally, the Technology Center team joined various international congresses with spoken and poster presentations.

The laboratories of Kordsa Technology Center are among the most comprehensive R&D laboratories in Turkey with its current and continuously improving infrastructure. It embodies pilot nurturing, yarn traction and twisting units, physical and chemical analysis, instrumental analysis, reology, optical analysis and tire analysis divisions. The Technology Center, which was accredited as Certified Research and Development Center on April 24, 2009, develops innovative products and technologies. The Center's capacity is doubled with the new investments, in order to provide its clients with better services and increase its innovation power. The technological competencies of the Center have also been significantly increased. New competency areas, such as tire technologies, nanotechnology and new fiber synthesis, finite element analysis, nurturing dips, reinforcement materials analysis and equipment design had been added to main areas of expertise





Among the ongoing 22 R&D projects; 17 national and 19 international; a total of 36 patent applications had been made.

TEYDEB Projects in Cooperation with TÜBİTAK

In 2013, it is applied with 5 new R&D projects to TÜBİTAK-TEYDEB Support Program and all of these projects were found worthy to be supported.

One of these projects has the special feature of being the first application of Kordsa Global to European Union Support Program. The 5 TEYDEB projects, which were executed in 2013, had been successfully completed.

Intellectual Property

In 2013, it is applied for brand registration in selected foreign countries for our Monolyx® ve Twixtra® brands and these brands had been registered in Europe. The registration processes in the other regions are ongoing.

Same year, among the ongoing 22 R&D projects; 17 national and 19 international; a total of 36 patent applications had been made. In 2013 among the three invention applications that had been done in the previous years; one of them in Turkey and Luxembourg, one of them in Turkey and one of them in USA resulted with patent registration. The patent registration processes for some of the mentioned inventions continue in different regions of the world.

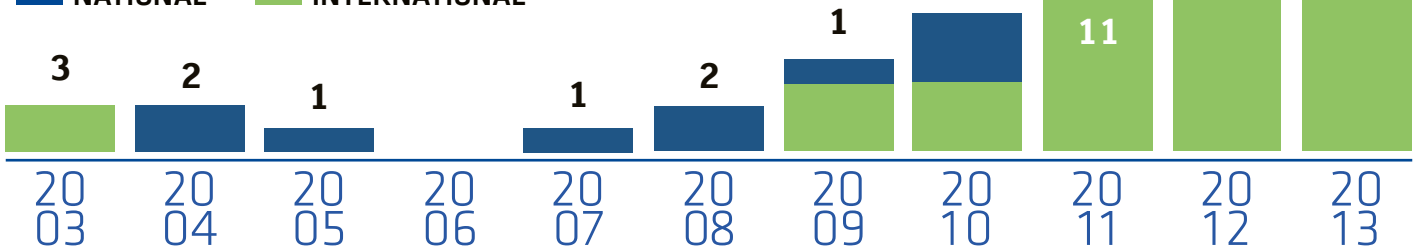
Turquality

As a result of the incentive applications that we made during 2013 to Turquality Support program, which since 2010, we are included with KORDSA® brand; we reached to the highest amount of incentive up to now. Within the incentive topics there are, Quality Documentation, Consultancy Services, Intellectual Property Registries, Promotion, Advertising, Marketing and Foreign Office Rent expenditures.



PATENT APPLICATIIONS

■ NATIONAL ■ INTERNATIONAL



**WE SUPPORT OUR EMPLOYEES' DEVELOPMENT IN AN ENVIRONMENT OF CULTURAL DIVERSITY IN ORDER TO GAIN THEM A GLOBAL EXPERIENCE, INVEST IN THEIR FUTURE AND
CREATE VALUE FOR THEM...**

OUR HUMAN RESOURCES STRUCTURE and IMPLEMENTATIONS



PLAIN ORGANIZATIONAL STRUCTURE



A GLOBAL HUMAN RESOURCES VISION IN LINE WITH THE COMPANY'S STRATEGIES



GLOBAL HUMAN RESOURCES PROCESSES AND REGIONAL IMPLEMENTATIONS



PERFORMANCE CULTURE



CONTINUOUS IMPROVEMENT WITH THE PARTICIPATION OF EMPLOYEES

GEOGRAPHICAL AND CULTURAL DIVERSITY

HOW DO WE CREATE VALUE?



THE RECRUITMENT PROCESS CALLED “KORDSALIZATION”, WHICH MAKES THE EMPLOYEES FEEL A PART OF KORDSA GLOBAL FROM THEIR FIRST DAY AT WORK



CLASS TRAININGS, KEEP ONLINE TRAINING PLATFORM, PROJECTS, AND INTERNATIONAL PROGRAMS



GLOBAL PROGRAMS SUCH AS, GENERATION NEXT, LEADERSHIP PRINCIPLES, ENGINEERING DEVELOPMENT, IN ORDER TO ENHANCE THE COMPETENCIES OF THE EMPLOYEES



INTERNATIONAL APPOINTMENTS, ENCOURAGING PERSONAL CAREER DEVELOPMENT



COACHING AND CONTINUOUS SUPPORT IN ORDER TO ESTABLISH TEAMS WITH HIGH PERFORMANCE

INTERNAL APPRECIATION AND RECOGNITION AWARDS FOR BLUE AND WHITE COLLAR EMPLOYEES: ALL STARS

EQUALITY AT WORKPLACE



KORDSA GLOBAL, BEING ONE OF THE FIRST COMPANIES TO PROVIDE AN EQUAL WORKING ENVIRONMENT FOR MEN AND WOMEN, APPLIES AN EQUALITY POLICY FROM THE RECRUITMENT TO RETIREMENT, WITH THE STRENGTH OF ITS ETHICAL PRINCIPLES

Corporate Governance Principles Compliance Report

1. Corporate Governance Principles Compliance Statement

Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret Anonim Şirketi, complies and applies the "Corporate Governance Principles" which was published on the fiscal year between dates January 1, 2013 and December 31, 2013 by Capital Markets Board (CMB).

Kordsa Global; has made up as a principle; to comply with the Corporate Governance Principles and the four main principles of Corporate Governance; Transparency, Being Equitable, Responsibility and Accountability, and as well, depending on the changing conditions, making regulations in the topics to be adapted;

Has taken necessary steps to comply with the Corporate Governance Principles and showed all of its shareholders and stakeholders that the company is aware of its responsibility for them, with its determination on compliance with Corporate Governance Principles and all its activities up to today;

Has set improving the compliance with the Corporate Governance Principles as a target, with all its employess and senior management, who are aware of the positive contributions of engaging in Corporate Governance Principles with the Company;

And in 2013, took necessary care to comply with the regulations in the Corporate Governance Principles, which are stated as mandatory/non mandatory in the attachment of; Capital Markets Board communiqué regarding the "Determination and Application of Corporate Governance Principles" Serial IV, No: 56 published on the Official Gazette No: 28158, dated 30 December 2011; communiqué regarding the "Amendment of Determination and Application of Corporate Governance Principles (Serial:IV, No:56)" Serial IV, No: 57 published on the Official Gazette No: 28201, dated 11 February 2012; and communiqué regarding the "Amendment of Statement Determination and Application of Corporate Governance Principles (Serial:IV, No:56)" Serial IV, No: 63 published on the Official Gazette No: 28567, dated 22 February 2013.

Consequently within the meaning of the communiqué Serial:IV, No: 56;

- In 2012, the election of the Independent Board Members has been completed,
- With our Company's Board of Directors' decision dated 21 February 2013, No: 2013/1; the items; 3., 4., 5., 6., 7., 9., 10., 11., 13., 14., 15., 16., 17., 18., 21., 22., 23., 24., 25., 26., 27., 28., 29., 30., 31., 32., 33., 34., 35., 39., and 40. of the Company's Articles of Association have been revised and items 8 and 20 have been cancelled; with the aim of compliance to the Turkish Commercial Code No: 6102, Capital Markets Board Law No: 6362, and secondary regulations.

The amendment of Articles of Association had been approved during the 2012 Ordinary General Meeting of Shareholders, dated 28 March 2012. The General Assembly Notification document had

thoroughly been prepared and presented to the acknowledgment of the shareholders and stakeholders, through posting in the Corporate Website, three weeks in advance of the General Assembly.

The implementation of the principles had been realized by; complying with the elements to be followed on topics such as, revealing the resumes of the candidates of the Board Membership, public announcement of the independent board member candidates, determination and public announcement of the wage policy, public announcement of the transactions regarding the related parties, establishment and structuring of the Committees; correspondingly, within the item regarding Committees Established Under the Board of Directors; the Risk Initiative Steering Committee had been established and its internal regulations had been approved.

However a full compliance has not been obtained yet, due to the reasons such as; the complications regarding the compliance with some of the non mandatory principles, the ongoing discussions in the international platform regarding compliance with some of the principles, and the fact that some of the principles do not overlap with the structure of our Company and our market. The developments on the topic are being followed and our efforts in obtaining compliance continue.

In the upcoming period, the regulations and implementations mentioned in the Capital Markets Board communiqué regarding the "CORPORATE GOVERNANCE STATEMENT" published on the Official Gazette No: 28871 dated 3 January 2014; will be taken into consideration and further necessary efforts will be conducted.

Correspondingly; with the aim of compliance with the Corporate Governance Principles that is covered in the "Corporate Governance Statement" No: II-17.1; it is applied to Capital Markets Board and the Turkish Ministry of Customs and Trade, Directorate General of Domestic Trade on 30 December 2013, for the revision of items 18 and 35 of our Company's Articles of Association, the required permissions are taken on 6 February 2014 and the subject had been presented to the acknowledgement of shareholders and stakeholders thoroughly in www.kap.gov.tr and the Company's corporate website; www.kordsaglobal.com; with the Board of Directors' decision dated 20 December 2013, No: 2013/24.

The amendment in the company's Articles of Association will be presented to the approval of shareholders in the first Ordinary General Meeting. The Corporate Governance Principles Compliance Reports of years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 are presented to the acknowledgment of our investors, on our <http://www.kordsaglobal.com> website; "Investor Relations" section, with the title of "Corporate Governance Principles Compliance Report" and also within the annual reports regarding these years.

Section I – Shareholders

2. Shareholder Relations Unit

The Company has an Investor Relations Unit. The Unit's activities are carried out under the coordination of Fatma Arzu ERGENE, Vice President, Finance and Sourcing.

The unit responsible is Volkan ÖZKAN, Global Finance Manager, (Tel: 0212-385 86 68, Fax: 0212-282 00 12, e-mail: volkan.ozkan@kordsaglobal.com) Moreover, within the Unit, Mustafa YAYLA is the person responsible of shareholder relations.

(Tel: 0212-385 85 30, Extension 28539, 28547, Direct Line: 0212-385 85 39, 385 85 47) (Fax: 0212-282 54 00, 0212 - 282 00 12, e-mail: mustafa.yayla@kordsaglobal.com)

The Investor Relations Unit, is in charge of providing regular information flow to the shareholders and potential investors about the Company's operations, financial situation and strategies; however, excluding confidential information and trade secrets, and without causing any information inequality. It is also responsible for ensuring a two-way communication between the Company's managers and the shareholders.

The Investor Relations Unit is in charge of managing the relationships with the shareholders. Within the context of such a duty, 60 phone calls were made with the intention of answering shareholder inquiries, during the 12-months in 2013. Furthermore, 30 shareholders were answered by e-mails, and 10 investors received information by visiting the Company headquarters in person.

3. Shareholders' Usage of Right to Information

Should any special event concerning shareholders occur, CMB (Capital Markets Board) and BIST (Borsa Istanbul A.Ş) are informed in a timely manner, and it is also announced on the Company's website. All information, excluding trade secrets, is shared with the shareholders, and shareholders are directly informed about the Company's strategies and activities.

During the 12-months in 2013, the Investors Relations Unit responded to a total of 100 inquiries via phone calls, e-mails and face-to-face meetings. Additionally, any information related to shareholders has been published on the Company's website, www.kordsaglobal.com, within the period as required by law.

During the 12-months period in 2013, no information or explanations affecting shareholders' right to information have been published on the Company's website.

The appointment of a Special Auditor has not as yet been stipulated as an individual right in our Company's Articles of Association and no such demand were received from the shareholders during the 12-months period in 2013.

4. General Meetings

The invitation to the General Meeting of Shareholders is made by the Board of Directors according to the provision of Turkish Commercial Code, Capital Markets Board and Company's Articles of Association. The public is immediately informed as the Board decision to hold a General Meeting is taken, through KAP. The General Meeting announcement is published at least 21 days before the General Meeting on, Company's corporate website on www.kordsaglobal.com, on the website of Central Registry Agency on Electronic General Meeting System.

All the necessary documents, related with the agenda items are publicly informed before the General Meeting, where in all announcements the legal processes and regulations are followed. Within the agenda of the General Meeting; the annual report, financial tables, corporate governance compliance report, proposed distribution of profits, independent audit report and legal auditor's report, if any amendments will be made in the Company's Articles of Association; the draft amendments including the former and new/changed texts; are opened for review three weeks in advance of the General Meeting, in the company headquarters and corporate website, allowing the easiest access for shareholders.

Additionally in the information documents regarding the agenda items, each agenda item is thoroughly explained, all the other prescribed information for the General Meeting sessions are presented within the principles. In the General Meeting sessions, the methodology used for voting of the agenda items is the open voting system with hand raise practice. Our shareholders, whose shares are (kayden??) monitored by the Central Registry Agency; can personally or with representation, participate in the physical general meeting in the announced place, or if they wish can participate in the General Meeting personally or with representation, through the Electronic General Meeting System provided by Central Registry Agency, using their secure e-signatures.

The shareholders may authorize their representatives using the Electronic General Meeting System and as well may, within the principles of Capital Markets Board II-30.1, authorize them by filling in and signing the power of attorney, which can be obtained from our Company headquarters and the company website www.kordsaglobal.com, and by notarizing their signature or by adding their notarized list of authorized signatures to the power of attorney, to be represented. The participation in the physical General Meeting Session may be done as; for the real person shareholders, by showing ID cards; for the legal person shareholders, by showing the ID cards and authorization documents of the people who are authorized to represent and to bind the legal person, for the representatives of real and legal persons, by showing their ID cards and representation documents, for the representatives who are authorized by Electronic General Meeting system by showing their ID cards and signing in the list of those present. The General Meetings are held in our company headquarters. Our Articles of Association allows the Meeting to be held; if necessary upon the decision of the Board of Directors; within the city limits of where the company headquarters is located; in another venue or in the company's branch offices, agencies or in the factory and in industrial plants.

The Meeting records may be reached from our website www.kordsaglobal.com, from www.kap.gov.tr and the page of Electronic General Meeting System. Moreover these records are available in our company headquarters for the review of our shareholders and given to those who demand.

The donations and charities within the term are acknowledged with a separate agenda item in the General Meeting.

The 2013 Ordinary General Meeting of Shareholders of Kordsa Global is held on 28 March 2013.

The Agenda of 2012 Ordinary General Meeting of Shareholders was determined with the Board of Directors' resolution, dated March 5, 2013, numbered 2013/5 and the agenda and General Meeting Information Document were announced to the public on www.kap.gov.tr as well as on the Company's website, www.kordsaglobal.com, 21 days prior to the General Meeting.

The Balance Sheet, P/L Account, Board of Directors and Auditor Reports, proposed distribution of profits and Articles of Association Amendment Text had been published for review of the shareholders, 3 weeks prior to the General Meeting; from 6 March 2013, Wednesday, in our company headquarters, on our company website www.kordsaglobal.com.

In addition to the mentioned documents, the information notes with the necessary explanations about the Capital Markets Board communiqué regarding the "Implementation of Corporate Governance Principles" Serial IV, No: 56, had been placed in our company website, www.kordsaglobal.com.

The shareholders participated in the Ordinary General Meeting physically and in electronic environment by themselves and via the attendance of their representatives.

The General Meeting was held on March 28, 2013, Thursday, at 10:30, at the Company's headquarters: Sabancı Center, 4. Levent, Beşiktaş, İstanbul, at Hacı Ömer Sabancı Holding Conference Hall, and under the supervision of the Ministry Commissioner Kezban UDGU, who was assigned for this duty with a letter of İstanbul Governorship, Directorate of Commerce, dated March 27, 2013. No: 9463; physically and in electronic environment.

The Meeting was conducted with the use of the Electronic General Meeting System, which is one of the new legal implementations of the Turkish Commercial Code No: 6102 and is a custom of TTL No:1527; with the participation of shareholders representing 92.4984% of the capital, and stakeholders.

Within this context, our shareholders who wish to use Electronic General Meeting System, connected to the meeting over the internet, followed the meeting concurrently via live broadcast and voted.

The resolutions made at the General Meeting were announced to the public on www.kap.gov.tr.

The shareholders used their right to question during the General Meeting and the related answers are given. There has been given

no agenda item suggestions by shareholders during the General Meeting.

The General Meeting records are being continuously presented for the review of shareholders in the company headquarters since 2005 and these records may be reached from www.kap.gov.tr and company website, www.kordsaglobal.com.

During the General Meeting;

- The information about the amount and benefiteres of the donations and charities during the term has been given to the partners with a separate agenda item. In 2012, the amount of donations and charities to various universities, associations, clubs and official organizations are; domestic TL2.190.831,64 and foreign (USD 1.200.000) TL2.151.000,00; totaling an amount of TL 4.341.831,64.
 - It is decided that the upper limit for the 2013 donations shall be the 5% of pre-tax net profit.
 - In accordance with the Turkish Commercial Code No: 6102 and with the Securities Exchange Act No: 6362, DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of DELOITTE TOUCHE TOHMATSU LIMITED) has been elected as auditor for a period of one years; in order to audit the financial reports of the company for the fiscal year of 2013 and to conduct other activities regarding the related regulations within these laws.
 - The Internal Memorandum on the Working Elements and Methods of Company General Meeting, which is prepared by the Board of Directors, had been approved.
 - The Amendments of the Articles of Association had been approved.
- No Extraordinary General Meeting of the Shareholders was held during 12-month period of 2013.

5. Voting Rights and Minority Rights

The Company's Articles of Association do not grant any privileged voting rights. The Company is not affiliated with any other company involving reciprocal shareholding.

The Company respects the exercise of minority rights, pursuant to the Turkish Commercial Code and CMB regulations, and the Company did not receive any complaints or negative criticisms regarding this matter.

6. Dividend Distribution

There are no privileges in terms of contributing to the Company profit. As per the Company's Board of Directors' resolution, number 816, dated March 14, 2006, the Company's dividend distribution policy has been defined as follows; and it was published on the Company's website and BIST (Borsa İstanbul) KAP as a "Material Event Disclosure", on the same date. It was also included in the Company's "Corporate Governance Principles Compliance Report", and was shared with the shareholders at the 2005 Ordinary General Meeting, held on March 31, 2006, and at the 2006 Ordinary General Meeting, held on April 27, 2007.

The Company's Dividend Distribution Policy

"In accordance with Capital Markets Board legislation, other legal provisions, and the Company's Articles of Association, the Company shall annually distribute profit in cash to its shareholders equivalent to at least 50% of distributable profit".

The Board of Directors annually reviews the aforementioned policy with consideration to domestic and global financial conditions, the state of projects in the pipeline and available funds.

Dividend distribution proposal was included in the 2012 Annual Report as a separate section, and was presented to the shareholders prior to the General Meeting. Dividend distribution proposal and the annual report are also available on www.kordsaglobal.com.

Articles 35, 36 and 41 of the Company's Articles of Association 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.

The Company distributed a gross dividend of TL 34.626.175,53 in 2013.

Year	2012	2011	2010
Amount (TL)	34.626.175,53	75.935.819,23	31.778.955,54
Percentage	% 17,80	% 39,04	% 16,3360

Additionally,

- With the Board of Directors' resolution dated 20 December 2013, No: 2013/24, with the aim of compliance with the Corporate Governance Principles that is covered in the "Corporate Governance Statement" No: II-17.1; it is applied to Capital Markets Board and the Turkish Ministry of Customs and Trade, Directorate General of Domestic Trade on 30 December 2013, for the amendment of item 35 titled DIVIDEND DISTRIBUTION of our Company's Articles of Association, the required permissions are taken on 6 February 2014 and the subject had been presented to the acknowledgement of shareholders and stakeholders thoroughly in www.kap.gov.tr and the Company's corporate website; www.kordsaglobal.com.

The amendment of the Article of Association will be presented for approval of shareholders during the first Ordinary General Meeting to be held.

- With the Board of Directors' resolution dated 27 February 2014, No: 2014/3;

The Dividend Distribution Policy of our Company, which is prepared in accordance with the Capital Markets Board communiqué regarding the "Dividend Statement" No: II-19.1, published on the Official Gazette No: 28891, dated 23 January 2014. According to this;

It is decided that;

The Company's Dividend Distribution Policy ("The Policy") to be approved, to present to the approval of the shareholders during the first General Meeting and to be publicly announced on the company website; for The Policy to be reviewed annually in cases on any negative situations in the national and global economic conditions or if found necessary, according to the situations of the projects in the pipeline and funds, any amendments in The Policy to be presented to the approval of the shareholders during the first General Meeting after the amendment had been done and to be publicly announced on the company website; the Dividend Policy is presented to the acknowledgment of the shareholders and stakeholders on the same day on www.kap.gov.tr and the company website www.kordsaglobal.com.

Briefly, our Company's Dividend Distribution Policy is; In accordance with the decision taken during the General Meeting, although the principle of determination of the amount of dividend to be distributed has been accepted, the Company shall distribute dividend in cash and/or in capital issue to its shareholders equivalent to at least 50% of distributable profit.

7. Transfer of Shares

The Company's Articles of Association do not contain any provisions that restrict the transfer of shares.

Share transfer is carried out in accordance with the Turkish Commercial Code and CMB regulations.

In accordance with the item 15 of Capital Markets Board communiqué regarding the "Share Statement" No: VII-128.1, published on the Official Gazette No: 28685, dated 22 June 2013; our following corporate partners;

TURSA SABANCI TURİZM VE YATIRIM İŞLETMELERİ A.Ş. on 21 October 2013, EXSA EXPORT SANAYİ MAMÜLLERİ SATIŞ VE ARAŞTIRMA A.Ş. on 22 October 2013, TEKNOSA İÇ VE DIŞ TİCARET A.Ş. on 6 December 2013 and , TEMSA GLOBAL SANAYİ VE TİCARET A.Ş. on 9 December 2013; applied to Central Registry Agency for their shares, which are registered in the Board registry of the partnerships that are traded in stock exchange, however with a nonexchangeable status in the stock exchange; and sold their shares in KORDSA GLOBAL A.Ş. to the market in BİST (Borsa İstanbul) with the following values and dates;

TURSA SABANCI TURİZM VE YATIRIM İŞLETMELERİ A.Ş. 151.625 shares with the nominal value of TL, 1.516,25 (0,000779%) on 11 November 2013, EXSA EXPORT SANAYİ MAMÜLLERİ SATIŞ VE ARAŞTIRMA A.Ş. 32.737 Shares with the nominal value of TL 327,37 (0,000168%) on 11 November 2013, TEKNOSA İÇ VE DIŞ TİCARET A.Ş. 135.666 shares with the nominal value of TL 1.356,66 (0,000697%) on 12 December 2013 and TEMSA GLOBAL SANAYİ VE TİCARET A.Ş. 5.211 shares with the nominal value of TL 52,11 (0,00027%) on 24 December 2013.

Sect Ion li – Public Disclosure And Transparency

8. Disclosure Policy

The Company adopts a disclosure policy compliant with CMB's Corporate Governance Principles. The Company's Disclosure Policy was debated and approved at the Board of Directors' meeting, No: 897, dated May 4, 2009, in accordance with CMB's "Communiqué on Principles Regarding Public Disclosure of Material Events", Serial: VIII, No: 54, which was published in the Official Gazette on February 6, 2009. The Policy was announced to the public as a material event on the same date, on www.kap.gov.tr and on the Company's website, www.kordsaglobal.com.

In compliance with CMB legislation and via the BİST, the Company regularly makes timely public notifications in accordance with this policy including: independently audited previous half and end of year consolidated reports prepared in conformity with international financial reporting standards (IFRS), unaudited first and third quarter consolidated reports and special material events requiring public notifications. Public notifications are made via the Company's website, www.kordsaglobal.com.

Other than the mandatory notifications as required by the legislation, all other notifications concerning investors and which do not qualify as trade secrets, are announced to the real persons and legal entities in a timely, accurate, complete, and easily understandable manner, and in compliance with CMB's principles regarding the "Public Disclosure of Inside Information".

The Company's President and CEO, Mr. Cenk ALPER is in charge of the execution of the disclosure policy.

Making material event disclosures is the responsibility of the Company's Global Deputy Finance Unit. In principle, material event disclosures are made in Turkish. In 2013 12-month period, it is made 26 material event disclosures within the legal time limits; hence the Company didn't face any sanctions.

Information is announced to the public in a timely, accurate, complete, easily understandable, easily interpretable, and easily accessible manner on Borsa Istanbul (BİST) Public Disclosure Platform (KAP), www.kap.gov.tr and on the Company's website www.kordaglobal.com.

In order to care the rules on the usage of internal confidential information, the Company has a list of "persons privy to inside information", and the employees on this list were asked to submit their statements as to their understanding of the responsibilities about protecting and not abusing such information. The Company is meticulous about asking the same statements from the new people added to the list.

9. Company Website and Its Contents

The Company's corporate website address is www.kordsaglobal.com. The content of the website is prepared in Turkish and English.

The website contains the information required by CMB's Corporate Governance Principles, under the sections of "Company Profile, Products, Research and Development, Production Facilities, Human Resources, Press Room, Investor Relations (Corporate, Annual Reports, Contact), and Information Society Services."

With regard to public disclosure, the Company actively uses its corporate website, www.kordsaglobal.com, as recommended in CMB's Corporate Governance Principles. The information on Kordsa Global's website cannot be substituted for the notifications and material event disclosures, which are required by the provisions of CMB legislation. All public notifications made by Kordsa Global are also available on the website. The website is structured and sectioned accordingly. The Company takes all the necessary measures to ensure the safety of its website. The website is prepared in Turkish and English, and its contents are created and designed in compliance with CMB's Corporate Governance Principles. Especially the announcement of the General Meetings, agenda items of the General Meetings and the related information document as well as all other information, documents and reports regarding the agenda items, and information about attending the General Meetings, are clearly included on the website. The Company continuously improves and updates its website.

The procedures and essentials of opening a website, allocating a determined part of this website for the legal announcements of the company and for information society services; had been regulated by the Public Act on The Websites to be Opened by Capital Companies, which was prepared by the Turkish Ministry of Customs and Trade and published on the Official Gazette dated 31 May 2013; and by Turkish Commercial Code item 1524, first clause.

The data sharing had been made by obtaining; the content to be announced by the company to be uploaded to the Company's determined pages with secure signature and time code stamp; keeping the uploaded content in a secure environment; keeping the content accessible and securely archived; integrating the content with the MERSİS system of Turkish Ministry of Customs and Trade; through benefiting from the e-company: Companies Information Platform, provided by Central Registry Agency; in accordance with Turkish Commercial Code item No: 1524.

The important information included on the website is outlined as follows:

- Detailed information on corporate identity
- The Company's organization and ownership structure
- Vision, mission, values and main strategies
- Members of the Board of Directors, and information about senior management
- Production facilities and product types
- Ethical values
- Corporate Governance Practices and compliance report
- Disclosure Policy
- Wage Policy
- Dividend Distribution Policy
- The Company's Articles of Association
- Trade registry information

- Financial information
- Annual reports
- Internal Memorandums
- The date, agenda, and agenda items of the General Meeting
- Press releases
- Material Event Disclosures
- Minutes and the attendance list of the General Meeting
- Sample proxy forms

The procedures regarding the management of the website are in our “Disclosure Policy”.

10. Annual Report

The Company’s annual report is prepared in such a way to include timely, complete and accurate information about the Company’s activities, and in accordance with the regulations of the Ministry of Customs and Trade’s “Regulations on Determination of the Minimum Content of the Annual Report of the Companies” published on the Official Gazette of 28 August 2012, No: 28395, CMB legislation, and CMB’s Corporate Governance Principles.

The annual report is then submitted to the Board of Directors for approval, and published on the Company’s website (www.kordsaglobal.com) for the information of the general public.

On the monthly, quarterly and bi-annual reports of the Board of Directors as well as on the Annual Report, the Company includes all the information required by Corporate Governance Principles, and pursuant to CMB’s “Communiqué on Determination and Application of Corporate Governance Principles” Serial: IV, No. 56, which was published in the Official Gazette of December 30, 2011, no. 28158; and CMB’s “Communiqué on the Amendments on the Communiqué on Determination and Application of Corporate Governance Principles (Serial: IV, No: 56)” Serial: IV, No: 57, which was published in the Official Gazette dated February 11, 2012, no. 28201; and the Appendix (Serial: IV, No: 63) of the former Communiqué (Serial: IV, No. 56), which took effect after being published in the Official Gazette on February 22, 2013, no. 28567.

The Annual Report 2012 had been presented for the review of our shareholders on our Company Headquarters, on Central Registry Agency’s Electronic General Meeting portal and on company website www.kordsaglobal.com, for three weeks prior to the General Meeting; within the frame of the regulations of Turkish Commercial Code, Regulation and CMB Legislation and also presented to the views and approvals of our shareholders during the General Meeting.

The Annual Report 2013 will be prepared regarding this framework and will be presented to the views and approval of the shareholders during the General Meeting.

Section Iii - Stakeholders

11. Informing the Stakeholders

Stakeholders are informed about the developments in the Company via public notifications made in accordance with applicable legislation. Public notifications are made by either press meetings or press releases. Additionally, the Company ensures that not only shareholders but also all stakeholders are informed by means of General Meetings, detailed information on the website, comprehensive annual report, press releases, and other practices carried out within the scope of the Company's disclosure policy with the principle of transparency.

Besides the information included in the financial statements and reports announced to the public in accordance with CMB legislation, the Company also provides verbal or written information (with the exception of information currently undeclared to the public) to its stakeholders, including employees, customers, distributors, syndicates, non-governmental organizations, the government, and potential investors, on issues of interest.

In 2013 12 –month period, Kordsa Global made 26 material event disclosures to Borsa Istanbul (BİST) Public Disclosure Platform (KAP) within the legal time limits, hence the Company didn't face any sanctions imposed by BİST or CMB.

Material event disclosures can be accessed on www.kap.gov.tr and the Company's website, www.kordsaglobal.com, under the Investor Relations section.

Company employees are informed by way of meetings, seminars, training programs organized according to their areas of specialization and interest, and also via e-mails. There is a company portal, on which employees can access all kinds of information and documents.

Employees can access all kinds of information and documents concerning themselves, and also manage various processes via the e-applications on the Company's network.

The Company constantly exchanges information with its customers and suppliers, and initiates joint projects in order to improve business processes.

The Company has established a mechanism which enables stakeholders to access the Audit Committee and/or the Corporate Governance Committee about practices, which violate the law, or are ethically inappropriate.

12. Stakeholders' Participation in Management

Shareholders, Company employees, customers, suppliers, and the society the Company interacts with are defined as the Company's stakeholders. Shareholders participate in the management of the Company at the General Meetings; whereas employees' participation in management is facilitated by means of annual

goal setting meetings, periodic internal meetings, and performance assessment meetings.

In addition, the 360-degree feedback mechanism gives employees, customers, suppliers and distributors the opportunity to communicate feedback on their respective issues. The results are then considered at the committee meetings, and the action plans to realize the necessary changes are established. These approaches intend to guarantee employee participation and contribution in terms of effective Company management.

13. Human Resources Policy

The Company's current human resources policy and practices are presented below; and have also been published on www.kordsaglobal.com. The Company's Vice President of Human Resources and Information Technologies, Mr. Hakan Öker is in charge of the execution of the HR policy.

Global Human Resources

Kordsa Global sees its workforce, located in nine countries across the world, as the most vital component in achieving its strategic goals, and implements human resources practices in line with a global strategy. Global Human Resources, within the Company, is responsible for developing and implementing this global strategy. Global Human Resources carries out the duties related to recruitment and placement, compensation and benefits, performance management, organization and human resources reviews and succession plans, leadership and employee development, international appointments, organizational climate, and other strategic HR processes, in line with Kordsa Global's sustainability and business goals.

Global Human Resources Vision

Global Human Resources' vision is to position the HR function as an important "business partner" of the Company's other functions, to provide services to internal customers at global standards, and to create a company that is an "employer of choice."

Global Human Resources Mission

Global Human Resources' mission is;

- to lead to attract and to retend a talented workforce to the Company
- to create a positive organizational climate,
- to foster empowerment and development of employees,
- to develop, implement and support programs/processes that satisfy the shareholders.

Principal Responsibilities of Global Human Resources

The function of Global Human Resources had been positioned as an "expertise center", and its main contribution and the expectations from this function had been kept at strategic level. The execution of operational level of human resources processes are majorly conducted by local businesses.

The Principal Responsibilities of Global Human Resources are;

- Developing and implementing HR policies, systems and processes, which support the Company's strategies and business needs;
- Developing and implementing plans at the global level to ensure organizational sustainability;
- Designing and managing structured development programs at different levels (e.g. young talent, mid-level management, senior management) in coordination with local and regional HR Teams to support corporate growth initiatives;
- Ensuring that high-caliber professionals are developed at all levels of the organization by creating different experience opportunities in line with the expectations of the Company and its employees.

In 2012 in connection with Global HR's vision, mission and strategies, Global Technical Development Program, Young Talent Development Program ("Generation Next"), Mid-Level Management Program (Leadership Fundamentals) continued. The content of the e-learning platform, "KEEP", which can be accessed from anywhere in the world, was enriched with training programs in English and local languages as well as with an in-class training module.

93% of the employees, a record rate, participated in the "Global Employee Survey," which aims to measure employee satisfaction and loyalty, and was conducted for the second time in 2012. In addition, the "Organization and Human Resources Review" process, and "Performance Management", which is implemented by the Company's senior management, were conducted successfully.

As part of the employer brand management approach, the Company made improvements to recruitment placement and orientation processes, and also began to use social media more actively and effectively. Global Recognition-Reward Program was revised under the principles of "All Stars", and as a result of the improved appraisal model, employees were awarded.

In line with the "Sustainable Profitable Growth" initiative of the Industry Group, entrepreneurship was made a priority, and in order to foster the entrepreneurial capabilities of employees and managers, a new competency set was created.

Additionally, The Company continued to provide qualified employees with international assignment opportunities to support their individual development as well as to improve the know-how at the Company's facilities.

Global HR continues its efforts through attracting and retention of talented workforce into the company. In this means, one of the most critical topics of 2013 will be; enhancement of the organizational climate and increasing the employee loyalty, by actions, which will be established and realized with the sponsorship of the Senior Management, under the ownership of all operation and sales leaders in all the businesses and with the coordination of all local HR teams. Additionally, the initiation of establishment of HR Information System, which will allow the HR Processes to be managed in an integrated way, is among our priorities.

The company has effective information channels with the employees. There has been no claims from the employees in 2013 and before on the issue of discrimination.

14. Ethical Rules and Social Responsibility

The Company conducts all its activities and relationships in accordance with the rules of business ethics, which have been approved by the Board of Directors. These ethical rules are shared with the public on the Company's website, www.kordsaglobal.com, and the Company organizes regular trainings to ensure that employees remain aware of the subject and are kept updated.

The Company fulfills its social responsibilities by donations and contributions to social foundations and associations, educational institutions, universities and other people, establishments and organizations, in accordance with the Company's Article of Association, Business Code of Conduct, Corporate Policies and Procedures, CMB Legislation, Turkish Commercial code and related regulations. Within this context, the company annually donates 5% of its pre-tax profit, subject to dividend, to Sabancı University.

Sect Ion Iv – Board Of Directors

15. Structure and Formation of the Board of Directors

The Company's Board of Directors is responsible for overseeing that the Company carries out its activities in compliance with the relevant legislation, Articles of Association, bylaws and predefined policies. With its strategic decisions, the Board of Directors manages and represents the Company by taking into consideration the Company's risks, growth and gains, and also by looking out for its long-term interests.

The Company's Board of Directors consists of seven members, who were elected at the 2011 Ordinary General Meeting held on April 18, 2012, and in accordance with the provisions of the Turkish Commercial Code and Articles of Association. The Board will continue to execute its duties until the 2014 Ordinary General Meeting, which will be held in 2015.

Pursuant to Article 25 of the Code on Effectiveness and Enforcement of Turkish Commercial Code Law No. 6103, (the provision about the resignation of real persons who were elected to the boards of incorporated companies as representatives of the legal entity, and the requirement for a re-election), the Company complied with Article 25 of the Turkish Commercial Code with the Board of Directors' resolutions No. 983, dated September 17, 2012; No. 984, dated September 18, 2012; No. 985, dated September 19, 2012; No. 986, dated September 20, 2012; and No. 987 and 988, dated September 21, 2012.

During the 2012 Ordinary General Meeting of Shareholders; the approbation of the appointments of Mehmet Nurettin PEKARUN, Mustafa Nedim BOZFAKIOĞLU, Seyfettin Ata KÖSEOĞLU, Bülent BOZDOĞAN and Neriman ÜLSEVER, who were elected to serve an additional time for their Board memberships, pursuant to Article 25 of the Law No: 6103; had been voted and approved.

With the Board resolution dated 29 March 2013, No: 2013/7; the Board of Directors made an internal task allocation pursuant to the company Articles of Association, after the 2012 Ordinary General Meeting of Shareholders, which is held on 28 March 2013.

Seyfettin Ata KÖSEOĞLU, a Member of the Board resigned from his duties as of 20 September 2013 and Peter Charles HEMKEN was elected to replace him, to be put to vote in the first General Meeting.

Mustafa Nedim BOZFAKIOĞLU, a Member of the Board and Vice Chairman, resigned from his duties as of 20 December 2013 and Seyfettin Ata KÖSEOĞLU to fill the empty chair of Board Membership had been elected, to be put to vote in the first General Meeting.

Neriman ÜLSEVER had been elected for the duty of Vice Chairperson, replacing Mustafa Nedim BOZFAKIOĞLU, as of 20 December 2013.

The structure of the Board of Directors had been established pursuant to the CMB principles. The distinction between Members of the Board, executive, non executive and independent board members is as follows.

Mehmet Nurettin PEKARUN: Chairman (executive)

Neriman ÜLSEVER: Vice Chairperson (executive)

Elected on 20 December 2013.

Member of the Corporate Governance Committee

Member of the Risk Initiative Steering Committee.

Peter Charles HEMKEN: Member (non-executive)

Elected on 20 September 2013

Bülent BOZDOĞAN: Member (non-executive)

Member of the Corporate Governance Committee

Seyfettin Ata KÖSEOĞLU: Member (non-executive)

Elected on 20 December 2013

Atıl SARYAL: Independent Member (non-executive)

Elected on 18 April 2012

Chairman of the Corporate Governance Committee

Member of the Audit Committee

Chairman of the Risk Initiative Steering Committee.

Hüsnü Ertuğrul ERGÖZ: Independent Member (non-executive)

Elected on 18 April 2012

Chairman of the Audit Committee

The qualifications and the election criteria for the Members of the Board are specified in the items 19 and 22 of the Company's Articles of Association. The required qualifications are in line with the related items of CMB's Corporate Governance Principles.

The management rights and the authorities to act of the Board of Directors are defined in the items; 14, 16, 17, 18, 19, 21, and 22, of the Company's Articles of Association and publicly announced on www.kordsaglobal.com. On the other hand, the authorities and the responsibilities of the Directors of the Board, could not

be decided with the Company's Articles of Association. However these authorities and responsibilities are determined by the Company's Board of Directors. The facts that the shareholders with majority shares, members of the board, senior managers and their wives and second degree blood and affinity relatives do not run any transactions, which may cause conflict of interest with the Company or its subsidiaries; they are not involved in any commercial activity neither for themselves nor for other people, regarding the company's or its subsidiaries' lines of business and they are not assigned to any other company in the same line of commercial activity as an unlimited partner; are presented to the acknowledgement of our shareholders during the 2012 Ordinary General Meeting of Shareholders, which had been held on 28 March 2013; as mentioned in item 1.3.7 of CMB's Corporate Governance Principles. Although they are permitted by the General Meeting, pursuant with the Turkish Commercial Code items 395 and 396; in 2013 12-month period, the Members of the Board were not involved in any transaction neither for themselves nor for other people, and were not involved in any initiatives that may compete with the company's lines of activity, In 2013 12-month period, there had been changes in the Board of Directors.

However these authorities and responsibilities are determined by the Company's Board of Directors. The facts that the shareholders with majority shares, members of the board, senior managers and their wives and second degree blood and affinity relatives do not run any transactions, which may cause conflict of interest with the Company or its subsidiaries; they are not involved in any commercial activity neither for themselves nor for other people, regarding the company's or its subsidiaries' lines of business and they are not assigned to any other company in the same line of commercial activity as an unlimited partner; are presented to the acknowledgement of our shareholders during the 2012 Ordinary General Meeting of Shareholders, which had been held on 28 March 2013; as mentioned in item 1.3.7 of CMB's Corporate Governance Principles. Although they are permitted by the General Meeting, pursuant with the Turkish Commercial Code items 395 and 396; in 2013 12-month period, the Members of the Board were not involved in any transaction neither for themselves nor for other people, and were not involved in any initiatives that may compete with the company's lines of activity, In 2013 12-month period, there had been changes in the Board of Directors.

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Board of Directors

1. MEHMET NURETTİN PEKARUN – CHAIRMAN OF THE BOARD OF DIRECTORS (EXECUTIVE) Term (September 30, 2010) April 18, 2012 – March 2015 (Until the 2014 Ordinary General Meeting of the Shareholders)

A graduate of Boğaziçi University, Industrial Engineering Department, Mehmet Nurettin Pekarun received his Master's degree in Finance and Strategy from Purdue University (USA).

He began his professional career in 1993 at Transportation Systems Department of General Electric USA, and he subsequently went on to work for GE Healthcare Europe from 1996 to 1999, first as Director of Finance for Turkey and Greece, and later as Director of Finance for Eastern Europe.

Mehmet Pekarun was Managing Director for GE Lighting Turkey from 1999 to 2000, and served as Director of Business Development Unit and Managing Director of Medical Accessories Unit at GE Healthcare (EMEA region) between 2000 and 2005. From March 1, 2006 to September 30, 2010, Pekarun was the President and CEO of Kordsa Global. On September 29, 2012, Mehmet Pekarun was appointed as the President of Tires, Reinforcement Materials and Automotive Group at Hacı Ömer Sabancı Holding A.Ş., and he has been serving as the President of Hacı Ömer Sabancı Holding A.Ş. Industry Group since March 1, 2011.

2. NERİMAN ÜLSEVER – VICE CHAIRPERSON (EXECUTIVE) MEMBER OF CORPORATE GOVERNANCE COMMITTEE MEMBER OF RISK INITIATIVE STEERING COMMITTEE Term (August 16, 2011 – March 2015)

(Until the 2014 Ordinary General Meeting of the Shareholders) Neriman Ülsever graduated from Boğaziçi University, Department of Business Management and Operational Research in 1975. She began her professional career in 1973 at Turkish Airlines, and later assumed various roles at Anadolu Bankası A.Ş., Emlak Bankası A.Ş., Group Sanfa and Impexbank, respectively. Starting from 1995, Ms. Ülsever was the Managing Partner at her own company, IKE Ltd., and specialized in human resources consultancy and training.

In 1995, she joined Indesit Company, and assumed several roles within the group as well as international positions. From 1999 to 2002, she worked in Switzerland as HR Director in charge of Eastern Europe and International Markets. Between 2001 and 2004, she also worked in France as HR Director in charge of Western Europe region. Ms. Ülsever was the HR Director in charge of world trade organization in Italy between 2004 and 2006. From 2006 to 2010, she served as Global HR Director and Executive Board Member at Indesit Company Group in Italy. Ms. Ülsever has served as Board Member at Indesit Turkey since 1996, and she was appointed as Indesit Turkey's Chairperson of the Board on January 1, 2011. On May 16, 2011, she was appointed as President of Human Resources Department at Sabancı Holding, and she fulfills both roles simultaneously.

3. Peter Charles HEMKEN – Board Member

Term September 20, 2013 – March 2015

(Until the 2014 Ordinary General Meeting of the Shareholders)

Mr. Hemken graduated with distinction from Iowa State University in 1977 with a BS degree in Chemical Engineering. He earned an MBA degree from the Robins School of Business at the University of Richmond in 1982.

Serving DuPont Company for 35 years, he worked as high level executive in all areas of business development and growth, as well as restructuring and turnaround situations. Peter led the formation, restructuring and growth of a major joint venture with Sabancı Holding A.S. of Istanbul, Turkey from 2000 to 2006 as chief executive officer of DuPont-Sabancı International as it was called back then.

Currently he runs his own business. Strategy Development Partners LLC provides strategy and business development consulting services for small and medium sized businesses and not-for-profit organizations.

4. BÜLENT BOZDOĞAN - BOARD MEMBER

Member of the Corporate Governance Committee

Term (August 3, 2010) April 18, 2012 - March 2015)

(Until the 2014 Ordinary General Meeting of the Shareholders)

Bülent Bozdoğan graduated from Middle East Technical University, Department of Business Administration. During his professional career spanning 30 years, he has worked in auditing, finance, purchasing and planning at PwC, Unilever, Brisa, Kordsa Global and Sabancı Holding's various domestic and international companies. Mr. Bozdoğan has been serving as President of Audit at Sabancı Holding A.Ş. since December 1, 2011. He is also a Board Member and Secretary General for the Institute of Internal Auditing - Turkey. Mr. Bozdoğan is married and has two children.

5. SEYFETTİN ATA KÖSEOĞLU - BOARD MEMBER

Term (August 16, 2011) April 18, 2012 – December 20, 2013 – March 2015

(Until the 2014 Ordinary General Meeting of the Shareholders)

After graduating from Boğaziçi University, Department of Mechanical Engineering, Seyfettin Ata Köseoğlu completed his post graduate degree at Lehigh University, Department of Electrical Engineering, and received an MBA degree from Boston University. Mr. Köseoğlu began his banking career at İktisat Bank, and later worked at Finansbank from the time of its founding until 1994 as Assistant General Manager in charge of Investment Banking, Treasury and Capital Markets, Asset Management and International Relations. From 1994 to 1999, he worked at Bear Stearns (New York), one of the world's largest investment banks, as Managing Director in charge of Investment Banking activities in Turkey, Greece and Egypt. He then relocated to Paris and worked at the Investment Banking Department of Société Générale as Managing Director in charge of Turkey and Middle East.

Within the scope of his duties at this position, Mr. Köseoğlu was in charge of managing and improving the relationships between Société Générale and the important customers in the region. He also helped develop the Banks' local finance strategy. Between 2000 and 2005, Mr. Köseoğlu worked in London/Istanbul for Credit Suisse First Boston Bank as Managing Director/CEO in charge of corporate financing, project financing, capital markets, fixed income and derivative products. He joined BNP Paribas/ TEB Group in 2006, and later served as Chairman of the Board and CEO at TEB Investment. At this position, he participated in various mergers and acquisitions, and made TEB Investment one of the five largest intermediary institutions in terms of transaction volume and profitability. Ata Köseoğlu currently serves as the Hacı Ömer Sabancı Holding A.Ş. Strategy and Business Development Group President.

**6. ATIL SARYAL - INDEPENDENT BOARD MEMBER
CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE
MEMBER OF THE AUDIT COMMITTEE
CHAIRMAN OF THE EARLY IDENTIFICATION OF THE RISK
COMMITTEE Term - April 18, 2012 – March 2015
(Until the 2014 Ordinary General Meeting of the
Shareholders)**

Born in 1938 in Ankara, Atıl Saryal completed his elementary and high school education in Ankara, and later received his engineering degree from the University of Texas.

On his return to Turkey, he first began working in the banking industry, and then joined Sabancı Group. He served as General Manager at Adana Sasa and Marsa, and he was the President of Adana Chamber of Industry for 8 years. He was also Board Member at Philips, Exsa, and Plassa. Mr. Saryal was later appointed as the President of Food and Retail Group, and served as Chairman of Kraftsa, Danonesa, Diasa, Carrefoursa, Marsa, and Sapeksa. In 2002 Mr. Saryal retired from his duties as Group President, and in 2004 from his duties as Chairman and Board Member. He also quit his Board Membership at TÜSIAD (Turkish Industry and Business Association).

Mr. Saryal currently serves as Independent Board Member at Kordsa Global, and also as Board Member and consultant at Akçansa, Olmuksa, and Carrefoursa.

**7. Hüsnü Ertuğrul ERGÖZ – INDEPENDENT MEMBER
CHAIRMAN OF THE AUDIT COMMITTEE
Term April 18, 2012 – March 2015
(Until the 2014 Ordinary General Meeting of the
Shareholders)**

Hüsnü Ertuğrul Ergöz graduated from Robert College, Department of Chemistry in 1963. He received his Master's degree from Middle East Technical University (METU) in 1965, and his PhD degree from Florida State University in 1970. Between 1972 and 1976, Ergöz was a professor at METU, Department of Chemistry.

He began his professional career as Technical Studies and Projects Specialist at Kordsa, and later assumed various roles within Sabancı Holding and its companies, such as Brisa. Ergöz retired from his

latest position as General Secretary of Sabancı Holding in 2003. After his retirement, Ergöz served as Board Member at Pressan A.S., and he currently carries out studies on "Institutionalization of Family Businesses".

• SEYFETTİN ATA KÖSEOĞLU (MEMBER)
(August 16, 2011 - March 2015)
(Resigned from his duties as of September 20, 2013)

• MUSTAFA NEDİM BOZFAKIOĞLU (VICE CHAIRMAN)
(August 3, 2010- March 2015)
(Resigned from his duties as of December 20, 2013)

Senior Management:

1. Cenk Alper (President and CEO) (Chief Executive Officer)

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.

Cenk Alper was appointed as Vice President responsible of Operations on October 2010 and has been appointed **CEO and President on June 17, 2013.**

2. Ali Çalışkan (Vice President, Operations)

Ali Çalışkan received his BSc degree from Middle East Technical University, Mechanical Engineering Department in 1983. He started his professional career in Soyut Holding as Project Engineer in 1984. He joined Kordsa Turkey in 1986 as Technical Office Engineer and after the establishment of Dusa (SA-DUPONT Joint Venture) in October 1987; he was transferred to Dusa as Project Engineer. From 1989 to 2005, he assumed managerial roles in Polymer Production, Yarn Production, Engineering Maintenance and Support, Project and Production Departments of Dusa and Kordsa Turkey. In 2005, he was promoted as Operations Director, Kordsa Turkey and in 2009 appointed as Operations Director, Kordsa Turkey & Nilekordsa. Since March 2010, Çalışkan was holding Operations Director, Indo Kordsa position and has been assigned as Vice President, Operations on June 17, 2013.

3. Bülent ARASLI (Başkan Yardımcısı, Satış)

After getting the BA degree in Business Administration from Middle East Technical University in 1982, Bülent Araslı continued his education with the MBA program at Bosphorus University. He started his

professional career in 1982 as an Export Specialist at Çukurova Foreign Trade Co. and went on to work for M.A.N. Bus and Truck Co. as salesman.

He joined Kordsa in 1986 as an Export Specialist. After a range of responsibilities in Marketing and Sales function, he was assigned as Europe, M. East & Africa Region Marketing and Sales Director in year 2000. Between 2005 and 2009, he worked as Single-End-Cord Global Business Director and General Manager of Interkordsa GmbH and Kordsa GmbH in Germany. Starting from May 2009 he assumed Global Accounts and Market Intelligence Director position.

Bülent Araslı has been appointed as the Vice President, responsible for Sales in October 2010.

4. Hakan Öker (Vice President, Human Resources (HR) and Information Technologies (IT))

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.

5. Fatma Arzu Ergene (Vice President, Finance and Sourcing)

Arzu Öngün Ergene graduated from Marmara University department of Business Administration in 1991 and completed her MBA in 1993 from Loyola University of Chicago.

Ergene was joined Kordsa Global as Marketing Specialist in 1991 until 1999. She served as Finance Manager between 1999 and 2005, as EMEA Finance Director between 2005 and 2009, and as Global Purchasing Director between 2009 and 2013. On June 1, 2013 Ergene was appointed as Vice President, Finance and Purchasing.

6. İbrahim Özgür Yıldırım (CTO - Chief Technology Officer) (Appointed on October 1, 2013)

İbrahim received his BSc degree from METU, Chemical Engineering Department, and his MBA degree from Sabancı University in 1993 and 2005 respectively. He started his professional career at Rafine Chemicals in 1994 and worked in different manufacturing companies until he joined Sakosa as Technical Engineer in 1998. During his Sakosa experience he worked as Technical Engineer and Production Engineer between 1998 and 2005. In 2007, he was appointed as Technical Manager at Kordsa Turkey and transferred to Global Technology Center as New Product Development Manager in 2008. In 2009, İbrahim was appointed as New Product and Process Development Director and then in 2011, he was appointed as

Technology Development Director. On October 1, 2013 he has been appointed as **the Chief Technology Officer**.

16. Operating Principles Of The Board Of Directors

The Board of Directors convenes as frequently as required in order to effectively fulfill its duties; operates in a transparent, accountable, fair, and responsible manner and at the same time looks out for the Company's long term interests.

During the 12-month period in 2012, the Company's Board of Directors made 25 resolutions, out of which 18 were reached via mail and circulated.

OPERATING PRINCIPLES of the Board of Directors, quorums for meetings and resolutions are applied in pursuant to the items 14, 15, 16, 17, 18, 19, 21 and 22 of the Company's Articles of Association.

No opposing views were expressed at the meetings held in 2013 12-month period against the resolutions of the Board of Directors.

17. The Number, Structure and the Independence of the Committees Formed by the Board of Directors

The Board of Directors forms and benefits from several committees in order to effectively fulfill its duties and responsibilities. The decisions reached by these Committees after conducting some studies are presented in the form of proposals to the Board's consideration, and the Board makes the final decision.

The Board of Directors has formed; Audit Committee and Corporate Governance Committee (formed in accordance with Board of Directors' resolution No. 979, dated April 24, 2012) and Risk Initiative Steering Committee (formed in accordance with Board of Directors' resolution No. 2013/15, dated August 2, 2013). Other than these, no other committees have been formed.

As a necessitation of the item 4.5 The Committees Under the Board of Directors of CMB's Communiqué on Determination and Application of Corporate Governance Principles (Serial: IV, No: 56)" dated February 22, 2013; which was amended in pursuant to the "Communiqué", Serial: IV, No: 63; it has been decided for the formation of a separate "Risk Initiative Steering Committee" and separate from the body of Corporate Governance Committee. The Board of Directors has approved the revised internal regulations of Corporate Governance Committee as a result of Risk Initiative Steering Committee being separated from Corporate Governance Committee and decided that the duties of the Nomination Committee and Remuneration Committee to be taken over by the Corporate Governance Committee.

Corporate Governance Committee;

Monitors the Company's compliance with Corporate Governance Principles, makes improvement suggestions to the Board, and supervises the operations of shareholder relations unit. Additionally, Corporate Governance Committee also functions as "Nomination Committee", and "Remuneration Committee".

Audit Committee;

Fulfills the indicated tasks by CMB Legislation for the Audit Committee. Additionally, the Committee is also in charge of overseeing the Company's accounting system, public disclosure of financial statements, independent auditing, the functioning and effectiveness of the internal control system.

Risk Initiative Steering Committee;

The Company has initiated the formation of a separate Risk Initiative Steering Committee, in accordance with CMB's "Communiqué on the Amendments on the Communiqué on Determination and Application of Corporate Governance Principles (Serial: IV, No: 56)", Serial: IV, No: 63, which took effect after being published in the Official Gazette on February 22, 2013, no. 28567. The Committee had been established with the Board of Directors resolution No: 2013/15, dated, August 2, 2013.

DENETİMDEN SORUMLU KOMİTE, KOMİTE ÜYELERİ VE ÇALIŞMA ESASLARI

Name Surname	Title	Nature of Board Membership
Hüsnü Ertuğrul ERGÖZ	Chairman of the Audit Committee	Independent Board Member
Atıl SARYAL	Member of the Audit Committee	Independent Board Member

Audit Committee

The duty of the Audit Committee, which was established in accordance with the Board of Directors' resolution No: 743, dated March 17, 2003; within the context of the item 28/A clause added with the Communiqué Serial:X No: 19 to CMB's "Communiqué on Independent Audit in Capital Markets" Serial:X, No:16; is to inform the Board of Directors about the Company's accounting and financial reporting systems, publically announced financial statements, the activities of the internal audit department, and the progress and the effectiveness of independent auditing and internal control and as well to support and to supervise the Company's efforts to comply with CMB regulations, applicable laws and regulations, Corporate Governance Principles, and ethical rules.

Structure and Responsibilities of the Audit Committee

The Audit Committee consists of two people; Independent Board Member, Mr. Hüsnü Ertuğrul ERGÖZ as Chairman, Independent Board Member Mr. Atıl SARYAL as member. (Both were elected on April 18, 2012.)

Following the 2012 Ordinary General Meeting of Shareholders on March 28, 2013, which was held in accordance with the Board of Directors resolution dated March 29, 2013 No: 2013/7; it is decided the members of the Audit Committee to sustain as mentioned above.

Committee members consist of people who do not undertake direct executive function, are Independent Members of the Board of Directors, and have sufficient knowledge and experience on financial matters. The Chairman and the Member of the Audit Committee are appointed by the Board of Directors. The Company's internal control department carries out the reporting function for the Audit Committee, and the reporter is appointed by the Chairman of the Audit Committee. The Board

of Directors provides the resources and support necessary for the functioning of the Audit Committee.

The Audit Committee is in charge of overseeing the Company's accounting system, public sharing of financial statements, independent auditing, the functioning and effectiveness of the internal control system.

Consequently, it supervises the Company's financial and operational activities; ensures that internal and external audits are carried out properly; gives its opinion on the authenticity of financial statements; makes suggestions to the Board on the selection of the independent audit firm; oversees the Company's compliance with corporate governance policies through the internal audit department, and also the Company's policies regarding the investigations on fraudulent transactions, poor management, conflicts of interest, and legal and ethical integrity; and consults with the internal audit department to assess the adequacy of the internal control system. The Audit Committee convenes regularly and serves as a communication bridge between the Board of Directors, finance managers, independent auditors and internal control department.

The Audit Committee reports to the Chairman of the Board of Directors about its activities, findings and recommendations concerning duties and responsibilities.

Committee Meetings

The Audit Committee convenes on at least a quarterly basis, either at the Company's headquarters or at another location upon the invitation of the Chairman.

The Audit Committee can convene for an extraordinary meeting upon the invitation of the Chairman of the Board of Directors or Chairman of the Committee. The Audit Committee can also hold meetings with the auditors and the Company's managers on a special agenda.

In 2013 12 – month period, The Audit Committee convened for 4 meetings on March 5, May 10, August 20, and November 8, 2013 and reviewed the internal audit reports, approved the audit calendar, and presented a report to the Board of Directors on the authenticity and accuracy of consolidated financial statements to be shared with the public.

INTERNAL AUDIT DEPARTMENT

The Company's Internal Audit Department reports directly to the Audit Committee, which consists of Board Members, as per the principle of independence. The management of the internal control mechanism at the Company is the responsibility of the executive committee and the Company's affiliated partners; and it is coordinated and supervised by the Company's internal audit department. The duty of the internal

audit department is to check the reliability and accuracy of financial statements of the Company and its affiliated partners; to ensure that all activities are carried out in compliance with the laws and the Company's accepted ethical rules; to identify current and potential risks by analyzing processes in order to improve operational efficiency and productivity; to assist in finding solutions, which can minimize or eliminate such risks. The internal audit department is responsible for reporting periodically to The Audit Committee. In 2013 12 – month period the internal audit department convened for 4 meetings with the Audit Committee on March 25, June 24, September 16, and December 12, 2013 and presented a report to the Board of Directors on the authenticity and accuracy of consolidated financial statements to be shared with the public. Additionally the committee reviewed the internal audit reports during the meeting on December 12, 2013 and reported this to the Board of Directors .

CORPORATE GOVERNANCE COMMITTEE, COMMITTEE MEMBERS AND OPERATING PRINCIPLES

Name Surname	Title	Nature of Board Membership
Atıl SARYAL	Chairman of the Corporate Governance Committee	Independent Board Member Member of the Audit Committee
Neriman ÜLSEVER	Member of the Corporate Governance Committee	Vice Chairperson Member of the Risk Initiative Steering Committee
Bülent BOZDOĞAN	Member of the Corporate Governance Committee	Member of the Board

Corporate Governance Committee

The Corporate Governance Committee was established in accordance with CMB's Corporate Governance Principles, and with Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.'s Board of Directors' resolution No: 979, dated April 24, 2012, its internal regulations are approved, then the internal regulations revised and approved with the resolution dated August 2, 2013 No: 2013/15.

As a necessitation of the item 4.5 The Committees Under the Board of Directors of CMB's Communiqué on Determination and Application of Corporate Governance Principles (Serial: IV, No: 56)" dated February 22, 2013; which was amended in pursuant to the item 6 of the CMB "Communiqué", Serial: IV, No: 63 Date: February 22, 2013; the Chairman of the Corporate Governance Committee is appointed by the Kordsa Global's Board of Directors from among the independent members.

The Corporate Governance Committee, in accordance with CMB's Corporate Governance Principles, consists of at least two people one of them the Chairman; who are appointed by Kordsa Global's Board of Directors.

With the Company's Board of Directors resolution date: February 27, 2014, No: 2014/2; it is decided that the current Member of the Board, Bülent BOZDOĞAN, residing in Aşağı Dudullu Mahallesi Yurtseven Sokağı Sinpaş Istanbul Palace Evleri No:19 34773 Ümraniye – İSTANBUL; a citizen of Turkish Republic with the ID No: 24151936056, who measures up with the criteria set within

the context of CMB's "Communiqué on Corporate Governance" No: II-17.1, published on Official Gazette date: January 3, 2014 No: 28871, to be elected as the Member of the Corporate Governance Committee.

Committee Structure and Responsibility Areas

The Chairman of the two person Committee is Independent Board Member, Atıl SARYAL as Chairman (elected on April 18, 2012), and Independent Board Member, Neriman ÜLSEVER as member. Following the 2012 Ordinary General Meeting of Shareholders on March 28, 2013, which was held in accordance with the Board of Directors resolution dated March 29, 2013 No: 2013/7; it is decided the members of the Corporate Governance Committee to sustain as mentioned above.

The Corporate Governance Committee also functions as Nomination Committee and Remuneration Committee.

Committee members consist of those who do not undertake direct executive function, are Independent Members of the Board of Directors, and have sufficient knowledge and experience on Corporate Governance.

The duty of the Corporate Governance Committee is to oversee whether Corporate Governance Principles are implemented within the Company, and if not, to determine the reasons for non-compliance and any conflict of interest stemming from such non-compliance, and to make improvement suggestions to the Board of Directors.

Committee Meetings

The agenda of the meetings is determined by the Chairman of the Committee. Members and shareholders convey any issues, which they wish to be included in the agenda, to the Chairman of the Corporate Governance Committee through reporters. Committee meetings are held on at least a quarterly basis, and at a location determined by the Chairman. The Chairman of the Committee determines the meeting calendar at the beginning of each year, and informs the members. The Corporate Governance Committee records all its work in writing; and presents the report

including all of its work and the meeting results to the Board of Directors. Other people as deemed appropriate by the Chairman can attend the meetings.

In 2013 12 – month period, the Corporate Governance Committee convened for 4 meetings on March 25, June 24, September 16 and December 12, 2013.

RISK INITIATIVE STEERING COMMITTEE, COMMITTEE MEMBERS AND OPERATING PRINCIPLES

Name Surname	Title	Nature of Board Membership
Atıl SARYAL	Chairman of the Risk Initiative Steering Committee	Independent Board Member Member of the Audit Committee Member of the Corporate Governance Committee
Neriman ÜLSEVER	Member of the Risk Initiative Steering Committee	Vice Chairperson Member of the Corporate Governance Committee

Risk Initiative Steering Committee

This Committee, which was formed in pursuant to the current Corporate Governance Principles of CMB and Turkish Commercial Code No: 6102, has been established with Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. Board of Directors resolution Date: August 2, 2013 No: 2013/5; and its internal regulations are approved.

In order to obtain effective risk management, the risk reports are reviewed by the Risk Initiative Steering Committee and presented to the Board of Directors bimonthly.

In 2013 12 – month period, the Risk Initiative Steering Committee convened for 2 meetings on September 16 and December 12, 2013.

Committee Structure and the Responsibility Şirketimiz The Chairman of the two person Committee is Independent Board Member, Atıl SARYAL as Chairman (elected on April 18, 2012), and Independent Board Member, Neriman ÜLSEVER as member.

18. Risk Management and Internal Control Mechanism

Kordsa Global Corporate Risk Management

Kordsa Global has established the Risk Management Standard (CFN.007), and issued it internally on July 1, 2012. The mentioned standard is annually been reviewed by Kordsa Global Executive Board. The Company’s Risk Management Standard defines and secures the below mentioned Company practices:

- Kordsa Global Risk Management approach
- Establishing responsibilities and compliance
- Identifying risks
- Assessing risks
- Forming risk monitoring reports
- Prioritizing risks
- Risk action plans
- Risk monitoring and reporting
- Risk inspection

Committee members consist of those who do not undertake direct executive function, are Independent Members of the Board of Directors, and have sufficient knowledge and experience on Corporate Governance. The duties of The Risk Initiative Steering Committee are; to define, early diagnose, identify the risks, which may jeopardize the presence, development and sustainability of the Company; to establish crisis prevention/avoidance models and management systems; to implement and manage necessary precautions regarding the risks.

Committee Meetings

The agenda of the meetings is determined by the Chairman of the Committee.

Kordsa Global’s Sustainability Management, to serve as the cornerstone of Corporate Risk Management is determined as a management standard. Within this standard, all subsidiaries of Kordsa Global across the world had been inspected on a country and facility basis, all the current and potential risks are identified and all the necessary actions and risk prevention plans are identified.

Members and shareholders convey any issues, which they wish to be included in the agenda, to the Chairman of the Risk Initiative Steering Committee through reporters. Committee meetings are held on at least a quarterly basis, and at a location determined by the Chairman. The Chairman of the Committee determines the meeting calendar for the Risk Initiative Steering Committee at the beginning of each year, and informs the members.

A Crisis Emergency Management standard, which covers all the facilities of Kordsa Global, has been established. Country based risks have been identified in facilities breakdown and prioritized according to the CFN 007 Risk Management company standard. The action plans regarding the risks with high risk rankings had been established.

Kordsa's Executive Board has put Corporate Risk Management issues on its monthly agenda as a permanent item; and the country risks and the important risks to affect Kordsa Global have been constantly followed.

Kordsa's Executive Board has prioritized the risks; Kordsa Global is exposed to, and completed the necessary work to monitor the important risks via Critical Risk Indicators.

The Risk Initiative Steering Committee, formed by Kordsa's Board of Directors, conducts studies in order to define, early diagnose, identify the risks, which may jeopardize the presence, development and sustainability of the Company; to establish crisis prevention/avoidance models and management systems; to implement and manage necessary precautions regarding the risks.

To ensure the effective management of risks; the risk reports are reviewed by the Risk Initiative Steering Committee under the coordination of Kordsa Finance and Sourcing Vice and presented to the Board of Directors on a bimonthly basis.

Risk management reports have been included in the audit plan, in coordination with the Audit Department, in order to monitor and inspect the risks, identified by Kordsa Global's Corporate Risk Management System.

Kordsa Global has also initiated a global insurance management program for its global assets in order to support and complement corporate risk management practices. With this structure the risk management and the insurance management, which is the tool for risk transfer are actively combined.

19. The Company's Strategic Goals

Kordsa Global has strategic initiatives under the following topics with its "Agile Kordsa Global in high value businesses for sustainable growth" vision.

Strategic Initiatives are shared with the public in the annual report as well as on www.kordsaglobal.com.

Operational Excellence

As per this strategic initiative, Kordsa Global's manages its operations within the framework of, competitive cost, lean and agile Kordsa Global, agile and entrepreneurial teams.

High Value Business Areas

As per this strategic initiative, Kordsa Global strives to develop new products for "eco-friendly" tires, and to become the leading company of its sector in terms of product and service quality.

Growth

As per this strategic initiative, Kordsa Global focuses on evaluating the opportunities in new business areas beyond tire, and on profitable growth in the tire industry.

Kordsa Global and its employees adopt and act according to the following values while carrying out strategic business plans.

- Occupational health, safety, and the environment
- Commitment to laws and ethical values,
- Customer focus,
- Open-mindedness,
- Collaboration and cooperation,
- Results orientation.
- Continuous enhancement

While realizing these strategic goals, the Company also develops various systems, which might create opportunities for constant growth and business excellence, and implements human resources development plans aligned with global strategy.

20. Remuneration

Any remuneration and attendance fees paid to the Chairman and the Board Members are determined at the General Meeting. Remuneration paid to senior managers is shared with the public under the notes to the financial statements.

Remuneration of Independent Board Members does not include stock options or performance-based pay.

Pursuant to CMB's mandatory Corporate Governance principle, No: 4.6.2., remuneration of the Company's Board Members and senior managers has been established in writing. This subject was shared with the shareholders on a separate agenda item at the 2011 Ordinary General Meeting, held on April 18, 2012, and the shareholders were allowed to offer their opinions on this subject.

The Company's Remuneration Policy for Board of Directors and Senior Managers, defines the remuneration system and practices for Board Members and senior managers who have administrative duties, in accordance with CMB regulations.

The Remuneration Policy has been announced to the public on www.kordsaglobal.com since March 27, 2012.

In 2013 12 – month period, the Company did not lend any money or give out any loans to Board Members; did not extend the due date or improve the terms and conditions of existing debts or loans; did not grant any individual loans via third persons, or did not offer any guarantees in favor of Board Members.

During the 2012 Ordinary General Meeting of Shareholders, held on March 28, 2013 it is decided to pay a gross salary of TL 3.000 per month, to the Members of the Board of Directors all through their serving time.

Information on 2013 Report, Disclosing Major and Affinity Partnership Relations within the context of TCC item 199

In pursuant with the TCC item 199 No: 6102 Date: July 1, 2012; KORDSA GLOBAL Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. Board of Directors is liable of preparing a report on relations with major partner and its affinity partners regarding the former operational year, in the first three months of the current operational year, and to include the results section of this report in the Annual Report.

The required declarations of KORDSA GLOBAL Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş., regarding the transactions with the related parties is included in the financial report footnote No: 27.

The report disclosing major and affinity partnership relations within the context of TCC item 199; had been approved by our Board of Directors during the Board of Directors Meeting date: February 27, 2014; the result section of the mentioned report is as follows;

In accordance with the item 199 of Turkish Commercial Code No: 6102, the conditions, pricing methodologies and the reasons of the widespread and continuous commodity buying and selling transactions of Kordsa Global's affinity partnerships with the related companies had been disclosed and the information about the position of these transactions regarding the market conditions is given.

The transactions, as they are in arm's length according to the holding company clauses in the related items of TCC No:6102, and as they are included in the group of companies there is no loss.

In the report that is prepared by Kordsa Global Board of Directors date: 27 February 2013, within all transactions of Kordsa Global in 2013 with the controlling shareholders and their subsidiaries; it is seen that all the required legal actions and precautions mentioned within the item 199 of TCC No: 6102 and also within the responsibilities of the Board of Directors are taken.

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

The Dividend Policy of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. (Kordsa Global) is determined in line with the middle and long term strategies and investment and financial plans, considering the current situation of the national economy and the sector conditions, and also concerning a balance within the expectations of the shareholders and the needs of Kordsa Global; within the context of the clauses of the Turkish Commercial Code, Capital Markets Board legislation, other legal provisions, and the related item regarding the dividend policy of the Company's Articles of Association.

In accordance with the decision taken during the General Meeting, although the principle of determination of the amount of dividend to be distributed has been accepted, the decision of, Company shall distribute dividend in cash and/or in capital issue to its shareholders equivalent to at least 50% of distributable profit had been accepted as a principle. There is no advance distribution of dividend implementation in Kordsa Global. Although it is accepted that the dividends, regardless of the dates of issuance and acquisition dates, shall be paid equally and in the shortest time period; will be distributed to the shareholders within the legal period, following the General Meeting; on a date that is determined by the General Assembly.

The General Assembly may transfer some part or all of the net profit to the extraordinary capital reserve. In case the Kordsa Global Board of Directors proposes not to distribute dividend to the General Assembly, the shareholders are informed about the reasons and the ways to utilize the non-distributed dividend during the General Meeting. Likewise, this information is to be shared with the public by putting them in the Annual Report and on the corporate website.

The dividend policy is submitted for the approval of the shareholders during the General Meeting. This policy is reviewed annually in cases on any negative situations in the national and global economic conditions or according to the situations of the projects in the pipeline and funds, by the Board of Directors. Any amendments in The Policy is presented to the approval of the shareholders during the first General Meeting after the amendment had been done; and is publicly announced on the company website.

Proposal of Dividend Distribution for the Year 2013

According to our financial tables of fiscal period between 1 January 2013 and 31 December 2013; which were prepared in line with the Turkish Accounting Standards; upon the Company's Board of Directors' resolution date 5 March 2014 No: 2014&6; in accordance with the CMB's "Communiqué Regarding the Procedures and Principles of Financial Reporting in Capital Markets Board" Serial II-14.1 and audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of DELOITTE TOUCHE TOHMATSU LIMITED);

In order to increase the financial flexibility of the company; within the frame of the current global economic conditions, it is decided to propose, saving the remaining amount of TL 30.455.504,03 distributable net profit of the period, after the mentioned allocations in the item 35 of our Articles of Association and in the CMB's communiqués were taken out of the consolidated profit of the period, with an amount of TL 53.045.655,54, that was obtained in 2013, as "excess reserve"; and this issue to be proposed during the 2013 Ordinary General Meeting of the Shareholders; As a result of making the allocation according to the principles mentioned above, it is decided to save the full amount of TL 6.978.776,22 distributable net profit of the period that will be comprised according to our legal records prepared in line with Tax Procedure Law, as "excess reserve."

KORDSA GLOBAL ENDÜSTR İYEL İPLİK VE KORD BEZİ SANAY İ VE Tİ- CARET ANONİM ŞİRKETİ THE AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON MARCH 28, 2013.

AGENDA

1. Opening and the organization of the Executive Board,
2. The reading and discussion of the Board of Directors' activities report concerning the year 2013,
3. The reading and discussion of audit reports concerning the year 2013,
4. Informing the General Meeting about the donations and aids made in 2013,
5. Approval of the Dividend Policy,
6. The reading, discussion and approval of the financial tables concerning the year 2013,
7. Presentation of the elected candidates for Board Memberships, that became vacant during 2013, to serve for the rest of the term,
8. The absolution of the Board Members from the 2013 activities,
9. Determination of / Reaching a resolution on the use of 2013 profit,
10. Determining the donation limits for the year 2014,
11. Selecting the auditing firm/auditors with regards to the auditing of the Company's financial statements and reports for the year 2014, pursuant to Capital Market Law No. 6362 of the Turkish Commercial Code No. 6102,
12. Pursuant to the permit obtained from the Capital Markets Board, and the Turkish Republic Ministry of Customs and Trade, the approval of the amendments made to Articles 18 and 35 of the Company's Articles of Association,
13. Granting permission to the Chairman and the Members of the Board to make the transactions specified in Articles 395 and 396 of the Turkish Commercial Code.

Meeting Date : March 28, 2014 Friday

Time : 10:30

Location : Sabancı Center, Sıdıka Ana 2 Conference Hall
34330 4. Levent, Beşiktaş - İSTANBUL

Independent Auditor's Report Regarding the Annual Report

Deloitte.

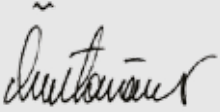
To the Board of Directors of
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.,

1. We have audited the Annual Report of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. ("The Company") and its subsidiaries (hereafter together referred to as "the Group"), which is prepared as of 31 December 2013, if the included financial statements and the evaluations and statements of the Board of Directors are consistent with the independently audited consolidated financial tables with the same dates.
2. Preparation of the Annual Report, which is subject to this report, in accordance with the Regulation Regarding the Determination of the Minimum Content of the Annual Report, is the responsibility of the Group Management.
3. As the independent auditor, our responsibility is to express an opinion on these financial statements in the Annual report if they are consistent with the consolidated financial reports, which were independently audited and is the subject of independent auditor's report date: March 5, 2014, based on our audit.

We believe that our evaluations are reasonable and sufficient to provide a basis for our audit opinion.

4. In our opinion, the consolidated financial statements and the explanations and evaluations of the Board of Directors are consistent with the independently audited consolidated financial tables date: 31 December 2013 of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi Ticaret A.Ş. and its subsidiaries.

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



Ömer Tanrıöver, SMMM
Responsible Auditor

Istanbul, March 5, 2014

1. General Information:

a) a) The Fiscal Year that the report considers:

January 1, 2013 – December 31, 2013 Fiscal Year

b) Commercial name, trade register number, contact information regarding the headquarters and branch offices of the company and the website address of the company:

Commercial name: Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret Anonim Şirketi

Headquarters Address: Sabancı Center Kule:2 Kat:17 4.Levent 34330 Beşiktaş / İSTANBUL – TÜRKİYE

Contact Address: Sabancı Center Kule:2 Kat:17 4.Levent 34330 Beşiktaş / İSTANBUL – TÜRKİYE

Telephone: 0212-385 85 30

Fax: 0212-281 00 12, 282 54 00

Addresses of the Production Facilities:

Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret Anonim Şirketi Fabrikası

Alikahya Fatih Mahallesi Sanayi Caddesi No: 90 İZMİT 41310 / KOCAELİ – TÜRKİYE

The information regarding our foreign production facilities are available in our website.

Electronic Mail Address: info@kordsaglobal.com

Website: www.kordsaglobal.com

Registry Date: 17.08.1973

Mersis No: 0577-0053-5640-0013

Trade Register Number: 123648

Ticaret Sicil Müdürlüğü: T.C. İstanbul Ticaret Sicili Müdürlüğü

Tax Office: Büyük Mükellefler

Tax No: 577 005 3564

c) The organization, capital and partnership structures of the company and the changes regarding these within the fiscal year:

Kordsa Global In Brief:

"Kordsa Kord Bezi Sanayi ve Ticaret Anonim Şirketi", which was established in İzmit, Kocaeli; operates as a subsidiary of Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding"), with the name of "Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret Anonim Şirketi" since February 9, 2006.

Main Area of Activity of Kordsa Global;

Manufacturing of; fabrics in the vehicle tires that forms the main skeleton and industrial fabrics; industrial fabrics that are found in the rubber and plastic materials that are used in Transmission belts, V Belts and tire hoses, and industrial single-end cord; heavy density fiber and connection fabrics; transforming of all kinds of yarn into tire cord fabric, fabrics that are used in mechanical rubber materials, guide fabrics and other rubber reinforcement materials and the marketing of these products; manufacturing and participating in the management and contributing to the capital of local or foreign companies, which are established/will be established with the aim of doing business in all operational topics regarding Nylon 6, Nylon 6.6 and PET (Polyethylene-terephthalate) HMLS (High Modulus Low Shrinkage) polyester and rayon heavy decitex yarn; mainly marketing, sales, import and export, commercial, industrial, infrastructure services, transportation services, mining, tourism and construction; providing management that is attached with the same management and behavioral principles; for the companies that were involved in; in a way that they will become more efficient, rational and profitable, in line with, and able to answer the needs the current conditions and by creating a favorable competitive environment.

Capital and Partnership Structure:

Registered Capital: TL 500.000.000,00

Contributed Capital: TL 194.529.076,00

Partners Representing more than 10% of the Capital:

There are no real person ultimate controlling shareholders in the company. All company shares are written in the name of the holder. The Company's shares are traded in Borsa İstanbul A.Ş. (BİST) since 1991. The company can not follow the assignment of shares of shareholders representing its publicly held capital (8,891035%). The company is only officially informed of only 1 shareholder, who is the holder of the shares that represent the other capital (91,108965%)/ dividends of the Company. The changes occurred in capital and partnership structures, in 2013 are provided in detail in the "Corporate Governance Principles Compliance Report", Item 7, in the "Transfer of Shares" section. The shareholders who possess the shares of Kordsa Global and their share rates are as below:

Shareholder	Number of Shares	Capital Percentage (%)	Share Type	Share Amount Nominal (TL) (1 share 1 Kr)
Hacı Ömer Sabancı Holding A.Ş.	17.723.342.701	%91,108965	Nama	177.233.427,01
Other - Publicly Owned	1.729.564.899	%8,891035	Nama	17.295.648,99
Total	19.452.907.600	%100,000000		194.529.076,00

c) Privileged Shares, Voting Rights of the Shares:

According to the Company's Articles of Association, every share has one voting right in the General Meeting and there are no privileges in the voting rights. There is no other company that our Company is involved in mutual shareholding benefits with. There are no clauses in the Company's Articles of Association that limits the share transfer. The share transfers among the partners are performed within the legislative framework of Turkish Commercial Code and Capital Markets Law.

Shareholder	Right to Vote	Capital Percentage (%)	Right to Vote Percentage (%)	Share Amount (TL)
Hacı Ömer Sabancı Holding A.Ş.	17.723.342.701	%91,11	%91,11	177.233.427,01
Other - Publicly Owned	1.729.564.899	%8,89	%8,89	17.295.648,99
Total	19.452.907.600	%100,00	%100,00	194.529.076,00

d) Managing body, senior management and the number of employees:**Board of Directors:**

1. Mehmet Nurettin Pekarun (Chairman)
(30 September 2010 / 18 April 2012 - March 2015)
2. Neriman Ülsever (Vice Chairperson – Member of the Corporate Governance Committee – Member of the Risk Initiative Steering Committee (16 August 2011 / 18 April 2012 - March 2015)
3. Peter Charles Hemken (Member) (20 September 2013 - March 2015)
4. Bülent Bozdoğan (Member) Member of the Corporate Governance Committee
(3 August 2010 / 18 April 2012 - March 2015)
5. Seyfettin Ata Köseoğlu (Member)
(16 August 2011/18 April 2012, 20 December)
- Atıl Saryal (Independent Member – Chairman of the Corporate Governance Committee – Member of the Audit Committee – Member of the Risk Initiative Steering Committee) (18 April 2012 - March 2015)
7. Hüsnü Ertuğrul Ergöz (Independent Member – Chairman of the Audit Committee) (18 April 2012 - March 2015)

- Mustafa Nedim Bozfkıoğlu
(Vice Chairman)
(Resigned of his duties on 3 August - 20 December 2013)

• Senior Management:

1. Cenk Alper (President and CEO)
2. Ali Çalıřkan (Vice President, Operations)
3. Bülent Araslı (Vice President, Sales)
4. Hakan Öker (Vice President, Human Resources (HR) and Information Technologies (IT))
5. Fatma Arzu Ergene (Vice President, Finance and Sourcing)
6. İbrahim Özgür Yıldırım (CTO - Chief Technology Officer)
(Appointed on 1 October 2013.)

The information about the resumes of the Board of Directors and Senior Management is available on www.kordsaglobal.com and Item 15 of Corporate Governance Principles Compliance Report.

• Personel sayısı (31.12.2013 tarihi itibariyle):**Alt İşveren Hariç**

Ülke	Number of Employees
Turkey	1.058
Indonesia	995
Thailand	375
Brazil	395
USA	381
Egypt	288
Argentina	153
Germany	98
China	6
Total	3.749

Distribution of Employees (%)

425	Women	% 11
3.329	Men	% 89

Educational Level foe White Collar Employees

% 1,4	Doctorate
% 16,3	Masters
% 47,1	BA
% 8,9	Two – year degree
% 26,3	High school and lower

• Labor Agreement Practice:

In our company; the Clauses of XXIII. Term Group Labor Agreement signed on 15 August 2013 by Turkish Textile, Knitting and Clothing Industry Workers' Union Turkish, which our employees are members of, and Textile Employers' Association, which our company is a member of; are effective.

e) If there are any; information on the transactions of the members of the managing body, for themselves or on behalf of other persons with the company and the activities within the context of prohibition of competition. The Chairman and the Members of our Board of Directors are set free to implement proceedings in pursuant to the Turkish Commercial Code items 395 and 396.

In 2013 12 – month period, the Members of the Companies Board of Directors neither had transactions with the company nor had any initiatives that can be considered as competition in the same field of the Company's operations.

2. Financial Rights of the Management Body and the Senior Management:

This subject is covered in item 20 of 2013 Corporate Governance Principles Compliance Report regarding year 2013 12 –month period and also detailed information is given in footnote No: 27 of the Company's Explanatory Report Regarding Independently Audited Consolidated Financial Tables for the 2013 Fiscal Year January 1, December 31 2013.

3. Research and Development Activities of the Company:

Innovation – Technology

Kordsa Global, making the concepts of "Innovation" and "Excellence" a corporate culture, develops new products, new processes and methodologies in its R&D Center in Kocaeli, and takes the necessary steps to set a basis to industrialize these new product and production processes. Kordsa Global R&D Center, in line with Turkish Law, nr 5746: "Supporting Research and Development Activities" Kordsa Global has been honored as a Certified Research and Development Center on April 24, 2009 by the Ministry of Industry. Due to the incentives that are benefited as a result of this certification. The Center is being audited annually as of the operational year; by the referees and the commission appointed by the related Ministry, and completes these audits successfully. Depending on the results of these audits, the incentives are extended another year. Once again in last July, our R&D Center is informed that it can benefit from the incentives for another year.

The projects within the current project portfolio are managed with the activities under Technology Development, Research and Laboratories, Rubber Enforcement Technologies, Project Engineering and Equipment Development and Intellectual Property and Projects Coordination Platforms. As of the end of December, there are 65 people working in these projects. Among these employees; approximately 9% doctorate and over, 31% masters, 25% university and the remaining has below university degrees.

While the information and capabilities of product and production processes enhance with the efforts in "Technology Development" platform, our competency in material research and testing methods increase with the studies in "Research and Laboratories Platform." In parallel, with the studies conducted on the topics of design

and equipment development within the "Project Engineering and Equipment Development" platform; our knowledge and our experience increase every day.

Occupational Health, Safety and Environment

Kordsa Global takes the occupational safety and health as a core value. On the other hand, there are far reaching local and national legal regulations to encourage a safe workplace. The comprehensive and continuous training and regular safety audits carries major importance in order to understand the safety laws and act accordingly. The priority order in all operations in Kordsa Global is "Occupational Health", "Occupational Safety-Environment", and "Quality." It is envisioned in Kordsa Global that all occupational accidents and the occupation related illnesses may be prevented. Therefore, even if it is a short term appointment, all employees that come to the workplace, are trained in the topics of occupational health, safety and environment. The scope of the safety training is expandable according to the defined educational needs.

In 2013 12-month period, there are no lawsuits resulting from any environmental issues.

The Fields of Application

1. 1. Highest Performance Standards, (Business Excellence)

Kordsa Global will apply the highest standards for its facilities to operate safely and for the protection of environment, personnel, customers and the residents in the vicinity. Kordsa Global deems the health and environmental protection issues as an integral part of all business activities and reinforces its business by constantly making efforts to maintain its operations in line with the expectations of the public.

2. Zero Injury, Illness and Accident Target

Kordsa Global believes that all injuries, professional illnesses and at the same way worker health and environmental accidents are preventable, and the goal for all these is zero. Kordsa Global assesses the effect of all facilities, proposed to be constructed on the environment. The company will design, construct, operate and maintain all facilities and transportation equipment, in a way, which is safe and acceptable for the settlement areas and which will protect environment. Kordsa Global will be ready for emergencies, and will provide leadership to the settlements for their preparations at the cases of emergencies.

3. Zero Waste and Emission Goal

Kordsa Global will operate in line with the goal of "zero waste production in the source". To minimize the requirement for processing or disposal and to protect resources, it will reuse material and design them in a recyclable way. Where wastes are produced, these wastes will be processed and disposed in a safe and responsible manner. While the company will progress to zero emission, it will prioritize combat with emission, forming the largest potential risk for health or environment. In case there are conditions, requiring correction in past applications, Kordsa Global will correct these.

4. Preservation of Energy and Natural Resources, Reinforcement of Living Areas

Kordsa Global will pay due attention to efficient use of coal, oil, natural gas, minerals and other natural resources and will manage company assets to reinforce living environments for natural life. The most important part of security culture in Kordsa Global is “what people do when no one is looking.” This culture is a lifestyle. It goes beyond being a program and become a part of our existence. Kordsa Global is bound to the highest standards for the safe operation of all its facilities and for the protection of personnel, customers and the environment.

International Assignments

As a global company, the transfer of know-how, possessed by Kordsa Global plants in different countries and of different maturity and to provide our employees with different experience opportunities are the prior HR targets of our corporation. Accordingly today, many of our employees are serving short or long term duties in the Kordsa Global companies in different countries as a part of the international assignments system. In the future, it is planned to maintain and increase the international appointments in line with our business needs and employee expectations.

Code of Business Ethics

Kordsa Global operates according to the Kordsa Global Code of Business Ethics, which was approved by the Board of Directors. Kordsa Global Code of Business Ethics, regulates the relationships of our Company with clients, employees, shareholders, suppliers, business partners, competitors, environment and society; and gathered under four main titles such as; legal responsibilities, integrity, confidentiality and conflict of interest. There is one Ethics Compliance Officer appointed in all our production facility, who is in charge of implementation of Kordsa Global Code of Business Ethics, as required.

Market Development Activities

In 2013 12-month period; within the activities of market development; various actions are taken in order to increase brand familiarity and visibility in the current and new markets, new customer acquisition and enhancement of the market situation. Within the target of increasing brand familiarity of Kordsa Global, articles had been published and advertisements had been placed in international sector magazines and as well the press releases are distributed with e-mail. The promotion of Kordsa Global products had been made, and business contacts had been established with potential clients besides the current clients. Kordsa Global management participated in the significant sector conferences in different regions of the world as speakers, in order to share their know-how and experience.

The communication activities held between January 1, 2013 and December 31, 2013 are as follows;

- Tire Technology Expo 2013, 5-6-7 February, Frankfurt, Germany (Expo participation, speaker)
- Technical Textiles in the Automotive Industry, February 15, Bursa Textiles and Garment R&D Center, Bursa (Speaker)
- 6th America Nylon Symposium March 21 – 22, 2013, Atlanta, USA (Speaker)
- China Rubber Industry Association’s Istanbul visit, April 10 – 17, 2013, Istanbul

- Global Leadership Summit – January 21 – 22, Istanbul
- Leadership Summit Press Release - January 27, Istanbul
- Environment Awards Press Release – January 26, Istanbul
- Publication of 2012 Annual Report – March 26, Istanbul
- CIRFS Seminar, Brussels, May 28, 2013, Belgium
- Techtextil 2013 Frankfurt, June 11 – 13, 2013 Germany
- Cenk Alper CEO Appointment Press Release July, 2013
- Turkish Time R&D news story - August, 2013
- Michelin Supplier of the Year Award Press Release - September, 2013
- Eastern Marmara Industry and Technology Fair SANTEK, September 27, 2013, Turkey
- Capmax Trainings and Promotion Roadshow September 10 -12, Indonesia
- Kordsa Global Sponsorship of China Rubber Industry Association Conference – October 3 – 5, 2013
- Capmax Article and advertisement on Tire Technology International Magazine 20th Anniversary Special Edition – October 2013
- Turkey Innovation Week 2013 - November 28 – 30, 2013, Turkey
- China Rubber Industry Association Carcass Conference (Speaker) November 7 – 8, 2013
- Twitra Article and advertisement on Tire Technology International Magazine, Technical Annual Review Special Edition – November/ December 2013 (English and Chinese)
- Nurturing Technology Noninclusive of Resorcinol – Formaldehyde article and advertisement on Global Tyre Report 2013 Magazine - December 2013,

4. Important Developments Regarding Company Operations and Activities:

The important developments regarding the company operations and activities are briefly mentioned, additionally detailed information is available at the footnotes of “Explanatory Report Regarding Independently Audited Consolidated Financial Tables” of the fiscal period between January 1 and December 31, 2013.

• Investments:

A total of USD 38 Million had been made in 2013 12-month period.

• Internal Control System and Internal Audit Activities, View of the Management Body:

This subject is thoroughly given under the “INTERNAL AUDIT UNIT” clause, in item 17 of Corporate Governance Principles Compliance Report.

• Information Regarding the Acquisition of Own Shares:

The Company does not have any own shares that it acquired within 2013 12-month period

• Information Regarding Private and Public Audit:

There had been no private and public audit in our company in 2013 12 – month period; instead of the “Limited Audit of the Consolidated Financial Reports Regarding the Mid Fiscal Period of January 1 – June 30, 2013, which is conducted by the Independent Audit Firm, in accordance with the procedures and principles determined by the Turkish Commercial Code No: 6102 and Capital Markets Law No: 6362.

• **Information Regarding Filed and Ongoing Lawsuits Against the Company and their possible Results:**

The detailed information is available at the footnote 16 of "Explanatory Report Regarding Independently Audited Consolidated Financial Tables" of the fiscal period between January 1 and December 31, 2013.

• **Information regarding Administrative Sanctions and Penalties with significant nature about the Members of the Board of Directors as a result of Applications Violating the Clauses of Regulation:**

None.

• **Affiliates, Subsidiaries (Direct and Indirect), The Geographical Zones and Share Ratios (%) of Subsidiaries:**

Subsidiaries	Country	Geographical Region	Shares %
InterKordsa GmbH	Germany	EMEA	100,00
Nile Kordsa Company SAE	Egypt	EMEA	51,00
Kordsa Inc.	United States of America	North America	100,00
Kordsa Argentina S.A.	Argentina	South America	100,00
Kordsa Brazil S.A.	Brazil	South America	97,31
PT Indo Kordsa Tbk	Indonesia	Asia	60,21
PT Indo Kordsa Polyester	Indonesia	Asia	99,97
Thai Indo Kordsa CO. LTD.	Thailand	Asia	64,19
Kordsa Qingdao Nylon Enterprise ("KQNE")	China	Asia	99,50

• **Donations and Charities Within the Period:**

The donations and charities by our company regarding the 2103 12-month period is as follows.

İzmit Güvenlik ve Asayiş Hizmetleri	15.000,00 TL
İzmit Scholarship Association	12.000,00 TL
Turkish Chemistry Association	10.849,20 TL
İş Dünyası ve Sürdürülebilir Kalkınma Derneği (SKD)	8.750,00 TL
Türkiye Education Foundation	3.375,00 TL
Sabancı University	3.000,00 TL
Avlu Burun Village Primary School	1.000,00 TL
Çenesuyu Primary School	1.000,00 TL
Yahya Kaptan Primary School	1.000,00 TL
Derince Girls' Vocational High School	1.000,00 TL
Levent Kırca-Oya Başar Primary School	1.000,00 TL
Kocaeli Table Tennis Sports Club Association	320,00 TL
Vakıflar Bankası	191,85 TL
Union of Employers	150,00 TL

Total **58.636,05 TL**

• **Collective Labor Agreement:**

The Clauses of XXIII. Term Group Labor Agreement; signed on 15 August 2013 by Turkish Textile, Knitting and Clothing Industry Workers' Union Turkish, which our employees are members of, and Textile Employers' Association, which our company is a member of; are effective in our company.

• **The Amendments of the Articles of Association Within the Period:**

With our Company's Board of Directors' resolution dated 21 February 2013, No: 2013/1; relying on the permission of Ministry of Industry and Commerce and Capital Markets Board and with the aim of compliance to the Turkish Commercial Code No: 6102, Capital Markets Board Law No: 6362, and secondary regulations; the items; 3., 4., 5., 6., 7., 9., 10., 11., 13., 14., 15., 16., 17., 18., 21., 22., 23., 24., 25., 26., 27., 28., 29., 30., 31., 32., 33., 34., 35., 39., ve 40. of the Company's Articles of Association have been revised and items 8 and 20 have been cancelled. The amendment of Articles of Association had been approved during the 2012 Ordinary General Meeting of Shareholders, dated 28 March 2012, had been registered on April 01, 2013, and published and announced on Turkish Trade Registry Gazette Date: April 5, 2013 No: 8294, on pages 753, 754, 755, 756, 757, 758, 759, 760, 761, 762; and on Amendment Gazette: Turkish Trade Registry Gazette Date: April 18, 2013 No: 8303 on page 232.

• Change of Independent Audit Firm:

Based on the proposal of Audit Committee and with the advisory jurisdiction of the Board of Directors; DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. had been approved as the independent audit firm; to audit the Company's financial reports in 2013 fiscal year pursuant to the procedures and principles determined by the Turkish Commercial Code 6102 and Capital Markets Law 6362, and as well within the context of other related regulations in these laws; by the shareholders during the Ordinary General Meeting of The Shareholders on March 28, 2013. Accordingly, an independent audit contract has been signed with the mentioned company on June 24, 2013.

• Issued Equity Shares and Bonds:

There is no capital market instruments issued within the period of January 1 – December 31, 2013.

5. Financial Situation:

Kordsa Global is one of the most preferred actors of reinforced materials market with its high quality products, ability provide products globally, wide range of products and high quality services.

The effects of the economic recession especially in Europe in 2012, had been felt less in the second half of 2013, as a result our sales revenues had an increase of 4% over the 2012 12 – month period and reached up to TL 1.54 billion. Our sales revenue of the 4th quarter of 2013 had an increase of 20% over the 4th quarter of 2012.

Kordsa Global continued its approaches in effective capacity usage and cost management, which gained significant importance with the recession in the global economy, started in 2009.

Kordsa Global obtained TL 47.4 million gross sales profit in the 4th quarter of 2013. There is an increase of 117% compared to the 4th quarter of 2012 and there is a fall of 9% compared to the 3rd quarter of 2013.

Kordsa Global operating with 10 factories in 9 different countries, in North America, South America, Asia Pacific, Europe, Middle East and Africa regions; provides its clients with services in their own geographies. With the support of operational efficiency and global customer management support, the company obtained an operational profit of TL 23 million in the 4th quarter of 2013 (2012, 4th quarter loss: TL 2.5 million)

Additionally, the detailed financial situation of the company is available in the “Explanatory Report Regarding Independently Audited Consolidated Financial Tables” of the fiscal period between January 1 and December 31, 2013 and in its footnotes.

6. Risk Management:

The risk assessment and internal control mechanism is executed at every level of the company. The company's approach in risk management is thoroughly explained in item 18 of the Corporate Governance Principles Compliance Report and in the footnote 29

of the company's “Explanatory Report Regarding Independently Audited Consolidated Financial Tables” of the fiscal period between January 1 and December 31, 2013.

Risk Initiative Steering Committee works in order to define, early diagnose, identify the risks, which may jeopardize the presence, development and sustainability of the Company; to establish crisis prevention/avoidance models and management systems; to implement and manage necessary precautions regarding the risks. The detailed information on the Committees is provided in item 17 of the Corporate Governance Principles Compliance Report.

7. Other Topics That are not in Financial Tables, but may be useful for the Users:

Vision, Mission and Management Approach Our Vision

Agile Kordsa Global in high value business for sustainable growth.

Our Mission

Deliver high value added reinforcement solutions, globally

Our Corporate Values

Occupational Health, Safety and Environment: to create an accident-free and safe workspace for our employees and business partners are among our priority targets. As a company respecting the society, our purpose is to protect environmental health and natural resources.

Commitment to the Laws and Ethical Values – Integrity:

In all the countries we operate in and in all our business and personal relationships; complying with the laws and highest moral values is our main target.

Customer Focused: 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.

Open Minded: Our target is to consider new ideas and perspectives from different sources.

Results Driven: We are a ‘result oriented’ team and focused on delivering our commitments with a continuous improvement mindset.

Culture of Collaboration and Cooperation: We target working together by creating a synergy of experiences and strengths of our employees, suppliers, and customers.

Continuous Enhancement: We aim to insert the continuous enhancement approach, which contributes positively to the company performance, into the corporate culture, by continuously enhancing all our internal and external processes with the contribution of our employees at every level.

Products

Kordsa Global is the leading supplier of heavy decitex industrial nylon 6.6 and polyester (HMLS and Technical) yarns, cord fabric, industrial fabrics and single end cord products. The company's main customers include all the leading manufacturers of tires and mechanical rubber goods (MRG) sectors.

With 10 sites in 9 countries, the company serves its customers on a true global scale. Kordsa Global's products are used in a vast number of applications; most common usages are tires, airsprings, hoses, conveyor belts, V-belts, ropes, cordage, webbing for safety belts, fiber optics and paper felt.

The new generation Nylon 6.6 and polyester, adhesive technologies, hybrid fabrics and single-end cord applications are among some of the research topics of Kordsa Global.

Yarn

- High-resistance, high density industrial nylon 6.6 yarn (940 dtex and over),
- High-resistance industrial HMLS and high density technical polyester yarn (1100 dtex and over),

Main application areas of the yarns are: Cord fabric, industrial fabrics, chafer fabrics, single end cord, security belts, ropes.

Cord Fabric

Kordsa Global produces tire cord fabric for a wide range of applications using Nylon 6.6, Polyester (HMLS and Technical), rayon and aramide in its advanced technology facilities. The tire body is constructed from the layers of rubberized tire cord fabrics or plies. All Kordsa Global fabrics are specially developed for customers according to their specific needs.

Industrial Fabrics

Kordsa Global offers a wide range of industrial fabrics like conveyor belt fabrics, chafer fabrics, liner fabrics, membrane fabrics according to customer requirements.

Kordsa Global presents all those products to its worldwide customers as one of the major suppliers of high-grade quality of conveyor fabrics.

**(CONVENIENCE TRANSLATION 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.

1. We have audited the accompanying consolidated balance sheet of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. (“the Company”) and its subsidiaries (together will be referred as “the Group”) as at 31 December 2013, and the consolidated statement of profit or loss, consolidated other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

4. 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 ve Ticaret A.Ş. and its subsidiaries as at 31 December 2013, and of their financial performance and their cash flows for the year then ended in accordance with TAS (refer to Note 2).

Reports on Other Legal and Regulatory Requirements

5. In accordance with Article 402 of Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation in terms of audit; and nothing has come to our attention that may cause us to believe that the Group's set of accounts prepared for the period 1 January-31 December 2013 does not comply with the code and the provisions of the Group's articles of association in relation to financial reporting.

6. In accordance with Article 378 of Turkish Commercial Code No. 6102, in publicly traded companies, the board of directors is obliged to establish a committee consisting of specialized experts, to run and to develop the necessary system for the purposes of early identification of any risks that may compromise the existence, development and continuation of the company; applying the necessary measures and remedies in this regard and managing such risks. According to paragraph 4 of Article 398 of the same code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include the evaluation of the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report, yet. Therefore, no separate report has been drawn up regarding this matter. On the other hand, the Company established the mentioned committee in 2 August 2013, and the committee is comprised of 2 members. Since the date of its establishment, the committee has held meetings for the purposes of early identification of any risks that may compromise the existence and development of the Company, applying the necessary measures and remedies in this regard and managing such risks, and has submitted the relevant reports to the Board of Directors.

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



Ömer Tanrıöver, SMMM
Partner

İstanbul, 5 March 2014

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

AUDITED CONSOLIDATED BALANCE SHEET

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

	Notes	Unaudited 31 December 2013 USD (*)	(Restated) Unaudited 31 December 2012 USD (*)	Audited 31 December 2013	(Restated) Audited 31 December 2012
ASSETS					
Cash and Cash Equivalents	4	24.583.288	49.505.286	52.468.112	88.248.123
Trade Receivables (net)	7	118.409.824	108.615.409	252.722.088	193.617.828
<i>Trade Receivables from Related Parties</i>	27	1.322.195	5.278.394	2.821.961	9.409.266
<i>Trade Receivables from Third Parties</i>	7	117.087.629	103.337.014	249.900.127	184.208.562
Other Receivables	8	9.368.635	4.295.219	19.995.478	7.656.658
<i>Other Receivables from Third Parties</i>		9.368.635	4.295.219	19.995.478	7.656.658
Derivative Financial Instruments		-	691.414	-	1.232.514
Inventories	9	174.692.454	185.416.291	372.846.105	330.523.081
Prepaid Expenses	10	6.032.360	7.494.860	12.874.865	13.360.337
Assets Related to Current Tax	25	2.265.319	1.135.088	4.834.871	2.023.408
Other Current Assets	18	21.043.046	22.380.228	44.912.174	39.894.995
Current Assets		356.394.926	379.533.795	760.653.693	676.556.944
Financial Investments	5	133.544	109.933	285.022	195.967
Other Receivables	8	9.137.105	10.574.694	19.501.323	18.850.450
<i>Other Receivables from Third Parties</i>		9.137.105	10.574.694	19.501.323	18.850.450
Investment Property	13	8.172.118	9.043.133	17.441.751	16.120.288
Property, Plant and Equipment	11	413.004.569	441.586.778	881.475.652	787.172.590
Intangible Assets		31.923.506	37.593.249	68.134.339	67.013.725
<i>Goodwill</i>	14	21.363.054	25.577.901	45.595.167	45.595.167
<i>Other Intangible Assets</i>	12	10.560.452	12.015.347	22.539.172	21.418.558
Prepaid Expenses	10	7.825.597	1.378.073	16.702.172	2.456.553
Deferred Tax Assets	25	10.242.367	9.361.865	21.860.284	16.688.460
Other Non-Current Assets	18	610.206	631.381	1.302.362	1.125.499
Non-Current Assets		481.049.012	510.279.106	1.026.702.905	909.623.532
Total Assets		837.443.938	889.812.901	1.787.356.598	1.586.180.476

(*) 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 2013 and 31 December 2012, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

AUDITED CONSOLIDATED BALANCE SHEET

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

	Notes	Unaudited 31 December 2013 USD (*)	(Restated) Unaudited 31 December 2012 USD (*)	Audited 31 December 2013	(Restated) Audited 31 December 2012
LIABILITIES					
Short Term Borrowings	6	140.942.953	132.547.005	300.814.544	236.278.292
Short Term Portion of Long Term Borrowings	6	9.939.638	9.418.300	21.214.169	16.789.062
Trade Payables	7	74.801.484	57.443.141	159.648.808	102.398.144
Trade Payables to Related Parties	27	2.488.136	2.408.207	5.310.429	4.292.869
Trade Payables to Third Parties	7	72.313.348	55.034.935	154.338.379	98.105.275
Employee Benefit Obligations	17	1.721.669	1.819.519	3.674.559	3.243.475
Other Payables	8	9.770.828	7.637.330	20.853.878	13.614.304
Other Payables to Third Parties		9.770.828	7.637.330	20.853.878	13.614.304
Derivative Financial Instruments		-	1.087.274	-	1.938.175
Deferred Income	10	617.417	988.368	1.317.753	1.761.864
Short Term Provisions	17	5.872.954	6.407.485	12.534.645	11.421.983
Short Term Provisions for Employee Benefits		5.575.188	6.109.719	11.899.123	10.891.185
Other Short Term Provisions		297.766	297.766	635.522	530.798
Other Current Liabilities	18	7.558.374	9.783.578	16.131.838	17.440.206
Current Liabilities		251.225.317	227.132.000	536.190.194	404.885.505
Long Term Borrowings	6	42.860.923	54.808.567	91.478.069	97.701.752
Trade Payables		279.052	233.733	595.581	416.653
Trade Payables to Third Parties		279.052	233.733	595.581	416.653
Other Payables	8	5.915.589	6.845.790	12.625.641	12.203.306
Other Trade Payables to Third Parties		5.915.589	6.845.790	12.625.641	12.203.306
Government Grants	15	1.301.305	1.325.600	2.777.375	2.363.015
Long Term Provisions	17	13.615.843	15.281.466	29.060.294	27.240.741
Long Term Provisions for Employee Benefits		13.615.843	15.281.466	29.060.294	27.240.741
Deferred Tax Liabilities	25	30.891.608	28.708.025	65.931.958	51.174.926
Non-Current Liabilities		94.864.320	107.203.181	202.468.918	191.100.393
Total Liabilities		346.089.637	334.335.181	738.659.112	595.985.898
SHAREHOLDERS' EQUITY					
Equity Attributable to Owners of the Company		411.416.972	472.231.413	878.087.245	841.799.712
Share Capital	19	91.144.205	109.126.599	194.529.076	194.529.076
Share Premium	19	29.074.046	34.810.241	62.052.736	62.052.736
Shareholders' Contribution		208.343.231	249.448.534	444.666.957	444.666.957
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss					
Financial Assets Fair Value Reserve		(126.576)	(151.549)	(270.151)	(270.151)
Currency Translation Differences	19	52.884.775	41.602.863	112.871.978	74.161.258
Hedging Reserve	19	-	(774.251)	-	(1.380.180)
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss					
Defined Benefit Plans Remeasurement Fund		(594.432)	(711.711)	(1.268.696)	(1.268.696)
Restricted Reserves		14.536.029	15.923.184	31.024.246	28.384.668
Retained Earnings	19	1.714.047	-	3.658.291	-
Net Income for the Period	19	14.441.647	22.957.503	30.822.808	40.924.044
Non-Controlling Interests		79.937.329	83.246.307	170.610.241	148.394.866
Total Equity		491.354.301	555.477.720	1.048.697.486	990.194.578
Total Liabilities and Equity		837.443.938	889.812.901	1.787.356.598	1.586.180.476

(*) 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 2013 and 31 December 2012, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013

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

	Notes	Unaudited 1 January- 31 December 2013 USD (*)	(Restated) Unaudited 1 January- 31 December 2012 USD (*)	Audited 1 January- 31 December 2013	(Restated) Audited 1 January- 31 December 2012
PROFIT OR LOSS					
Sales	20	724.403.944	836.932.371	1.546.095.338	1.491.915.645
Cost of Sales (-)	20	(642.853.213)	(728.197.786)	(1.372.041.612)	(1.298.085.373)
GROSS PROFIT		81.550.731	108.734.585	174.053.726	193.830.272
Marketing Expenses (-)	21	(28.745.835)	(33.123.673)	(61.352.236)	(59.046.259)
General and Administrative Expenses (-)	21	(31.636.446)	(42.167.731)	(67.521.667)	(75.168.198)
Research and Development Expenses (-)	21	(1.824.670)	(4.270.130)	(3.894.393)	(7.611.934)
Other Operating Income	22	44.917.490	56.352.256	95.867.399	100.453.531
Other Operating Expenses (-)	22	(25.218.423)	(32.026.152)	(53.823.681)	(57.089.818)
OPERATING PROFIT		39.042.847	53.499.155	83.329.148	95.367.594
Income From Investing Activities	23	1.356.443	4.469.047	2.895.056	7.966.523
Expenses From Investing Activities (-)	23	(1.154.528)	(518.791)	(2.464.109)	(924.797)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		39.244.762	57.449.411	83.760.095	102.409.320
Financial Income	24	-	2.919.973	-	5.205.144
Financial Expenses (-)	24	(14.390.872)	(13.923.016)	(30.714.439)	(24.819.169)
PROFIT BEFORE TAX		24.853.890	46.446.368	53.045.656	82.795.295
Tax Expense:					
- Current Tax Expense	25	(4.263.831)	(10.645.958)	(9.100.295)	(18.977.485)
- Deferred Tax Income/ (Expense)	25	(2.485.992)	907.027	(5.305.850)	1.616.867
PROFIT FOR THE PERIOD		18.104.067	36.707.437	38.639.511	65.434.677
NET PROFIT ATTRIBUTABLE TO:					
- Owners of the Parent		14.441.647	22.957.503	30.822.808	40.924.044
- Non-Controlling Interests		3.662.420	13.749.934	7.816.703	24.510.633
Earnings per 1.000 ordinary shares	26	0,74	1,18	1,58	2,10

(*) 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 2013 and 31 December 2012, and therefore do not form part of these consolidated financial statements (Note 2.1).

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013

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

	Unaudited 1 January- 31 December 2013 USD (**)	(Restated) Unaudited 1 January- 31 December 2012 USD (**)	Audited 1 January- 31 December 2013	(Restated) Audited 1 January- 31 December 2012
NET INCOME FOR THE PERIOD	18.104.067	36.707.437	38.639.511	65.434.677
Other Comprehensive Income:				
Income or Expenses That Will Be Reclassified to Profit or Loss	-	(711.711)	-	(1.268.696)
Defined benefit plans revaluation fund	-	(889.639)	-	(1.585.870)
Deferred tax expense / income	-	177.928	-	317.174
Income or Expenses That Will Not Be Reclassified to Profit or Loss	28.971.572	(24.705.113)	61.834.027	(44.039.334)
Currency translation differences	28.324.906	(23.025.689)	60.453.847	(41.045.593)
Hedging reserve gains/ (losses)	808.333	(1.913.174)	1.725.225	(3.410.424)
Tax income / (expense) related to other comprehensive income items (*)	(161.667)	233.750	(345.045)	416.683
OTHER COMPREHENSIVE INCOME/ (EXPENSE)	28.971.572	(25.416.824)	61.834.027	(45.308.030)
TOTAL COMPREHENSIVE INCOME	47.075.639	11.290.613	100.473.538	20.126.647
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the Parent	33.225.745	(430.795)	70.913.708	(767.936)
- Non-Controlling Interests	13.849.894	11.721.408	29.559.830	20.894.583

(*) Tax income / (expense) related to other comprehensive income / (loss) accounts consists of the deferred taxes of hedging reserves.

(**) 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 2013 and 31 December 2012, and therefore do not form part of these consolidated financial statements (Note 2.1).

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss		Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		Retained Earnings				Equity Attributable to Owners of the Company	Non-Controlling Interests	Total Equity		
	Share Capital	Share Premium	Share Contribution	Financial Assets Fair Value Reserve	Hedging Reserve	Currency Translation Differences	Defined Benefit Plans Remeasurement Fund	Restricted Reserves				Retained Earnings	Net Income for the Period
Balances at 1 January 2012	194.529.076	62.052.736	491.623.822	(270.151)	1.613.561	64.633.936	-	16.626.055	-	87.694.432	918.503.467	137.169.686	1.055.673.153
Transfers	-	-	-	-	-	-	-	11.758.613	75.935.819	(87.694.432)	-	-	-
Loss from liquidation of subsidiary (note 23)	-	-	(46.956.865)	-	-	46.956.865	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(75.935.819)	-	(75.935.819)	(9.669.403)	(85.605.222)
Total comprehensive income (Restated)	-	-	-	-	(2.993.741)	(37.429.543)	(1.268.696)	-	-	40.924.044	(767.936)	20.894.583	20.126.647
Balances at 31 December 2012	194.529.076	62.052.736	444.666.957	(270.151)	(1.380.180)	74.161.258	(1.268.696)	28.384.668	-	40.924.044	841.799.712	148.394.866	990.194.578
Previously reported balances at 1 January 2013	194.529.076	62.052.736	444.666.957	(270.151)	(1.380.180)	74.161.258	-	28.384.668	-	39.655.348	841.799.712	148.394.866	990.194.578
Effect of restatement (Note 2.4)	-	-	-	-	-	-	(1.268.696)	-	-	1.268.696	-	-	-
Restated balances at 1 January 2013	194.529.076	62.052.736	444.666.957	(270.151)	(1.380.180)	74.161.258	(1.268.696)	28.384.668	-	40.924.044	841.799.712	148.394.866	990.194.578
Transfers	-	-	-	-	-	-	-	2.639.578	38.284.466	(40.924.044)	-	-	-
Loss from liquidation of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(34.626.175)	-	(34.626.175)	(7.344.455)	(41.970.630)
Total comprehensive income	-	-	-	-	1.380.180	38.710.720	-	-	-	30.822.808	70.913.708	29.559.830	100.473.538
Balances at 31 December 2013	194.529.076	62.052.736	444.666.957	(270.151)	-	112.871.978	(1.268.696)	31.024.246	3.658.291	30.822.808	878.087.245	170.610.241	1.048.697.486

It was resolved at Ordinary General Assembly Meeting of the Group held on 28 March 2013 to reserve TL 2.249.518 of first legal reserve and TL 2.489.972 second legal reserve and in total, distribute TL 34.626.175 dividend from the distributable net profit of 2012. In accordance with the resolution, the dividend payments commenced on 29 March 2013. As a result of this transaction, dividend distributed per share is TL 0,15.

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 1 January- 31 December 2013 USD (*)	(Restated) Unaudited 1 January- 31 December 2012 USD (*)	Audited 1 January- 31 December 2013	(Restated) Audited 1 January- 31 December 2012
A. CASH PROVIDED BY OPERATING ACTIVITIES		26.670.309	160.835.297	56.922.444	286.704.996
Net income for the period		18.104.067	36.707.437	38.639.511	65.434.677
Adjustments to Reconcile the Profit for the Period					
Adjustments related to depreciation and amortization expenses	11,12	31.573.668	33.744.757	67.387.679	60.153.403
Provision for impairment on fixed assets	11,12	-	1.278.324	-	2.278.740
Fair value changes of investment properties	13	780.529	(2.057.838)	1.665.884	(3.668.302)
Adjustments related to retirement pay provision	17	2.308.666	3.256.028	4.927.385	5.804.196
Adjustments related to deferred taxes	25	2.485.991	(907.027)	5.305.850	(1.616.867)
Adjustments related to interest income	23	(921.824)	(1.889.582)	(1.967.448)	(3.368.369)
Adjustments related to interest expense	24	7.308.088	13.205.891	15.597.653	23.540.821
Adjustments related to (gain)/ loss on sale of property, plant and equipment	23	(274.452)	(2.836)	(585.762)	(5.055)
Adjustments related to redemption of government grants		(69.810)	(76.285)	(148.996)	(135.985)
Adjustments related to inventory obsolescence	9	195.988	(279.674)	418.297	(498.547)
Adjustments related to personnel bonus accruals	17	2.547.714	2.013.252	5.437.586	3.588.823
Adjustments related to vacation pay provision	17	58.884	(142.717)	125.677	(254.408)
Adjustments related to employee retirement benefit provision	17	871.649	522.849	1.860.361	932.030
Adjustments related to provision for doubtful receivables	7	103.767	145.119	221.470	258.690
Adjustments related to insurance income accruals		(7.275.057)	(10.514.125)	(15.527.155)	(18.742.480)
Adjustments related to tax expense	25	4.263.831	10.645.958	9.100.295	18.977.485
Adjustments related to unrealized finance expenses on credit purchases		728.034	578.415	1.553.843	1.031.082
Adjustments related to unearned finance income on credit sales		(1.933.776)	(2.218.814)	(4.127.258)	(3.955.257)
Adjustments related to unrealized foreign exchange (gains) / losses		248.025	1.875.508	529.360	3.343.280
Adjustments related to fair value changes of derivative financial instruments		-	(378.391)	-	(674.520)
Changes in working capital					
Adjustments related to increase/ decrease in trade receivables		(28.640.752)	32.652.696	(61.127.956)	58.206.695
Adjustments related to increase/ decrease in inventories		(19.233.033)	44.221.316	(41.049.063)	78.828.918
Adjustments related to increase/ decrease in other short-term receivables		(8.131.940)	17.709.864	(17.355.999)	31.569.603
Adjustments related to increase/ decrease in other long-term receivables		6.887.230	8.687.041	14.699.415	15.485.519
Adjustments related to increase/ decrease in trade payables		28.757.870	(7.383.637)	61.377.922	(13.162.072)
Adjustments related to increase/ decrease in other long-term trade payables		83.835	234.562	178.928	418.131
Adjustments related to increase/ decrease in other short-term other payables and liabilities		190.967	(4.254.639)	407.580	(7.584.320)
Adjustments related to increase/ decrease in other long-term other payables and liabilities		197.880	(2.342.247)	422.335	(4.175.289)
Adjustments related to increase/ decrease in short-term benefits to employee		972.002	(328.460)	2.074.543	(585.513)
Adjustments related to increase/ decrease in doubtful receivables collected	7	99.303	111.196	211.943	198.218
Adjustments related to increase/ decrease in prepaid expenses		(6.417.161)	(847.960)	(13.696.147)	(1.511.573)
Change in deferred income		(208.083)	664.058	(444.111)	1.183.749
Financial assets		646.666	-	1.380.180	-
Derivative financial instruments		(908.108)	(57.551)	(1.938.175)	(102.590)
Employee bonuses paid		(354.532)	(1.300.767)	(756.677)	(2.318.748)
Taxes paid		(5.581.108)	(10.645.958)	(11.911.758)	(18.977.485)
Adjustments related to increase/ decrease in paid retirement pay and employee benefits	17	(2.794.709)	(1.790.466)	(5.964.748)	(3.191.684)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(36.296.368)	(73.597.532)	(77.467.341)	(131.194.961)
Purchase of property, plant, equipment and intangible assets	11,12	(38.006.113)	(76.369.660)	(81.116.448)	(136.136.556)
Proceeds from sale of property, plant and equipment		787.921	882.546	1.681.659	1.573.226
Interest received	23	921.824	1.889.582	1.967.448	3.368.369
C. CASH FLOWS FROM FINANCING ACTIVITIES		2.163.721	(68.499.588)	4.618.029	(122.107.365)
Dividends paid		(16.223.668)	(42.598.350)	(34.626.175)	(75.935.819)
Dividends paid to non-controlling interests		(3.441.154)	(5.424.326)	(7.344.455)	(9.669.403)
Proceeds from borrowings – net		29.136.631	9.568.338	62.186.312	17.056.520
Changes in factoring payables		-	(16.839.359)	-	(30.017.842)
Interest paid	24	(7.308.088)	(13.205.891)	(15.597.653)	(23.540.821)
NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENT BEFORE THE CURRENCY TRANSLATION DIFFERENCE IMPACT (A+B+C)		(7.462.338)	18.738.177	(15.926.868)	33.402.670
D. CURRENCY TRANSLATION DIFFERENCE IMPACT ON CASH AND CASH EQUIVALENTS		(9.301.946)	(5.343.003)	(19.853.143)	(9.524.432)
NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENT (A+B+C+D)		(16.764.284)	13.395.174	(35.780.011)	23.878.238
E. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	4	41.347.572	36.110.112	88.248.123	64.369.885
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (A+B+C+D+E)	4	24.583.288	49.505.286	52.468.112	88.248.123

(*) 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 2013 and 31 December 2012, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

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

Kordsa Global is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded in Borsa İstanbul ("BIST") since 1991. As of 31 December 2013, 8,89% of the Group's shares is listed on BIST. As of the same date, the shareholders owning the Group's shares and the percentage of the shares are as follows:

	Capital Share %
Hacı Ömer Sabancı Holding A.Ş.	91,11
Public shares and Central Registry Agency (CRA)	8,89
	100,00

Group's main shareholder and the party that holds the control is Hacı Ömer Sabancı Holding A.Ş.

Average number of employees within the Group is 4.036 (31 December 2012: 4.033).

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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

Subsidiaries

In accordance with the operating country and segment reporting purpose, geographical divisions in which the subsidiaries that are consolidated in the consolidated financial statements as at 31 December 2013 and 2012 are as follows:

31 December 2013

Subsidiaries	Country	Geographical division	Area of activity
InterKordsa GmbH (*)	Germany	Europe, Middle East and Africa	Single cord manufacture, industrial yarn and cord fabric trade
Nile Kordsa Company SAE	Egypt	Europe, Middle East and Africa	Cord fabric manufacture and trade
Kordsa Inc.	United States of America	North America	Industrial yarn and cord fabric manufacture and trade
Kordsa Argentina S.A.	Argentina	South America	Industrial yarn manufacture and trade
Kordsa Brazil S.A.	Brazil	South America	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Tbk (**)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Polyester (**)	Indonesia	Asia	Industrial yarn manufacture and trade
Thai Indo Kordsa Co., Ltd.	Thailand	Asia	Cord fabric manufacture and trade
Kordsa Qingdao Nylon Enterprise ("KQNE") (***)	China	Asia	Sales and marketing

31 December 2012

Subsidiaries	Country	Geographical division	Area of activity
InterKordsa GmbH	Germany	Europe, Middle East and Africa	Single cord manufacture and trade
InterKordsa GbRmbH	Germany	Europe, Middle East and Africa	Industrial yarn and cord fabric trade
Kordsa GmbH	Germany	Europe, Middle East and Africa	Industrial yarn and cord fabric trade
Nile Kordsa Company SAE	Egypt	Europe, Middle East and Africa	Cord fabric manufacture and trade
Kordsa Inc.	United States of America	North America	Industrial yarn and cord fabric manufacture and trade
Kordsa Argentina S.A.	Argentina	South America	Industrial yarn manufacture and trade
Kordsa Brazil S.A.	Brazil	South America	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Tbk	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Polyester	Indonesia	Asia	Industrial yarn manufacture and trade
Thai Indo Kordsa Co., Ltd.	Thailand	Asia	Cord fabric manufacture and trade
Kordsa Qingdao Nylon Enterprise ("KQNE")	China	Asia	Sales and marketing

(*) As of 1 January 2013, being acquired by InterKordsa GmbH that operates in Germany, InterKordsa GbRmbH and Kordsa GmbH entities are liquidated. The capital structure of the Group is simplified and the operations in Germany are collected under one Company.

(**) Operating in Indonesia, the Company provides nylon 6.6 and polyester HMLS yarns along with the cord fabric manufacturing plants.

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

(***) Currently maintaining its legal existence, the Company is in liquidation process.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

Approval of the Financial Statements

These consolidated financial statements have been approved to be issued during the meeting of the Board of Directors held on 5 March 2014, and have been signed by the President and CEO Cenk Alper and Finance and Purchasing Vice President Fatma Arzu Ergene 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.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

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

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations ("TAS/TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

Moreover, financial tables and notes are presented in accordance with the format declared by CMB on 7 June 2013.

The financial statements have been prepared on the historical cost basis except for derivative financial instruments and investment properties. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and Presentation Currency

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

Preparation of Financial Statements in Hyperinflationary Periods

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

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2013:

Subsidiaries	Direct and indirect ownership interest by the Group and its subsidiaries (%)	Proportion of effective interest (%)
InterKordsa 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	97,31	97,31
PT Indo Kordsa Tbk	60,21	60,21
PT Indo Kordsa Polyester	99,97	60,20
Thai Indo Kordsa	64,19	38,65
KQNE	99,50	99,50

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2012:

Subsidiaries	Direct and indirect ownership interest by the Group and its subsidiaries (%)	Proportion of effective interest (%)
InterKordsa GmbH	100,00	100,00
InterKordsa GbRmH	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	97,19	97,19
PT Indo Kordsa Tbk	60,21	60,21
PT Indo Kordsa Polyester	99,97	60,20
Thai Indo Kordsa	64,19	38,65
KQNE	99,50	99,50

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

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

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs).

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture

US Dollar Translation

USD amounts presented in the consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements. Consolidated balance sheet, consolidated statement of profit or loss and consolidated statements of cash flows are translated from TL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 December 2013 and 31 December 2012 of TL 2,1343 = USD 1 and TL 1,7826 = USD 1, respectively and do not form part of these consolidated financial statements.

2.2 Changes in Accounting Policies

Significant changes in the accounting principles and significant accounting errors should be applied retrospectively and prior period financial statements should be restated. In the current period, the Group calculated the net effect of the revision in TAS 19 and applied retrospectively.

2.3 Changes in Accounting Estimates and Errors

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

Identified accounting errors are corrected in financial statements retrospectively.

2.4 Application of New and Revised Turkish Accounting Standards (TAS)

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

Amendments to TAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to TAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to TAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to TAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.4 Application of New and Revised Turkish Accounting Standards (TAS) (cont'd)

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

Amendments to TAS 1 *Presentation of Items of Other Comprehensive Income* (cont'd)

The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to TAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

TAS 19 *Employee Benefits*

The amendments to TAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of TAS 19 and accelerate the recognition of past service costs.

The amendments require all actuarial gains and losses to be recognized immediately in other comprehensive income to reflect the full value of the plan deficit or surplus relating to the net pension asset or liability recognized in the balance sheet. Furthermore, the interest cost and expected return on plan assets used in the previous version of TAS 19 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to TAS 19 require retrospective application.

The Group calculated the net effect of this amendment related to TAS 19 and actuarial loss after tax amounting to TL 1.268.696 as of 1 January 2013 has been reclassified from net income for the period to the defined benefit plans remeasurement fund in equity. This amendment has had no impact on the total equity of the Group.

TFRS 13 *Fair Value Measurement*

TFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of TFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other TFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in TFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy required for financial instruments only under TFRS 7 Financial Instruments: Disclosures are extended by TFRS 13 to cover all assets and liabilities within its scope. Application of this new standard has had no significant impact on the consolidated financial statements.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.4 Application of New and Revised Turkish Accounting Standards (TAS) (cont'd)

(b) New and revised standards effective from 2013 applied with no material effect on the Group's financial statements

Amendments to TAS 1 Presentation of Financial Statements (As part of the *Annual Improvements to TFRSs 2009-2011 Cycle* issued in May 2012)

The amendments to TAS 1 issued in May 2012 as part of the Annual Improvements to TFRSs 2009-2011 Cycle are effective for the annual periods beginning on or after 1 January 2013.

TAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to TAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including TFRS 10, TFRS 11, TFRS 12, TAS 27 (2011) and TAS 28 (2011).

Key requirements of these five Standards are described below:

TFRS 10 replaces the parts of TAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of TFRS 10. Under TFRS 10, there is only one basis for consolidation that is control. In addition, TFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in TFRS 10 to deal with complex scenarios.

TFRS 11 replaces TAS 31 Interests in Joint Ventures. TFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers will be withdrawn upon the effective date of TFRS 11. Under TFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under TAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under TFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under TAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.4 Application of New and Revised Turkish Accounting Standards (TAS) (cont'd)

(b) New and revised standards effective from 2013 applied with no material effect on the Group's financial statements (cont'd)

TFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in TFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to TFRS 10, TFRS 11 and TFRS 12 were issued to clarify certain transitional guidance on the application of these TFRSs for the first time.

The application of these five standards has had no significant impact on amounts reported in the consolidated financial statements.

Amendments to TFRS 7 *Offsetting Financial Assets and Financial Liabilities and Related Disclosures*

The amendments to TFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. Amendments to TFRS 7 have had no significant impact on amounts reported in the financial statements.

Annual Improvements to TFRSs 2009-2011 Cycle issued in May 2012

- Amendments to TAS 16 Property, Plant and Equipment;
- Amendments to TAS 32 Financial Instruments: Presentation;
- Amendments to TAS 34 Interim Financial Reporting;

Amendments to TAS 16

The amendments to TAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in TAS 16 and as inventory otherwise. Amendments to TAS 16 have had no significant impact on amounts reported in the consolidated financial statements.

Amendments to TAS 32

The amendments to TAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with TAS 12 Income Taxes. Amendments to TAS 32 have had no significant impact on amounts reported in the consolidated financial statements

Amendments to TAS 34

The amendments to TAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. Amendments to TAS 34 have had no impact on amounts reported in the consolidated financial statements

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.4 Application of New and Revised Turkish Accounting Standards (TAS) (cont'd)

(b) New and revised standards effective from 2013 applied with no material effect on the Group's financial statements (cont'd)

TFRS Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

TFRS Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with TAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

TFRS Interpretation 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply TFRS Interpretation 20 for the first time. However, TFRS Interpretation 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. TFRS Interpretation 20 has not had any impact on the Group's consolidated financial statements since the Group does not engage in such activities.

(c) New and revised standards in issue but not yet effective

The Group has not applied the following new and revised standards that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures⁽¹⁾</i>
Amendments to TAS 32	<i>Offsetting Financial Assets and Financial Liabilities⁽¹⁾</i>
Amendments to TFRS 10, 11, TAS 27	<i>Investment Entities⁽¹⁾</i>
Amendments to TAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets⁽¹⁾</i>
Amendments to TAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting⁽¹⁾</i>
TFRS Interpretation 21	<i>Levies⁽¹⁾</i>

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2014.

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

2.5 Significant Accounting Policies

a) Revenue

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

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

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

b) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 9). Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

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

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

2.5 Significant Accounting Policies (cont'd)

c) Property, plant and equipment (cont'd)

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

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

d) Intangible assets

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

Internally generated intangible assets – research and development expenses

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

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

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

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

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

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

2.5 Significant Accounting Policies (cont'd)

d) Intangible assets (cont'd)

Derecognition of intangible assets

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

e) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives such as goodwill are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are classified on income statement in the period. Since the Group has no borrowing costs related to qualifying assets, all borrowing costs are classified on income statement in the period.

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

2.5 Significant Accounting Policies (cont'd)

g) Business combinations

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

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

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

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

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

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

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

2.5 Significant Accounting Policies (cont'd)

g) Business combinations (cont'd)

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (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.

h) Goodwill

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

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

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

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

i) Cash and cash equivalents

Cash and cash equivalents are carried at cost in the 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).

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

2.5 Significant Accounting Policies (cont'd)

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 7).

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 17).

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) Financial 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.

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

2.5 Significant Accounting Policies (cont'd)

m) Provision for employment termination benefits

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

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 17).

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 17).

o) Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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

2.5 Significant Accounting Policies (cont'd)

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.

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

Impairment of financial assets

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

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

2.5 Significant Accounting Policies (cont'd)

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

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

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

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

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 19).

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

2.5 Significant 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 25).

s) Foreign currency transactions and the effect of changes in foreign exchange rates

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.

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

2.5 Significant Accounting Policies (cont'd)

s) Foreign currency transactions and the effect of changes in foreign exchange rates (cont'd)

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

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

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.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

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

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

2.5 Significant 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 amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings.

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

t) Derivative financial instruments and embedded derivatives

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

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.

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

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

2.5 Significant 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 10).

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 27).

v) Earnings per share

Earnings per share are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retrospective effect to the issuances of the shares without consideration (Note 26).

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 19).

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

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

2.5 Significant Accounting Policies (cont'd)

aa) Investment property

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

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

Transfers are made when there is a change in the use of the investment properties. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, Plant and Equipment" up to the date of change in use (Note 13).

ab) 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).

ac) 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.

ad) 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 2013 in comparison with its consolidated balance sheet at 31 December 2012. The Group also prepared the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 1 January - 31 December 2013 in comparison with the accounting period 1 January - 31 December 2012.

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 Policies (cont'd)

ad) Comparatives and restatement of prior period financial statements (cont'd)

In the current period, in order to adapt the new format declared by the CMB on 7 June 2013, the Group restated prior period consolidated financial statements. Nature and cause of these restatements are explained below. Restatements on the Group's consolidated balance sheet as of 31 December 2012 are as follows:

- Advances given (TL 8.799.766), deposits and pledges given (TL 1.025.459) and prepaid expense balances (TL 3.555.112), included in other receivables, have been reclassified to and presented in prepaid expenses,
- Fair value of forward contracts included in other current assets (TL 1.232.514), has been reclassified to and presented in derivative financial instruments,
- Current period tax included in other receivables (TL 2.023.408), has been reclassified to and presented in assets related to current tax,
- Deferred finance income (TL 2.308.244) and advances given (TL 148.309) included in other non-current assets have been reclassified to and presented in prepaid expenses,
- Short-term portion of long term borrowings included in financial liabilities (TL 16.789.062), has been reclassified to and presented in short-term portion of long term borrowings,
- Advances received included in other liabilities (TL 1.761.864) has been reclassified to and presented in deferred income,
- Fair value of forward contracts included in other current liabilities (TL 1.938.175) has been reclassified to and presented in derivative financial instruments,
- Due to personnel (TL 2.492.448) and personnel salary accruals (TL 751.027) included in provision for employee benefits have been reclassified to and presented in employee benefit obligations,
- Provision for unused vacation (TL 5.612.458), provision for bonus accruals (TL 3.588.823) and provision for capital contribution plan (TL 1.689.904) included in current employee benefits have been reclassified to and presented in short-term provisions for employee benefits,
- Provision for legal claims (TL 530.798) included in other short-term liabilities has been reclassified to and presented in other short-term provisions,
- Taxes on other duties offset in other receivables (TL 12.203.306) have been reclassified to and presented in other payables.

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

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

2.5 Significant Accounting Policies (cont'd)

ad) Comparatives and restatement of prior period financial statements (cont'd)

Restatements on the Group's consolidated statement of profit or loss for the year ended 31 December 2012 are as follows:

- Credit finance income (TL 3.955.257) and foreign exchange gain on trade receivables (TL 27.339.619) included in finance income have been reclassified to and presented in other operating income,
- Credit finance expense (TL 1.031.619) and foreign exchange loss on trade payables (TL 38.699.264) included in financial expense have been reclassified to and presented in other operating expense,
- Gain on sale of property, plant and equipment (TL 929.852) and gain from fair value of investment properties (TL 3.668.302) included in other income have been reclassified and presented in income from investing activities,
- Interest income (TL 3.368.369) included in finance income has been reclassified to and presented in income from investing activities,
- Loss on sale of property, plant and equipment (TL 924.797) included in other expenses has been reclassified to and presented in expenses from investing activities,
- Foreign exchange gain from borrowings (TL 5.205.144) included in financial income has been reclassified to and presented in finance income,
- Foreign exchange loss from borrowings (TL 23.540.821) included in financial expense has been reclassified to and presented in finance expenses.

2.6 Critical Accounting Judgments, Estimates and Assumptions

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 judgement of the Group management related with the current conditions and transactions, actual results may differ from these estimations. Estimations are revised on a regular basis; necessary adjustments and corrections are made; and they are included in the income statement when they accrue. Estimations and assumptions subject to the risk of leading to corrections in the registered value of the assets and liabilities in the next financial period are given below:

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

2.6 Critical Accounting Judgments, Estimates and Assumptions (cont'd)

a) Estimated impairment of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in Note 2.5. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by Kordsa Global Management covering a 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 values used in the calculations are affected by the fluctuations in the foreign exchange market. The discount rate used in the calculations is 9,47% , the risk premium is 2% and the growth rate is 9%. The discount rates used are after tax and reflect specific risks relating to the company. As of 31 December 2013, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions.

b) Net realisable value

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

c) Useful lives of tangible and intangible assets

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

d) Provision for doubtful receivables

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

e) Provisions

In accordance with the accounting policy given in the Note 2.5, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

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

2.6 Critical Accounting Judgments, Estimates and Assumptions (cont'd)

f) Deferred tax

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

g) Internally-generated intangible assets

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

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

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NOTE 3 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External revenues

	1 January- 31 December 2013	1 January- 31 December 2012
Europe, Middle East and Africa	631.096.008	584.776.153
North America	335.079.071	392.452.023
South America	204.141.529	207.619.681
Asia	375.778.730	307.067.788
	1.546.095.338	1.491.915.645

b) Segment Assets

	1 January- 31 December 2013	1 January- 31 December 2012
Europe, Middle East and Africa	715.137.978	661.839.579
Asia	475.248.301	387.860.637
South America	303.934.086	280.335.183
North America	238.112.738	196.951.049
Segment assets (*)	1.732.433.103	1.526.986.448
Unallocated assets	66.505.025	78.228.621
Less: Intersegment eliminations	(11.581.530)	(19.034.593)
Total assets per consolidated financial statements	1.787.356.598	1.586.180.476

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

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NOTE 3 - SEGMENT REPORTING (cont'd)

c) Segment liabilities

	1 January- 31 December 2013	1 January- 31 December 2012
Europe, Middle East and Africa	315.479.836	281.882.911
North America	39.064.681	32.772.100
South America	207.512.968	184.131.587
Asia	137.748.871	90.959.056
Segment liabilities (*)	699.806.356	589.745.654
Unallocated liabilities	64.556.433	51.498.878
Less: Intersegment eliminations	(25.703.677)	(45.258.634)
Total liabilities per consolidated financial statements	738.659.112	595.985.898

(*) 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 2013

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination	Total
External revenues	631.092.395	335.079.071	204.141.529	375.782.343	-	1.546.095.338
Intersegment revenues	28.612.690	24.095.303	5.728.692	3.801.675	(62.238.360)	-
Revenues	659.705.085	359.174.374	209.870.221	379.584.018	(62.238.360)	1.546.095.338
Segment operating expenses	(612.537.770)	(358.070.410)	(206.351.077)	(346.491.277)	58.570.614	(1.464.879.920)
Segment operating result	47.167.315	1.103.964	3.519.144	33.092.741	(3.667.746)	81.215.418
Unallocated expenses						2.113.730
						83.329.148

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NOTE 3 - SEGMENT REPORTING (cont'd)**e) Segmental analysis for the period 1 January - 31 December 2012**

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination	Total
External revenues	584.776.153	392.452.023	207.619.681	307.067.788	-	1.491.915.645
Intersegment revenues	53.633.277	14.660.285	2.824.977	12.501.583	(83.620.122)	-
Revenues	638.409.430	407.112.308	210.444.658	319.569.371	(83.620.122)	1.491.915.645
Segment operating expenses	(583.431.454)	(387.338.477)	(221.324.550)	(265.455.312)	84.540.129	(1.373.009.664)
Segment operating result	54.977.976	19.773.831	(10.879.892)	54.114.059	920.007	118.905.981
Unallocated expenses						(23.538.387)
						95.367.594

f) Capital expenditure	1 January- 31 December 2013	1 January- 31 December 2012
Europe, Middle East and Africa	37.593.014	43.004.974
North America	9.830.602	8.755.366
South America	7.839.405	8.938.392
Asia	25.853.427	75.437.824
	81.116.448	136.136.556

g) Depreciation and amortisation	1 January- 31 December 2013	1 January- 31 December 2012
Europe, Middle East and Africa	24.920.559	25.101.024
North America	13.145.504	6.927.993
South America	11.002.405	10.707.284
Asia	18.319.211	17.417.102
	67.387.679	60.153.403

h) Provision for doubtful receivables	1 January- 31 December 2013	1 January- 31 December 2012
Europe, Middle East and Africa	140.955	105.507
North America	56.279	26.888
South America	-	124.325
Asia	24.236	1.970
	221.470	258.690

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NOTE 3 - SEGMENT REPORTING (cont'd)

i) Provision for inventory obsolescence	1 January- 31 December 2013	1 January- 31 December 2012
Europe, Middle East and Africa	2.461.851	2.546.009
North America	237.383	51.624
South America	1.519.861	5.070.582
Asia	616.671	429.120
	4.835.766	8.097.335

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

a) External Revenues

	1 January- 31 December 2013	1 January- 31 December 2012
Fabric	1.094.620.367	1.024.018.943
Nylon Yarn	391.176.535	390.760.721
Polyester Yarn	7.573.057	1.976.810
Other	52.725.379	75.159.171
	1.546.095.338	1.491.915.645

b) Segment assets

	1 January- 31 December 2013	1 January- 31 December 2012
Fabric	710.578.529	593.504.420
Nylon Yarn	529.106.192	482.729.458
Polyester Yarn	169.527.428	111.302.198
Other	112.027.692	94.653.076
Segment assets	1.521.239.841	1.282.189.152
Unallocated assets	278.409.738	310.019.686
Less: Intersegment eliminations	(12.292.981)	(6.028.362)
Total assets per consolidated financial statements	1.787.356.598	1.586.180.476

c) Capital expenditure

	1 January- 31 December 2013	1 January- 31 December 2012
Nylon Yarn	34.043.755	30.775.566
Polyester Yarn	4.476.083	10.902.777
Fabric	31.886.904	77.918.587
Other	10.709.706	16.539.626
	81.116.448	136.136.556

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NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Cash	65.008	37.660
Bank - demand deposits	25.316.282	33.102.055
Bank - time deposits	27.086.822	55.108.408
	52.468.112	88.248.123

Time deposits have less than 3-months maturity. Average annual interest rate for time deposits in US Dollar is 0,41% (2012: 0,43%), 0,41% for Euro (2012: 0,42%) and 2,85% for Chinese Renminbi (2012: 2,65%).

NOTE 5 – FINANCIAL INVESTMENTS

	31 December 2013	31 December 2012
Common stocks	285.022	195.967
	285.022	195.967

Details of the common stocks are as follows:

	31 December 2013		31 December 2012	
	Percentage of shareholding %	Amount	Percentage of shareholding %	Amount
Investimentos Lei 8200	<0,01	99.615	<0,01	95.378
Desenbanco	<0,01	70.468	<0,01	67.471
Investivos Fiscais Finor	<0,01	6.449	<0,01	6.174
Other	-	108.490	-	26.944
		285.022		195.967

Movement schedule of financial assets for the years ended 31 December 2013 and 2012 is as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Balances at 1 January	195.967	205.520
Currency translation differences	89.055	(9.553)
Balances at 31 December	285.022	195.967

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NOTE 6 – BORROWINGS

	31 December 2013		31 December 2012	
	Fair Value	Book Value	Fair Value	Book Value
USD borrowings	242.843.540	242.843.540	185.079.851	185.079.851
Euro borrowings	151.300	151.300	37.989.887	37.989.887
TL borrowings	-	-	7.954.430	7.954.430
BRL borrowings	170.511.942	170.511.942	119.744.938	119.744.938
	413.506.782	413.506.782	350.769.106	350.769.106

Borrowings

	31 December 2013		31 December 2012	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term borrowings				
TL borrowings	-	151.300	7,58	37.293.275
USD borrowings	4,27	130.151.302	3,93	71.285.649
Euro borrowings	1,57	170.511.942	2,68	119.744.938
Other borrowings	-	-	23,00	7.954.430
		300.814.544		236.278.292

Short-term portion of long-term borrowings

USD borrowings	3,18	21.214.169	3,69	16.789.062
		21.214.169		16.789.062
Total short-term borrowings		322.028.713		253.067.354

Long-term borrowings

USD borrowings	3,18	91.478.069	3,69	97.005.140
Euro borrowings	-	-	3,76	696.612
Egyptian Pound borrowings		-		-
Total long-term borrowings		91.478.069		97.701.752

	31 December 2013		31 December 2012	
	Fair Value	Book Value	Fair Value	Book Value
USD borrowings	242.843.540	242.843.540	185.079.851	185.079.851
Euro borrowings	151.300	151.300	37.989.887	37.989.887
TL borrowings	-	-	7.954.430	7.954.430
BRL borrowings	170.511.942	170.511.942	119.744.938	119.744.938
	413.506.782	413.506.782	350.769.106	350.769.106

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

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NOTE 6 – BORROWINGS (cont'd)

	31 December 2013	31 December 2012
Up to 1 year	322.028.713	253.067.354
1 to 2 years	29.607.998	25.437.530
2 to 3 years	26.789.950	24.761.127
3 to 4 years	9.023.904	21.378.746
4 to 5 years	24.278.245	24.341.728
Over 5 years	1.777.972	1.782.621
	413.506.782	350.769.106

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

	31 December 2013	31 December 2012
Trade receivables		
Trade receivables	243.663.036	179.220.599
Cheques in the portfolio	8.442.083	7.007.255
Due from related parties (Note 27)	2.821.961	9.409.266
	254.927.080	195.637.120
Less: Provision for doubtful receivables	(1.757.292)	(1.711.325)
Less: Unearned credit finance income	(447.700)	(307.967)
	252.722.088	193.617.828

As of 31 December 2013, annual interest rates for discount of TL, USD and Euro trade receivables and payables are 8,30%, 3,71% and 3,73% respectively (2012: 6,32%, 4,25% and 4,09%). The average maturities of the trade receivables and payables as of 31 December 2013 and 2012 are up to 3 months.

As of 31 December 2013, trade receivables amounting to TL 23,948,191 (2012: TL 25,602,289) were past due but not impaired. The aging of these receivables as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Up to 1 month	16.933.053	20.876.739
1 to 3 months	5.505.250	3.700.690
3 to 12 months	1.509.888	1.024.860
	23.948.191	25.602.289

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NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES (cont'd)

As of 31 December 2013, trade receivables amounting to TL 1.757.292 (2012: TL 1.711.325) were impaired and provided for. The aging of these receivables as of 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Up to 1 months	211.298	632.603
1 to 3 months	408.740	276.731
3 to 12 months	332.967	258.178
1 to 5 years	804.287	543.813
	1.757.292	1.711.325

Movement schedules of provision for doubtful receivables as of 31 December 2013 and 2012 are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Balances at 1 January	1.711.325	1.538.876
Additions	221.470	258.690
Collections	(211.943)	(198.218)
Currency translation differences	36.440	111.977
Balances at 31 December	1.757.292	1.711.325

	31 December 2013	31 December 2012
Trade payables		
Trade payables	154.402.804	98.159.690
Due to related parties (Note 27)	5.310.429	4.292.869
	159.713.233	102.452.559
Less: Unrealised credit finance expense on purchases	(64.425)	(54.415)
	159.648.808	102.398.144

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables	31 December 2013	31 December 2012
Taxes and other dues (*)	18.100.102	5.289.297
Other	1.895.376	2.367.361
	19.995.478	7.656.658

Other long-term receivables	31 December 2013	31 December 2012
Taxes and other dues (*)	17.947.105	17.680.428
Other	1.554.218	1.170.022
	19.501.323	18.850.450

(*) 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.

Other short-term payables	31 December 2013	31 December 2012
Taxes and duties payable	7.366.677	8.052.373
Payables on property, plant and equipment purchases	9.092.165	3.025.211
Other	4.395.036	2.536.720
	20.853.878	13.614.304

Other long-term payables	31 December 2013	31 December 2012
Taxes and duties payable (**)	12.625.641	12.203.306
	12.625.641	12.203.306

(**) Taxes and duties payables mainly comprise of long term social security contributions and other tax payables of Kordsa Brasil.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
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NOTE 9 – INVENTORIES

	31 December 2013	31 December 2012
Finished goods	140.247.437	135.715.839
Raw materials and supplies	121.431.765	105.410.073
Semi-finished goods	48.632.735	42.747.316
Spare parts	40.874.143	32.004.562
Intermediate goods	13.899.773	9.478.101
Other inventories	15.843.110	14.524.009
	380.928.963	339.879.900
Less: Provision for obsolescence	(8.082.858)	(9.356.819)
	372.846.105	330.523.081

The allocation of the provisions for obsolescence for the years ended 31 December 2013 and 2012 are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Finished goods	2.813.802	6.233.908
Spare parts	4.305.026	2.863.021
Semi-finished and intermediate goods	74.011	-
Raw materials and supplies	890.019	259.890
Balance at 31 December	8.082.858	9.356.819

Movement schedules for provision for obsolescence for the years ended 31 December 2013 and 2012 are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Balances at 1 January	9.356.819	10.070.781
Additions	4.835.766	8.097.335
Reversals	(4.417.469)	(8.595.882)
Currency translation differences	(1.692.258)	(215.415)
Balance at 31 December	8.082.858	9.356.819

The amount of provision for inventory obsolescence classified to cost of goods sold for the year 2013 is TL 418.297 (2012: TL 498.547).

The cost of inventories recognised as expense and included in cost of sales amounted to TL 832.554.078 for the period 1 January - 31 December 2013 (2012: TL 802.050.604).

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NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses

	31 December 2013	31 December 2012
Advances given	8.451.182	8.779.766
Prepaid expenses	3.691.205	3.555.112
Deposits and pledges given	690.964	1.025.459
Other	41.514	-
	12.874.865	13.360.337

Long-term prepaid expenses

	31 December 2013	31 December 2012
Advances given	14.074.264	148.309
Deferred finance expense	2.627.908	2.308.244
	16.702.172	2.456.553

Deferred income

	31 December 2013	31 December 2012
Deferred income	1.317.753	1.761.864
	1.317.753	1.761.864

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BAĞIMSIZ DENETİMDEN GEÇMİŞ 1 OCAK - 31 ARALIK 2013 HESAP DÖNEMİNE AİT
KONSOLİDE FİNANSAL TABLOLARA İLİŞKİN AÇIKLAYICI DİPNOTLAR
(Tutarlar aksi belirtilmedikçe Türk Lirası ("TL") olarak ifade edilmiştir.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended 31 December 2013 is as follows:

	1 January 2013	Additions	Disposals	Provision for impairment	Transfers to assets classified as held for sale	Transfers	Currency translation differences	31 December 2013
Cost:								
Land and land improvements	64,587,346	12,596	-	-	-	75,902	4,069,481	68,745,325
Buildings	272,595,169	568,505	(99,529)	-	-	1,858,972	12,983,701	287,906,818
Machinery and equipment	1,254,081,530	12,689,056	(1,697,962)	-	-	70,790,752	109,619,287	1,445,482,663
Motor vehicles	3,855,075	106,623	(756,121)	-	-	108,301	461,446	3,775,324
Furniture and fixtures	48,534,016	675,104	(4,228,721)	-	-	1,698,080	3,579,914	50,258,393
Construction in progress	97,049,015	66,646,437	-	-	-	(78,450,521)	2,946,727	88,191,658
	1,740,702,151	80,698,321	(6,782,333)	-	-	(3,918,514)	133,660,556	1,944,360,181
Accumulated depreciation:								
Land improvements	19,521,884	1,725,426	-	-	-	-	1,401,969	22,649,279
Buildings	149,412,176	8,947,521	(21,301)	-	-	-	882,690	159,221,086
Machinery and equipment	744,375,267	50,690,248	(906,189)	-	-	-	45,528,765	839,688,091
Motor vehicles	3,105,401	366,252	(558,824)	-	-	-	434,734	3,347,563
Furniture and fixtures	37,114,833	2,330,919	(4,208,481)	-	-	-	2,741,239	37,978,510
	953,529,561	64,060,366	(5,694,795)	-	-	-	50,989,397	1,062,884,529
Net book value	787,172,590							881,475,652

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
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KONSOLİDE FİNANSAL TABLOLARA İLİŞKİN DİPNOTLAR
(Tutarlar aksi belirtilmedikçe Türk Lirası ("TL") olarak ifade edilmiştir.)

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

The movement of property, plant and equipment for the year ended 31 December 2012 is as follows:

	1 January 2012	Additions	Disposals	Provision for impairment (*)	Transfers from assets classified as held for sale	Transfers	Currency translation differences	31 December 2012
Cost:								
Land and land improvements	65,822,675	11,578	(12,453)	-	-	33,080	(1,267,534)	64,587,346
Buildings	275,554,957	1,595,654	(335,647)	-	-	3,640,455	(7,860,250)	272,595,169
Machinery and equipment	1,289,472,519	25,863,164	(48,809,859)	-	465,913	56,966,269	(69,876,476)	1,254,081,530
Motor vehicles	4,026,434	501,441	(463,609)	-	-	58,900	(268,091)	3,855,075
Furniture and fixtures	49,682,053	1,664,919	(359,668)	-	-	533,394	(2,986,682)	48,534,016
Construction in progress	64,592,754	102,323,468	(116,825)	(2,278,740)	-	(62,761,937)	(4,709,705)	97,049,015
	1,749,151,392	131,960,224	(50,098,061)	(2,278,740)	465,913	(1,529,839)	(86,968,738)	1,740,702,151
Birikmiş amortisman:								
Land improvements	17,947,758	1,906,906	(2,145)	-	-	-	(330,635)	19,521,884
Buildings	142,490,356	10,521,550	(2,658)	-	-	-	(3,597,072)	149,412,176
Machinery and equipment	793,624,068	42,233,137	(47,417,009)	-	-	-	(44,064,930)	744,375,267
Motor vehicles	2,718,168	337,289	(365,752)	-	-	-	415,696	3,105,401
Furniture and fixtures	37,744,928	2,408,342	(325,864)	-	-	-	(2,712,573)	37,114,833
	994,525,278	57,407,224	(48,113,428)	-	-	-	(50,289,514)	953,529,561
Net book value	754,626,114							787,172,590

(*) Total impairment is related to the South America Region.

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

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

TL 61.471.655 of current period depreciation and amortisation expenses are included in cost of sales (2012: TL 53.827.415), TL 1.744.894 is included in research and development expenses (2012: TL 2.344.367) and TL 4.171.130 is included in general administrative expenses (2012: TL 3.981.621).

There are mortgages on property, plant and equipment amounting to TL 28.464.170 (2012: TL 22.342.610)

Leased assets included in property, plant and equipment	1 January- 31 December 2013	1 January- 31 December 2012
Cost	41.908	165.091
Accumulated depreciation	(41.908)	(161.516)
Net book value	-	3.575

NOTE 12 - INTANGIBLE ASSETS

	1 January 2013	Additions	Disposals	Transfers	Currency translation differences	31 December 2013
Cost:						
Rights	16.759.611	31.135	-	3.572.854	(497.539)	19.866.061
Technology licences	21.452.679	-	-	-	1.478.269	22.930.948
Capitalized development expenses (*)	12.737.753	-	-	-	-	12.737.753
Computer software	3.156.456	386.992	(47.949)	346.018	643.575	4.485.092
Customer relationships	659.479	-	-	-	-	659.479
Other	1.119.737	-	-	(358)	-	1.119.379
	55.885.715	418.127	(47.949)	3.918.514	1.624.305	61.798.712
Accumulated Amortization:						
Rights	3.026.151	1.059.308	-	-	(87.602)	3.997.857
Technology licences	17.352.708	296.204	-	-	1.048.743	18.697.655
Capitalized development expenses	2.022.031	1.410.955	-	-	-	3.432.986
Computer software	10.988.548	549.781	(39.590)	-	543.519	12.042.258
Other	1.077.719	11.065	-	-	-	1.088.784
	34.467.157	3.327.313	(39.590)	-	1.504.660	39.259.540
Net book value	21.418.558					22.539.172

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2013**

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NOTE 12 - INTANGIBLE ASSETS (cont'd)

	1 January 2012	Additions	Disposals	Transfers	Currency translation differences	31 December 2012
Cost:						
Rights	50.335	-	-	16.709.276	-	16.759.611
Technology licences	22.517.930	326.214	-	(151.181)	(1.240.284)	21.452.679
Capitalized development expenses	12.737.753	-	-	-	-	12.737.753
Computer software	17.169.281	3.839.052	(47.949)	(15.041.861)	(2.762.067)	3.156.456
Customer relationships	659.479	-	-	-	-	659.479
Other	1.106.132	11.066	-	13.605	(11.066)	1.119.737
	54.240.910	4.176.332	(47.949)	1.529.839	(4.013.417)	55.885.715
Accumulated Amortization:						
Rights	50.335	-	-	-	2.975.816	3.026.151
Technology licences	17.776.073	326.214	-	-	(749.579)	17.352.708
Capitalized development expenses	-	2.022.031	-	-	-	2.022.031
Computer software	13.504.998	386.869	(39.590)	-	(2.863.729)	10.988.548
Other	1.062.329	11.065	-	-	4.325	1.077.719
	32.393.735	2.746.179	(39.590)	-	(633.167)	34.467.157
Net book value	21.847.175					21.418.558

(*) Capitalized development expenses are comprised of the capitalized projects of the R&D center in İzmit. As of 31 December 2013, the average useful lives for the capitalized projects have been evaluated on a project basis and determined as 5 - 20 years.

NOTE 13 – INVESTMENT PROPERTY

	1 January - 31 December 2013	1 January - 31 December 2012
Balance at the beginning of the year	16.120.288	13.171.226
Gain / (loss) from fair value adjustments (*)	(1.665.884)	3.668.302
Currency translation differences	2.987.347	(719.240)
Closing balance	17.441.751	16.120.288

(*) As of 31 December 2013 and 2012 the fair value of the Group's investment property in PT Indo Kordsa Company in Asia Pasific Region has been determined by independent experts who are not related with the Group and have appropriate qualifications and recent experience in the valuation of properties. The estimated fair values of lands owned have been determined by taking reference of the market transaction prices of similar properties. When determining the fair values of the lands the highest of the value in use has been considered. In the current period no different valuation methodology is performed.

As of 31 December 2013, the fair value hierarchy of the Group's investment property is Level 2 and in the current period there has been no transition between Level 1 and Level 2.

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NOTE 14 – GOODWILL

The goodwill with an amount of TL 45.595.167 (2012: TL 45.595.167) net book value as of 31 December 2013 consisted of TL 42.570.007 (2012: 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 (2012: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006.

In Note 2.6 details of assessment for the impairment of goodwill is defined. There is no change in the book value of the goodwill, which is TL 45.595.167 for the period ended as of 31 December 2013 and 2012.

NOTE 15 - GOVERNMENT GRANTS

	31 December 2013	31 December 2012
Government grants	2.777.375	2.363.015

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

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

a) Guarantees given:

	31 December 2013	31 December 2012
Pledges given to banks	47.841.500	143.437.990
Letter of guarantees	23.155.112	18.287.232
Letter of credits	44.108.044	9.461.149
Pledges	222.683	673.176
Pledges given for machinery and equipment	7.341.250	5.879.250
Other guarantees given	1.157.683	821.824
	123.826.272	178.560.621

b) Guarantees received:

	31 December 2013	31 December 2012
Letter of guarantees	2.368.280	6.070.990
Cheques and notes received as collateral	900.880	1.109.457
	3.269.160	7.180.447

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NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

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

	TL Equivalent	TL	USD	EUR	Thai Baht	Indonesian Rupiah ('000)	Brazilian Real	Argentina Peso	Other TL Equivalent
31 December 2013									
A. Total of GPMs given on behalf of own legal personality	123.826.273	16.493.656	43.097.009	4.810.933	4.623.614	-	-	2.183.022	208.136
B. Total of GPMs given on behalf of subsidiaries consolidated in full	124.047.296	-	58.120.834	-	-	-	-	-	-
C. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-	-	-	-	-
i. Total amount of GPM given on behalf of the majority shareholder	-	-	-	-	-	-	-	-	-
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-	-	-	-
iii. Total amount of GPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-	-	-	-
	247.873.569	16.493.656	101.217.843	4.810.933	4.623.614	-	-	2.183.022	208.136
31 December 2012									
A. Total of GPMs given on behalf of own legal personality	178.560.621	12.346.061	86.091.840	5.078.597	12.767.625	90	-	-	60.883
B. Total of GPMs given on behalf of subsidiaries consolidated in full	117.930.928	-	66.156.697	-	-	-	-	-	-
C. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-	-	-	-	-
i. Total amount of GPM given on behalf of the majority shareholder	-	-	-	-	-	-	-	-	-
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-	-	-	-
iii. Total amount of GPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-	-	-	-
	296.491.549	12.346.061	152.248.537	5.078.597	12.767.625	90	-	-	60.883

The percentage of the Group's other GPMs to the Group's equity as of 31 December 2013 is 0% (31 December 2012: 0%)

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NOTE 16 - 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) There are three lawsuits filed by the previous owner of the lands that, Nile Kordsa Company for Industrial Fabrics S.A.E, one of the subsidiaries of The Group, has acquired on 20 September 2012. The first trials of two of the lawsuits, claiming that the valuation of the lands were improperly performed, have ended in favour of The Company on 26 March 2013 and then appealed by the litigator. The appellate procedure claiming that the legal notifications regarding the sale of the lands were improperly performed, is still in progress.

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, 30 workers subject to the stated agreement demanded salary differences to be paid by Kordsa Argentina. The total liability of Kordsa Argentina was calculated as US Dollar 817 thousand, (including the principal amount and interest).

As of second half of 2012, Kordsa Argentina has seeked a settlement for 23 of 30 workers as mentioned above. As of 30 September 2012, US Dollar 540 thousand has been paid. Other 7 lawsuits have been settled by a payment of approximately US Dollar 80 thousand in October 2013, thus finalizing all remaining related lawsuits.

iv) Two lawsuits have been filed against the Group's subsidiary, Kordsa Argentina with a total risk of US Dollar 450 thousand in 2009, comprising occupational accidents, terminations and claims. Kordsa Argentina has reached a settlement with the workers. These two lawsuits have settled by a payment of US Dollars 70 thousand in total.

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NOTE 17 – EMPLOYEE BENEFITS

Short-term provisions for employee benefits	31 December 2013	31 December 2012
Provision for unused vacation	6.455.175	5.612.458
Provision for bonus accrual	5.437.586	3.588.823
Provision for lawsuits	635.522	530.798
Provision for capital contribution plan (*)	6.362	1.689.904
	12.534.645	11.421.983

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

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

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

	1 January- 31 December 2013	1 January- 31 December 2012
Balances at 1 January	5.612.458	6.284.997
Increase during the year	4.751.282	3.883.878
Decrease during the year	(4.625.605)	(4.138.286)
Currency translation differences	717.040	(418.131)
Balances at 31 December	6.455.175	5.612.458

Non-current employee benefits	31 December 2013	31 December 2012
Provision for employment termination benefits (*)	21.761.732	22.727.624
Accruals for employee retirement benefit plans (**)	7.298.562	4.513.117
	29.060.294	27.240.741

(*) 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 60 for men (58 for women). 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 2013 the amount payable consists of one month's salary limited to a maximum of TL 3.254,44 (2012: TL 3.033,98) for each year of service.

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NOTE 17 – EMPLOYEE BENEFITS (cont'd)

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

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

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

	2013	2012
Discount rate (%)	3,73	3,73
Turnover rate to estimate the probability of retirement (%)	98,58	98,46

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 3.438,22 (1 January 2013: TL 3.129,25), which is effective from 1 January 2014, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

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

	1 January- 31 December 2013	1 January- 31 December 2012
Balances at 1 January	22.727.624	17.689.827
Addition during the year	4.927.385	5.804.196
Paid during the year	(5.893.277)	(2.352.269)
Actuarial loss / (gain)	-	1.585.870
Balances at 31 December	21.761.732	22.727.624

(**) 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:

Employee benefit obligations	31 December 2013	31 December 2012
Personnel salary accruals	1.018.564	751.027
Due to personnel	2.655.995	2.492.448
	3.674.559	3.243.475

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NOTE 17 – EMPLOYEE BENEFITS (cont'd)

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

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

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

	1 January - 31 December 2013	1 January - 31 December 2012
Balances at 1 January	4.513.117	3.930.316
Additions	1.860.361	932.030
Payments	(71.471)	(839.415)
Currency translation differences	996.555	490.186
31 December	7.298.562	4.513.117

NOTE 18 - OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2013	31 December 2012
Deductible VAT	29.338.612	13.858.872
Prepaid taxes	7.871.295	3.540.761
Insurance claim income (*)	3.193.147	18.742.480
Deferred VAT	1.568.106	3.523.894
Advances given to personnel	660.497	228.988
Other	2.280.517	-
	44.912.174	39.894.995

(*) Thai Indo Kordsa, a subsidiary of the Group, accrued income for the receivables from the insurance company as a result of the flood disaster in Thailand and accounted for the insurance receivables amounting to US Dollar 1.496.109 (TL 3.193.147) in other current assets.

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NOTE 18 - OTHER ASSETS AND LIABILITIES (cont'd)

Other non-current assets	31 December 2013	31 December 2012
Long-term deposits	1.302.362	1.125.499
	1.302.362	1.125.499
Other short-term liabilities	31 December 2013	31 December 2012
Expense accruals	6.325.644	5.313.295
Sales discounts and commission accruals (**)	4.191.514	3.365.556
Other tax accruals (*)	1.832.074	3.038.375
Other personnel expenses	878.051	733.362
Consultancy expenses	558.120	477.726
Other	2.346.435	4.511.892
	16.131.838	17.440.206

(*) 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.

NOTE 19 – EQUITY

Paid-in share capital

The Group's authorized and issued capital consists of 19.452.907.600 shares at 1 shares of Kr1 nominal value (2012: 19.452.907.600 shares). All shares are paid and there is no preferred stock. The Group's shareholders and their shareholdings at 31 December 2013 and 2012 are as follows:

	2013	Share (%)	2012	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
Teknosa İç ve Dış Tic. A.Ş.	-	-	1.357	<1
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	-	-	327	<1
Temsa Global Sanayi ve Ticaret A.Ş.	-	-	52	<1
Other (Public and Central Registry Agency (CRA))	17.295.649	8,89	17.292.397	8,89
Total paid-in share capital	194.529.076	100,00	194.529.076	100,00

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NOTE 19 – EQUITY (cont'd)

Revaluation Reserves

	31 December 2013	31 December 2012
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	-	(1.380.180)
	(270.151)	(1.650.331)

Financial Assets Fair Value Reserve:

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

Hedging Reserve:

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

Movements of Hedging Reserve:

	1 January- 31 December 2013	1 January- 31 December 2012
Balances at 1 January	(1.380.180)	1.613.561
Increases/ decreases	11.235.669	(21.678.292)
Income tax related to gains / losses recognized in other comprehensive income	(345.045)	416.683
Reclassified to profit or loss	(10.130.644)	18.501.305
Foreign currency translation differences	620.200	(233.437)
Balances at 31 December	-	(1.380.180)

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NOTE 19 – EQUITY (cont'd)

Share Premiums

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

After the decision of Kordsa Global and Kordsa Turkey's merger through acquisition of Kordsa Global by Kordsa Turkey as a whole with its assets and liabilities as of 30 June 2006 in the Extraordinary General Assembly Meeting of Kordsa Turkey on 29 November 2006, the share premium of TL 57.736 was accounted as addition to share premium.

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

Restricted Reserves

As of 31 December 2013 restricted reserves comprise the legal reserves amounting to TL 31.024.246 (2012: TL 28.384.668).

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.

Profit Distribution

The composition of Group's equity, which is considered as the basis for profit distribution is as follows:

	31 December 2013	31 December 2012
Share premiums	62.052.736	62.052.736
Net income for the period	30.822.808	40.924.044
Retained earnings	3.658.291	-

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NOTE 20 - SALES AND COST OF GOODS SOLD

	1 January- 31 December 2013	1 January- 31 December 2012
Sales income (gross)	1.561.472.032	1.510.051.193
Sales returns (-)	(1.731.492)	(1.028.428)
Sales discounts (-)	(7.421.643)	(5.824.374)
Other sales discounts (-)	(6.223.559)	(11.282.746)
Sales Income (Net)	1.546.095.338	1.491.915.645
Cost of sales (-)	(1.372.041.612)	(1.298.085.373)
Gross Profit	174.053.726	193.830.272

NOTE 21 - EXPENSES BY NATURE

	1 January- 31 December 2013	1 January- 31 December 2012
Raw materials and consumables used	832.554.078	802.050.604
Personnel expenses	221.880.647	216.458.267
Energy expenses	129.264.784	120.092.938
Depreciation and amortization expenses	67.387.676	60.153.403
Distribution expenses	41.891.537	37.867.406
Packaging expenses	33.401.854	31.147.599
Consultancy expenses	9.437.264	11.211.254
Idle mill expenses	5.412.915	9.618.052
Rent expenses	2.027.379	1.935.662
Service, maintenance expenses	973.301	1.933.797
Fixed assets impairment loss (*)	-	2.278.740
Other	160.578.473	145.164.042
	1.504.809.908	1.439.911.764

(*) Provision of impairment is related to the machinery and equipment in South America Region.

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NOTE 22 – OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January- 31 December 2013	1 January- 31 December 2012
Foreign exchange gains/ losses on trade receivables (net)	60.915.361	27.339.619
Domestic production incentive income (*)	17.877.204	19.438.867
Income from insurance claims (**)	4.228.026	42.472.428
Unearned finance income on credit sales	4.127.258	3.955.257
Export incentive income	2.768.219	2.556.081
Rent income	114.071	105.236
Other	5.837.260	4.586.043
	95.867.399	100.453.531
Other operating expenses	1 January- 31 December 2013	1 January- 31 December 2012
Foreign exchange gains/ losses on trade payables (net)	45.219.202	38.699.264
Taxes and duties	3.049.051	4.000.616
Unrealized finance expense on credit purchases	1.553.843	1.031.082
Expenses of the customer damages	464.464	181.095
Donations	34.586	4.331.450
Other	3.502.535	8.846.311
	53.823.681	57.089.818

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

(**) As of 31 December 2013, income from insurance claims mainly consist of insurance claims of Thai Indo Kordsa.

As of 31 December 2012, Thai Indo Kordsa, one of the subsidiaries of the Group, accrued TL 18.742.480 income due to the insurance claims arising from the flood in Thailand and along with the TL 23.729.948 cash income, a total of TL 42.464.566 insurance income has been accounted for under other operating income.

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NOTE 23 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities	1 January- 31 December 2013	1 January- 31 December 2012
Interest income	1.967.448	3.368.369
Gain on sale of property, plant and equipment	927.608	929.852
Gain from fair value of investment properties	-	3.668.302
	2.895.056	7.966.523

Expenses from investing activities	1 January- 31 December 2013	1 January- 31 December 2012
Loss from liquidation of subsidiary (*)	456.379	-
Loss on sale of property, plant and equipment	341.846	924.797
Loss from fair value of investment properties	1.665.884	-
	2.464.109	924.797

(*) As of 1 January 2013, being acquired by InterKordsa GmbH that operates in Germany, InterKordsa GbRmbH and Kordsa GmbH are liquidated. Capital structure of The Group is simplified and it's operations are collected together under one Company. Total cost of this operation amounting to TL 456.379 has been accounted for as loss from liquidation of subsidiary by Kordsa Global.

NOTE 24 – FINANCIAL INCOME/EXPENSES

Finance income	1 January- 31 December 2013	1 January- 31 December 2012
Foreign exchange gains	-	5.205.144
	-	5.205.144

Finance expenses	1 January- 31 December 2013	1 January- 31 December 2012
Foreign exchange losses	14.078.430	-
Interest expenses	15.597.653	23.540.821
Derivative financial instruments	-	1.587
Other	1.038.356	1.276.761
	30.714.439	24.819.169

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NOTE 25 - TAXATION ON INCOME

Corporate Tax

	31 December 2013	31 December 2012
Corporate tax payable	9.100.295	18.977.485
Less: Prepaid taxes (*)	(9.100.295)	(18.977.485)
	-	-

(*) As of 31 December 2013, the Prepaid Corporate Tax exceeding the Corporate Taxes Payable amounting to TL 4.834.871 (2012: TL 2.023.408) has been accounted for under Assets Related to Current Tax account.

Corporate Income Tax Law has been changed with the law numbered 5520 which was published on 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% (2012: 20%). Corporate tax rate is applied to the taxable profit which is calculated by adding non-deductible expenses and deducting some exemptions taken place in tax laws (exemptions for participation revenues, exemptions for investment incentives). No additional taxes are paid unless profit is distributed (except 19,8% withholding 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

The revoked phrase "only attributable to 2006, 2007 and 2008" stated in Provisional Article 69 of Income Tax Law No:193 with the effect of Article 5 of Law No:6009 after having published in the Official Gazette No: 27659 as at 1 August 2010 and the Constitutional Court's issued resolution no: 2009/144 published in the Official Gazette as at 8 January 2010 has been revised. The revised regulation allows companies to continue to benefit from the exception of undeductible and carryforward investment incentive due to insufficient earnings irrespective of having any time constraints. However, deductible amount for investment incentive exception used in the determination of tax base cannot exceed 25% of the related period's income. In addition, companies that opt to use the investment incentive exemption are allowed to apply 20% of income tax, instead of 30% under the related revised regulation.

The additional paragraph to Provisional Article 69 included in accordance with Law No:6009, which is related to the 25% threshold and requires the incentive amount that will be subject to investment incentive exemption in determining tax base cannot exceed 25% of the respective income, has been revoked based on the ground that it is contrary to the Constitution upon the Constitutional Court's resolution No: E. 2012/93 K. 2012/9 ("Stay of Execution") issued on 9 February 2012 and published in the Official Gazette No: 28208 on 18 February 2012. The related Constitutional Court's decision was published in the official Gazette No: 28719 as at 26 July 2013.

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NOTE 25 - TAXATION ON INCOME (cont'd)

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.

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 Group 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 2013 and 2012 are summarized as follows:

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NOTE 25 - TAXATION ON INCOME (cont'd)

	1 January- 31 December 2013	1 January- 31 December 2012
Current period corporate tax expense	(9.100.295)	(18.977.485)
Deferred tax income / (expense)	(5.305.850)	1.616.867
	(14.406.145)	(17.360.618)

The reconciliation of tax for the years ended 31 December 2013 and 2012 is as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Profit before tax in the consolidated financial statements	53.045.656	82.795.295
Tax charge according to parent company's tax rate 20%	10.609.131	16.559.059
Tax rate differences of subsidiaries	1.855.176	7.942.292
Expected tax charge of the Group	12.464.307	24.501.351
Disallowable expenses	332.972	1.807.247
Other exempt income	22.308	(250.273)
Dividend income	(1.555.471)	(2.432.204)
Lump-sum expense provision	(470.283)	(434.949)
Research and development incentive allowance	-	(2.739.560)
Consolidation eliminations without deferred tax effect	3.612.312	(3.090.994)
Effective tax expense	14.406.145	17.360.618
Tax penalty	-	-
Current period tax expense	14.406.145	17.360.618

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

Tax rate used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method is 20% in Turkey (2012: 20%).

At 31 December 2013 and 2012, tax rates used for companies operating in Egypt and Germany are 20% and 30%, respectively.

At 31 December 2013 and 2012, 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 2013 and 2012, tax rate used for companies operating in Indonesia is 25% and China is 25%.

At 31 December 2013 and 2012, tax rate used for companies operating in Thailand is 20% and 23%.

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NOTE 25 - TAXATION ON INCOME (cont'd)

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2013 and 2012 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Provision for employment termination benefits	25.387.225	25.843.838	5.258.715	5.327.195
Carried forward tax losses	16.551.275	11.586.930	5.577.770	4.049.191
Research and development deductions	10.499.395	-	2.099.879	-
Inventories	6.145.814	4.860.513	1.861.992	1.523.061
Doubtful receivable provision	659.053	573.137	228.021	196.127
Consignment sales adjustment	494.136	643.914	98.827	128.783
Unearned credit finance income	383.275	253.552	76.655	61.593
Other	20.739.450	16.127.606	6.658.425	5.402.510
Deferred tax assets			21.860.284	16.688.460
Property, plant and equipment and intangibles	157.507.556	204.412.904	(59.076.905)	(51.174.926)
Other	34.275.442	-	(6.855.053)	-
Deferred tax liabilities			(65.931.958)	(51.174.926)
Net deferred tax liability			(44.071.674)	(34.486.466)
Deferred income taxes				
			1 January- 31 December 2013	1 January- 31 December 2012
Balances at 1 January			(34.486.466)	(39.899.426)
Current year deferred tax income / (expense) - net			(5.305.850)	1.616.867
Accounted for under equity			(345.045)	416.683
Currency translation differences			(3.934.313)	3.379.410
Balances at 31 December			(44.071.674)	(34.486.466)

Since it is not anticipated to be able to offset the financial losses of the Group's subsidiary Kordsa Brazil, which amounted to TL 54.782.806 as of 31 December 2013 (2012: TL 50.764.035), no deferred tax asset has been calculated and included in the above table. 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.

	31 December 2013	31 December 2012
Deferred tax assets that are expected to be benefited from after one year	5.577.770	4.049.191
Deferred tax liabilities that are expected to be realized after one year	65.931.958	51.174.926

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NOTE 26 - 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.

	1 January- 31 December 2013	1 January- 31 December 2012
Net income attributable to equity holders of the parent	30.822.808	40.924.044
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	1,58	2,10

Nominal values of ordinary shares for the years ended 31 December 2013 and 2012 are assumed to be Kr 1 each.

NOTE 27 – RELATED PARTY DISCLOSURES

Bank balances:	31 December 2013	31 December 2012
Akbank T.A.Ş. – time deposits	11.928.550	40.014.885
Akbank T.A.Ş. - demand deposits	5.660.436	4.055.171
	17.588.986	44.070.056

	31 December 2013	31 December 2012
Akbank T.A.Ş. – bank borrowings	-	2.505.634

Due from related parties:	31 December 2013	31 December 2012
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. ("Brisa")	2.749.081	9.351.066
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	44.285	36.809
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. ("Bimsa")	16.218	12.113
Advansa Sasa Polyester Sanayi A.S.	-	-
Akbank A.G. (*)	3.333	1.343
Other	9.044	7.935
	2.821.961	9.409.266

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

Due to related parties:	31 December 2013	31 December 2012
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	3.642.073	2.912.294
Enerjisa Doğalgaz Toptan Satış A.Ş. ("Gasco")	1.313.372	1.069.951
Bimsa	170.822	183.603
Aksigorta A.Ş.	43.574	21.342
Brisa	95.056	666
Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding")	6.718	31.444
Sabancı Üniversitesi	9.927	16.276
Temsa Global Sanayi ve Ticaret A.Ş. ("Temsa")	-	393
Olmuksa International Paper Sabancı Ambalaj San. Tic. A.Ş. ("Olmuksa")	-	21.140
Other	28.887	35.760
	5.310.429	4.292.869

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NOTE 27 - RELATED PARTY DISCLOSURES (cont'd)

Product sales	1 January- 31 December 2013	1 January- 31 December 2012
Brisa	45.280.492	37.089.148

Service sales	1 January- 31 December 2013	1 January- 31 December 2012
Sabancı Holding	11.110	-
Brisa	5.935	4.390
	17.045	4.390

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

Product purchases	1 January- 31 December 2013	1 January- 31 December 2012
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	34.951.712	22.641.242
Enerjisa Doğalgaz Toptan Satış A.Ş. ("Gasco")	12.211.042	-
SASA	4.445.630	39.811
Olmuksa	-	220.319
	51.608.384	22.901.372

Services received	1 January- 31 December 2013	1 January- 31 December 2012
Aksigorta	4.016.938	3.136.157
Bimsa	2.392.577	1.381.981
Ak Emeklilik A.Ş.	409.268	357.196
Sabancı Holding	155.194	192.613
Sabancı Üniversitesi	60.204	19.872
Teknosa	14.921	-
Brisa	1.872	27.531
Other	796.700	424.587
	7.847.674	5.539.937

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NOTE 27 - RELATED PARTY DISCLOSURES (cont'd)

	1 January- 31 December 2013	1 January- 31 December 2012
Property, plant and equipment purchases		
Bimsa	-	33.853
Teknosa	17.316	-
	17.316	33.853
Interest income		
Akbank T.A.Ş.	-	211.134
Interest Expense		
Akbank T.A.Ş.	809.953	548.455
Foreign exchange gains / (losses) - net		
Akbank T.A.Ş.	2.464.947	448.982
Rent expense		
Sabancı Holding	551.304	486.982
Rent income		
Bimsa	48.763	51.040
Other	24.139	25.157
	72.902	76.197
Donations		
Sabancı Üniversitesi	-	2.150.000

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NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (cont'd)

Remunerations:

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

Details of the remunerations provided by the Group for 2013 and 2012 are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Short-term employee benefits	10.205.574	10.719.424
Other long-term benefits	158.115	165.942
Employee termination benefits	437.320	1.303.278
Post-employment benefits	228.176	-
	11.029.185	12.188.644

Security and guarantee letters given:

2013				
Related parties	Amount	Currency	Detail	Bank
Kordsa Argentina	12.187.500	US Dollar	Loan Guarantee	IFC
Kordsa Argentina	14.620.834	US Dollar	Loan Guarantee	Citibank N.A.
Kordsa Brazil	20.312.500	US Dollar	Loan Guarantee	IFC
Nile Kordsa	11.000.000	US Dollar	Loan Guarantee	IFC
2012				
Related parties	Amount	Currency	Detail	Bank
Kordsa Inc.	1.850.000	US Dollar	Loan Guarantee	GE CAPITAL
Kordsa Argentina	15.000.000	US Dollar	Loan Guarantee	IFC
Kordsa Argentina	8.833.334	US Dollar	Loan Guarantee	CITIBANK N.A.
Kordsa Argentina	4.473.363	US Dollar	Loan Guarantee	HSBC Argentina
Kordsa Brazil	25.000.000	US Dollar	Loan Guarantee	IFC
Nile Kordsa	11.000.000	US Dollar	Loan Guarantee	IFC

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NOTE 28 - INTERESTS IN OTHER ENTITIES

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

Subsidiary	31 December 2013			
	Non-controlling interests %	Net profit/ loss attributable to non-controlling interests	Accumulated non-controlling interest	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	39,79%	7.892.233	155.707.488	6.149.984
Other		(75.530)	14.902.753	
Total		7.816.703	170.610.241	

Subsidiary	31 December 2012			
	Non-controlling interests %	Net profit/ loss attributable to non-controlling interests	Accumulated non-controlling interest	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	39,79%	15.135.191	132.275.095	5.126.194
Other		9.375.442	16.119.771	
Total		24.510.633	148.394.866	

Summary balance sheet information:

	PT Indo Kordsa Tbk	
	31 December 2013	31 December 2012
Cash and cash equivalents	4.548.329	7.841.081
Other current assets	189.635.040	138.776.855
Non-current assets	283.554.518	232.490.726
Total assets	477.737.887	379.108.662
Short-term borrowings	66.709.939	32.561.438
Other short-term liabilities	38.877.406	33.838.935
Long-term borrowings	22.744.859	19.862.966
Other long-term liabilities	18.793.591	14.298.092
Total liabilities	147.125.795	100.561.431
Equity attributable to owners of the parent	290.490.955	242.936.615
Non-controlling interests (**)	40.121.137	35.610.616

Summary profit or loss statement information:

	PT Indo Kordsa Tbk	
	1 January - 31 December 2013	1 January - 31 December 2012
Sales	374.750.536	295.507.141
Depreciation and amortization	15.319.739	11.155.316
Operating profit/ (loss)	(9.780.414)	(8.400.440)
Net financial income/ (expense)	(2.438.703)	54.479
Profit/ (loss) before tax	29.356.481	57.007.144
Profit for the period	19.834.714	38.037.676

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

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

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, 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 as of 31 December 2013 and 2012 is as follows:

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

31 December 2013	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	413.506.782	458.036.675	102.348.603	230.361.861	122.890.365	2.435.846
Trade payables	160.244.389	157.068.574	154.708.070	1.764.923	595.581	-
Other payables	16.264.576	14.070.840	9.699.165	4.109.670	-	262.005
	590.015.747	629.176.089	266.755.838	236.236.454	123.485.946	2.697.851

31 December 2012	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	350.769.106	379.816.614	69.448.607	184.987.534	123.092.839	2.287.634
Trade payables	102.398.144	102.452.559	100.318.398	1.717.508	416.653	-
Other payables	7.924.946	8.605.939	5.877.520	1.355.324	555.699	817.396
	461.092.196	490.875.112	175.644.525	188.060.366	124.065.191	3.105.030

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

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

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (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 2013 and 2012 is as follows:

Variable interest financial instruments	1 January- 31 December 2013	1 January- 31 December 2012
Financial liabilities	275.210.877	289.896.000
Cash and cash equivalents	-	-

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 2013, if interest rates on US Dollar denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 593.342 (2012: TL 741.754), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2013, 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 374 (2012: TL 4.780), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2013, 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 7.412 (2012: TL 172.326), mainly as a result of higher/lower interest expense on floating rate borrowings.

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. As of 31 December 2013, there are no swap transactions.

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Market risk (cont'd)

Derivative financial instruments

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

Foreign currency 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.

The Group does not use hedging for speculative reasons.

Derivative financial instruments are accounted for by their fair value on the contract date and in the subsequent period their fair value is assessed again.

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 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Market risk (cont'd)

Derivative financial instruments (cont'd)

The Group entered into foreign currency forward transactions in order to manage the risks emerging from the sales transactions which are expected to occur within 12 months following the balance sheet date. The carrying values of the items hedged against the non-financial risk will be adjusted once the expected sales will take place. The Group also entered into foreign currency forward transactions with due date 2013 in order to hedge its trade receivables and payables from the effects of the changes in foreign currency exchange rates.

The Group also uses fair value hedge with its derivative portfolio to hedge its trade receivables and payables from the effects of the exchange rate differences in the markets. According to this, the net-off figures of the exchange rate change in the balance sheet and the exchange rate change of the derivative portfolio are presented in the income statement and the effectiveness of the hedge accounting is evaluated at each balance sheet date. As of 31 December 2013 there are no foreign exchange forward contracts and hedging reserves.

Foreign exchange forward contracts:

As of 31 December 2013 there are no foreign exchange forward contracts.

31 December 2012	Average Rate	Foreign Currency (TL)	Contract Value (TL)	Fair Value Amount (TL)
TL buy Euro sell				
Less than 3 months	2,3571	32.923.800	32.999.500	(219.636)
3-6 months	2,3806	39.978.900	40.499.950	(332.255)
6-9 months	2,4088	42.330.600	43.413.400	(348.022)
9-12 months	2,4416	47.034.000	48.840.850	(404.555)
BRL buy US Dollar sell				
Less than 3 months	2,1009	5.936.637	9.454.150	180.849
3-6 months	2,1228	5.936.637	9.552.800	183.872
6-9 months	2,1459	5.936.637	9.656.500	125.031
9-12 months	2,1717	5.936.637	9.772.650	109.055
				(705.661)

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Market risk (cont'd)

Derivative financial instruments (cont'd)

Hedges of net investments in foreign operations:

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

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

The Company subjected the net investment in its foreign subsidiaries and the US Dollar and Euro borrowings in other subsidiaries to the hedge of a net investment in foreign operations. The Company accounted for the foreign exchange losses arising from the related borrowings amounting to TL 47.296.564 (31 December 2012: TL 7.038.489) under Currency Translation Reserves in Equity in accordance with TAS 39 and TFRS Interpretation 16.

Foreign currency position:

Group's assets and liabilities denominated in foreign currencies at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Assets	392.457.662	334.372.305
Liabilities	(601.716.227)	(446.086.522)
Net foreign currency position	(209.258.565)	(111.714.217)

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

31 December 2013	Total TL equivalent	US Dollars (*)	Euro (*)	Thai Baht (*)	Indonesian Rupiah ('000) (*)	Brazilian Real (*)	Argentinean Pesos (*)	Other TL Equivalent
Assets:								
Trade receivables	234,182,640	50,092,479	20,241,909	259,437,596	84,951,855	28,194,133	2,872,681	2,226,760
Cash and cash equivalent	48,996,903	8,425,433	3,585,014	4,078,680	16,831,632	2,268,920	2,821,089	14,284,086
Other monetary receivables and assets	9,040,160	234,971	1,435,360	786,267	4,542,119	513,229	8,951,676	228,000
Other non-monetary receivables and assets	62,732,097	7,992,425	20,020	36,908,186	161,495,469	3,303,596	242,987,706	3,825,604
Current assets	354,951,800	66,745,308	25,282,303	301,210,729	267,821,075	34,279,878	38,944,152	20,564,450
Other monetary receivables and assets	37,505,862	8,174,510	-	669,720	2,936,153	16,075,617	148,340,222	-
Non-current assets	37,505,862	8,174,510	-	669,720	2,936,153	16,075,617	14,834,022	-
Total assets	392,457,662	74,919,818	25,282,303	301,880,449	270,757,228	50,355,495	53,778,174	20,564,450
Liabilities:								
Trade payables	128,223,837	51,031,941	2,888,992	12,762,536	4,991,518	4,099,381	8,876,297	2,478,656
Financial payables	321,877,413	70,920,429	58,066,386	-	-	-	-	-
Other monetary payables and liabilities	41,956,518	6,773,986	2,076,190	30,243,868	33,357,474	7,945,401	15,991,675	1,121,074
Total short-term liabilities	492,057,768	128,726,356	63,031,568	43,006,404	38,348,992	12,044,782	24,867,972	3,599,730
Financial payables	91,478,069	42,860,923	-	-	-	-	-	-
Other monetary payables and liabilities	18,180,390	-	1,891,622	24,468,973	32,592,842	11,597,053	6,293,310	-
Total long-term liabilities	109,658,459	42,860,923	1,891,622	24,468,973	32,592,842	11,597,053	6,293,310	-
Total liabilities	601,716,227	171,587,279	64,923,190	67,475,377	70,941,834	23,641,835	31,161,282	3,599,730
Fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-	-
Amount of financial instruments in the currency of hedged foreign currency assets	-	-	-	-	-	-	-	-
Hedged portion of foreign currency liabilities	241,278,800	36,000,000	56,000,000	-	-	-	-	-
Net foreign currency asset / (liability) position	32,020,235	(60,667,461)	16,359,113	234,405,072	199,815,394	26,713,660	22,616,892	16,964,720
Monetary items net foreign currency asset / (liability) position	(271,990,662)	(104,659,886)	(39,660,907)	197,496,886	38,319,925	23,410,064	(1,681,814)	13,139,116

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

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

31 December 2012	Total TL equivalent	US Dollars (*)	Euro (*)	Thai Baht (*)	Indonesian Rupiah ('000) (*)	Brazilian Real (*)	Argentinean Pesos (*)	Other TL Equivalent
Assets:								
Trade receivables	171,905,674	35,056,849	25,163,120	143,185,166	60,617,400	26,656,371	297,274	2,101,882
Cash and cash equivalent	88,429,173	11,300,624	19,643,579	68,238,760	3,808,491	2,603,968	8,690,180	11,994,273
Other monetary receivables and assets	5,817,654	161,449	284,070	-	-	-	-	10,184
Other non-monetary receivables and assets	44,554,788	5,698,373	522,746	388,989,591	38,291,233	861,945	10,496,274	3,766,821
Current assets	310,707,289	52,217,295	45,613,515	600,413,517	102,717,124	30,122,284	19,483,728	17,873,160
Other monetary receivables and assets	23,665,016	2,506,933	-	412,720	1,745,053	16,182,937	13,059,599	-
Non-current assets	23,665,016	2,506,933	-	412,720	1,745,053	16,182,937	13,059,599	-
Total assets	334,372,305	54,724,228	45,613,515	600,826,237	104,462,177	46,305,221	32,543,327	17,873,160
Liabilities:								
Trade payables	79,612,244	34,267,199	3,908,467	10,737,794	6,707,995	5,209,107	5,013,969	1,113,105
Financial payables	215,774,079	49,408,006	50,918,458	-	-	-	21,945,409	-
Other monetary payables and liabilities	36,069,111	6,175,733	1,137,416	59,307,513	3,0831,668	5,523,871	15,606,916	2,774,814
Total short-term liabilities	331,455,434	89,850,938	55,964,341	70,045,307	37,539,663	10,732,978	42,566,294	3,887,919
Financial payables	97,701,752	54,417,783	296,216	-	-	-	-	-
Other monetary payables and liabilities	16,929,336	-	2,009,623	23,104,575	17,188,317	11,055,373	7,061,126	-
Total long-term liabilities	114,631,088	54,417,783	2,305,839	23,104,575	17,188,317	11,055,373	7,061,126	-
Total liabilities	446,086,522	144,268,721	58,270,180	93,149,882	54,727,980	21,788,351	49,627,420	3,887,919
Fair value of financial instruments used for foreign currency hedging	(705,661)	(395,861)	-	-	-	-	-	-
Amount of financial instruments in the currency of hedged foreign currency assets	-	-	-	-	-	-	-	-
Hedged portion of foreign currency liabilities	26,739,000	15,000,000	-	-	-	-	-	-
Net foreign currency asset / (liability) position	(84,975,217)	(74,544,493)	(12,656,665)	507,676,355	49,734,197	24,516,870	(17,084,093)	13,985,241
Monetary items net foreign currency asset / (liability) position	(156,269,005)	(95,242,866)	(13,179,411)	118,686,764	11,442,964	23,654,925	(27,580,367)	10,218,420

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

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

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

	31 December 2013	31 December 2012
Closing rates		
US Dollars	2,1343	1,7826
Euro	2,9365	2,3517
Indonesian Rupiah (1000 units)	0,1751	0,1843
Argentinean Peso	0,3273	0,3625
Brazilian Real	0,9111	0,8723
Thai Baht	0,0650	0,0582
Chinese Renminbia	0,3501	0,2836
Egyptian Pound	0,3058	0,2775
	1 January -	1 January -
Average rates	31 December 2013	31 December 2012
US Dollars	1,9013	1,7925
Euro	2,5254	2,3045
Indonesian Rupiah (1000 units)	0,1818	0,1910
Argentinean Peso	0,3475	0,3940
Brazilian Real	0,8812	0,9170
Thai Baht	0,0619	0,0577
Chinese Renminbia	0,3071	0,2848
Egyptian Pound	0,2763	0,2948

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency position as of 31 December 2013 and 2012 in regard to the changes in foreign currency rates is depicted in the table below:

31 December 2013

	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	(17.431.088)	17.431.088	21.487.882	(21.487.882)
Hedged USD (-)	-	-	-	-
USD net effect	(17.431.088)	17.431.088	21.487.882	(21.487.882)
Change in EURO against TL by 10%				
Euro net assets/liabilities	19.552.284	(19.552.284)	24.071.344	(24.071.344)
Hedged Euro (-)	-	-	-	-
Euro net effect	19.552.284	(19.552.284)	24.071.344	(24.071.344)
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(44.697)	44.697	-	-
Hedged other currency (-)	-	-	-	-
Other currency net effect	(44.697)	44.697	-	-
	2.076.499	(2.076.499)	45.559.226	(45.559.226)

31 December 2012

	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	(26.378.485)	26.378.485	21.020.516	(21.020.516)
Hedged USD (-)	-	-	-	-
USD net effect	(26.378.485)	26.378.485	21.020.516	(21.020.516)
Change in EURO against TL by 10%				
Euro net assets/liabilities	17.834.996	(17.834.996)	23.523.053	(23.523.053)
Hedged Euro (-)	-	-	-	-
Euro net effect	17.834.996	(17.834.996)	23.523.053	(23.523.053)
Change in other currency against TL by 10%				
Other currency net assets/liabilities	-	-	-	-
Hedged other currency (-)	-	-	-	-
Other currency net effect	-	-	-	-
	(8.543.489)	8.543.489	44.543.569	(44.543.569)

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Export and import balances from Turkey as of 31 December 2013 and 2012 is as follows:

	31 December 2013		31 December 2012	
	Original balance	TL	Original balance	TL
Euro	143.446.581	359.864.046	140.717.019	324.588.982
US Dollars	68.213.891	130.779.758	64.817.460	116.175.413
Total export		490.643.804		440.764.395
			1 January- 31 December 2013	1 January- 31 December 2012
Import			368.851.621	301.718.724

(c) Funding risk

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

(d) Credit risk

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

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

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

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

As of 31 December 2013, the credit risk regarding the financial instruments is as follows:

31 December 2013	Trade receivables		Other receivables (*)		Bank deposits	
	Related party	Other	Related party	Other	Related party	Other
Maximum credit risk based on financial instruments as of reporting date	2.821.961	249.900.127	-	3.449.594	17.588.986	34.814.118
- Collateralized or secured with guarantees part of maximum credit risk	-	-	-	-	-	-
Net book value of not due or not impaired financial assets	2.821.961	225.951.936	-	3.449.594	17.588.986	34.814.118
Net book value of past due but not impaired financial assets	-	23.948.191	-	-	-	-
<i>- Collateralized or guaranteed part</i>	-	-	-	-	-	-
Net book value of impaired financial assets	-	-	-	-	-	-
<i>- Gross amount of overdue part</i>	-	1.757.292	-	-	-	-
<i>- Impairment (-)</i>	-	(1.757.292)	-	-	-	-
<i>- Collateralized or guaranteed part of net value</i>	-	-	-	-	-	-

(*) Excludes tax and other legal receivables.

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

As of 31 December 2012, the credit risk regarding the financial instruments is as follows:

31 December 2012	Trade receivables		Other receivables (*)		Bank deposits	
	Related party	Other	Related party	Other	Related party	Other
Maximum credit risk based on financial instruments as of reporting date	9,409,266	184,174,929	-	5,275,273	44,070,056	44,140,407
- Collateralized or secured with guarantees part of maximum credit risk	-	-	-	-	-	-
Net book value of not due or not impaired financial assets	9,409,266	158,572,640	-	5,275,273	44,070,056	44,140,407
Net book value of past due but not impaired financial assets	-	25,602,289	-	-	-	-
<i>- Collateralized or guaranteed part</i>	-	-	-	-	-	-
Net book value of impaired financial assets	-	-	-	-	-	-
<i>- Gross amount of overdue part</i>	-	1,711,325	-	-	-	-
<i>- Impairment (-)</i>	-	(1,711,325)	-	-	-	-
<i>- Collateralized or guaranteed part of net value</i>	-	-	-	-	-	-

(*) Excludes tax and other legal receivables.

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(d) Credit risk (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:

	31 December 2013	31 December 2012
0-1 months	16.933.054	20.910.373
1-3 months	5.505.250	3.700.690
3-12 months	1.509.887	991.226
	23.948.191	25.602.289

(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 2013 and 2012 Net debt/(Equity+net debt+non-controlling interest) ratio is:

	1 January- 31 December 2013	1 January- 31 December 2012
Total financial liabilities	392.292.613	350.769.106
Cash and cash equivalents	(52.468.112)	(88.248.123)
Net debt	339.824.501	262.520.983
Equity	878.087.245	842.944.849
Non-controlling interests	170.610.241	148.394.866
Equity+net debt+non-controlling interest	1.388.521.987	1.253.860.698
Net debt/(Equity+net debt+non-controlling interest) ratio	24%	21%

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NOTE 30 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

31 December 2013	Loans and receivables (cash and cash equivalents included)	Available for sale investments	Financial liabilities at amortized cost	Derivative financial instruments	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	52.468.112	-	-	-	52.468.112	4
Trade receivables	249.900.127	-	-	-	249.900.127	7
Receivables from related parties	2.821.961	-	-	-	2.821.961	27
Financial investments	-	285.022	-	-	285.022	5
Other financial assets	3.449.594	-	-	-	3.449.594	8
Financial liabilities						
Borrowings	-	-	413.506.782	-	413.506.782	6
Trade payables	-	-	154.933.960	-	154.933.960	7
Payables to related parties	-	-	5.310.429	-	5.310.429	27
Other financial liabilities (**)	-	-	16.264.576	-	16.264.576	8
31 December 2012						
Financial assets						
Cash and cash equivalents	88.248.123	-	-	-	88.248.123	4
Trade receivables	184.208.562	-	-	-	184.208.562	7
Receivables from related parties	9.409.266	-	-	-	9.409.266	27
Financial investments	-	195.967	-	-	195.967	5
Other financial assets (**)	3.537.383	-	-	-	3.537.383	8
Derivative financial instruments	-	-	-	1.232.514	1.232.514	19
Financial liabilities						
Borrowings	-	-	350.769.106	-	350.769.106	6
Trade payables	-	-	98.521.928	-	98.521.928	7
Payables to related parties	-	-	4.292.869	-	4.292.869	27
Other financial liabilities (**)	-	-	7.924.946	-	7.924.946	8
Derivative financial instruments	-	-	-	1.938.175	1.938.175	19

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

(**) Excludes tax and other legal receivables.

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NOTE 30 - FINANCIAL INSTRUMENTS (cont'd)

Monetary assets

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

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

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

Monetary liabilities

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

Since, long term foreign currency loans generally have floating rate, fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 6).

Fair value estimation

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

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

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NOTE 30 - FINANCIAL INSTRUMENTS (cont'd)

Fair value estimation (cont'd)

Fair value hierarchy of financial assets and liabilities:

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

Financial Assets / Financial Liabilities	Fair value		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2013	31 December 2012				
Foreign Currency forward contracts	-	(705.661)	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties' credit risk.	-	-
Marketable securities	285.022	195.967	Level 1	Valued with quoted market prices	-	-

NOTE 31 – EVENTS AFTER THE REPORTING PERIOD

None.