



2020

ANNUAL REPORT





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We are
inspired to
reinforce life

WE KNOW THAT EVERY MOMENT OF LIFE IS A UNIQUE AND SIGNIFICANT SOURCE OF HAPPINESS. INSPIRED BY THE EXCITEMENT OF LEARNING NEW THINGS AND THE ENCOURAGEMENT THAT CONTINUOUS IMPROVEMENT BRINGS IN, WE ARE DEVELOPING INNOVATIVE REINFORCEMENT TECHNOLOGIES. WITH THE TIRE, CONSTRUCTION REINFORCEMENT, AND COMPOSITE TECHNOLOGIES, WE ARE PASSIONATELY TAKING EVERY STEP TOWARDS OUR GOAL TO ACHIEVE AN EASY, SAFE, AND EFFICIENT LIFE SO AS TO CREATE A SUSTAINABLE WORLD.



Please click to
read the articles
of Kordsa at
Medium.

Kordsa at a Glance

KORDSA'S VALUE CREATION PROCESS

Financial Capital

TURNOVER

TL **4,5**
BILLION



EBITDA

TL **574**
MILLION



REAL OPERATING PROFIT

TL **384**
MILLION



Human Capital

Talent Management



Awarded '**Most Amazing Place to Work**' in Brazil



27.4
AVERAGE TRAINING HOURS IN 2020



25.5

EMPLOYEE HOURS OF SAFETY, HEALTH AND ENVIRONMENT TRAINING

4,500*

Reinforcers
(TOTAL NUMBER OF EMPLOYEES)

Number of Office Employees

844



296

FEMALE



548

MALE

Number of Field Employees

3,165



254

FEMALE



2,911

MALE

*Including sub-employers

Safety, Health & Environment

Two plants were recertified **ISO 14001: 2015** and one plant was recertified **ISO 45001: 2018**.

Health&Safety Trainings

25,567 employee-hours of Health&Safety trainings were completed to achieve Zero Work-Related Accident target.

COVID-19 Safe Production Certificate

Both of our plants in Turkey received the COVID-19 Safe Production Certificate.

Artificial Intelligence-Supported Visual Processing Technologies

OHS Workspaces have started using artificial intelligence-supported visual processing technologies to identify the aspects of OHS practices that are open-to-improvement aspects.

Social Capital

Open Innovation

CoKoon: Eco-friendly dip technology developed by Kordsa and Continental.

Collaboration with TRB: A project to use Kordsa's carbon fiber fabrics for batteries in the mass production of electric vehicles.

PolynSPIRE: Aims to develop innovative technologies for efficient and sustainable plastic recycling with 21 project partners from 11 countries through the Horizon 2020 program.

DiCoMi Projesi: A project to develop a system, software, and materials to produce composite materials using 3D printing technology. Kordsa and Sabancı University are working together on this study through the Horizon 2020 program, along with 15 project partners from 11 countries.

COMACH: EUREKA-supported project to develop a clean, precise, and undamaged composite-cutting robot.

TÜBİTAK-BMBF 2+2 Turkish-German Project: "Automated Repair Patch Production" and supported by TÜBİTAK and BMBF, the project is developing prepregs with nanotechnology applications to repair damaged composite parts in the aviation industry. Kordsa and Sabancı University participated together in this international project, which includes Turkish and German partners.

Intellectual Capital



2

R&D CENTERS



207

INVENTIONS



877

PATENT APPLICATIONS



USD **41**
MILLION
REVENUE GENERATED BY NEW PRODUCTS



TL **65.4**
MILLION
R&D EXPENDITURE



228
REGISTERED PATENTS

Kordsa at a Glance

Corporate Social Responsibility

- Reinforcers School Project - Turkey
- 15th International Antalya Marathon - Run for ÖRAV - Turkey
- ÖRAV- Interactive Lesson Design for Online Education - Turkey
- Opening CTCE to work to Fight the Covid-19 Pandemic - Turkey
- Volunteer Mask Production and Donation - Brazil
- Donation of Material to the Kocaeli Provincial Health Directorate - Turkey
- Reinforcing the Future Project- School Renovation Akçaova Primary & Secondary School

Generated Capital



Tire Reinforcement Technologies



Composite Technologies



Construction Reinforcement Technologies

Digital Transformation: The Digital Transformation Journey of Kordsa focuses on three main areas.

Digital Applications and Infrastructure: Transition to a big data platform structure with centralized data, flexible planning management, and cybersecurity practices.

Advanced Data Analytics: Developing advanced technologies with an analytical approach, energy optimization, and waste management.

Robotics and Smart Machines: Achieving quality, occupational safety, and productivity goals using robotic process automation, image processing, augmented and virtual reality, mobile technologies, machine learning, and IoT applications.

Natural Capital

2020 ENVIRONMENTAL EXPENDITURES **1,051,195 \$**

ENVIRONMENTAL INVESTMENTS

Emission Management	9%
Waste Recycling	22.4%
Waste Disposal	51.6%
Consultancy	7.4%
Training	0.9%
Project Investments	8.7%

Why Invest in Kordsa?



GLOBAL FOOTPRINT

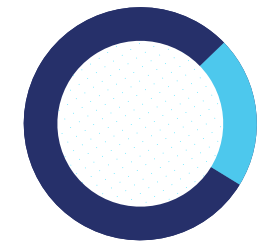
Global footprint with large presence at growth regions



NATURAL HEDGING OPPORTUNITY AGAINST EXCHANGE RATE RISK FOR INVESTORS IN TURKEY

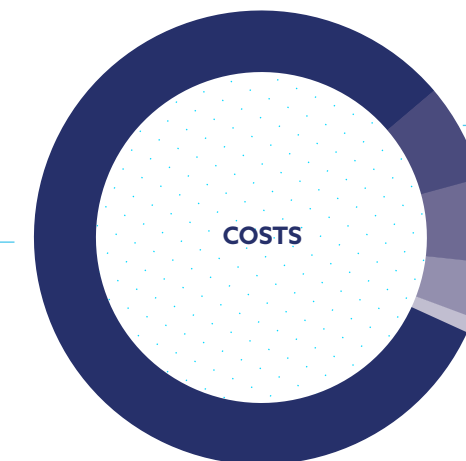
REVENUES

79% USD



21% EURO

79% USD



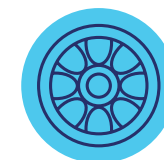
COSTS

8% Turkish Lira

7% Indonesian Rupiah

5% Brazilian Real

1% Thailand Baht



LEADER IN TIRE REINFORCEMENT MARKET

Market leadership based on longstanding partner status with all global tire players



BALANCED PORTFOLIO AND SUSTAINABLE GROWTH

Growth opportunities from new tire reinforcement products and composites industry



STRONG CASH GENERATION AND DIVIDEND PAYOUT

According to the Kordsa's Profit Distribution Policy, all distributable profits can be distributed if General Assembly approves



TECHNOLOGY LEADERSHIP

Game-changer innovations developed in the two R&D centers focusing on tire reinforcement and composite technologies

Strategy House



Vision, Mission, Values

Vision

We are inspired to reinforce life

Mission

To deliver high value-added reinforcement solutions, globally.

Values

SAFETY, HEALTH AND ENVIRONMENT

We work carefully, systematically and in a disciplined manner.

ETHICS

We work with an honest and transparent approach and comply with Ethical Rules and Policies.

CUSTOMER FOCUSED

We know the demands and expectations of our customers, we create value for both our customers and our company by working in line with these demands and expectations, we provide competitive advantage.

COURAGE

We express our ideas freely, take calculated risks and are not afraid to make mistakes. We take responsibility and take action by taking initiative.

PASSION

We approach every work we do with enthusiasm, excitement and determination by believing wholeheartedly; we prompt our whole environment with our energy.

COLLABORATION

We create the environments to ensure the participation of all relevant stakeholders, encourage them, value different ideas and provide the highest benefit through multiple collaborations.

CONTINUOUS IMPROVEMENT

We question ourselves and our work with a positive curiosity excited from innovation. In order to be always better, we learn from our past experiences, develop with our vision of the future, and become the pioneer of change.

Sustainability Approach

We prepared a five-year sustainability roadmap based on Kordsa's priority sustainability topics, and we have completed the actions to be taken by the end of 2020.

Our sustainability approach is based on the targets of creating sustainable value for all our key stakeholders and society by growing with R&D and technology investments in our three main business areas, by supporting the continuous development of our skilled human resources, through our social improvement projects, and by using natural resources responsibly. In all the regions where we operate, we comply with the law and our corporate ethical values as well as operate in full awareness of our social and environmental responsibility that we have also instilled in our employees.

SUSTAINABILITY ROADMAP

We prepared a five-year sustainability roadmap in 2016 based on Kordsa's priority sustainability topics, and we have completed the actions to be taken by the end of 2020. In the second quarter of 2020, we reviewed our strategic priorities and set new short, medium and long-term sustainability goals based on the United Nations (UN) 2030 Sustainable Development Goals. After examining which UN sub-goals our company's activities serve, we decided to












focus on five related goals; SDG 9: Industry, Innovation, and Infrastructure, SDG 12: Responsible Consumption and Production, SDG 8: Decent Work and Economic Growth, SDG 5: Gender Equality, and SDG 4: Quality Education. We shared our goals and activities in this context with our stakeholders in our 2019 Sustainability Report. We updated our sustainability targets again in the fourth quarter of 2020.

SUSTAINABILITY MANAGEMENT STRUCTURE

The Board of Directors, our supreme governing body, supervises Kordsa's performance on sustainability priorities. The Board of Directors takes sustainability principles and the environmental impacts of company activities into account when determining its corporate governance strategy. Our targets regarding our sustainability focuses, which we determine through internal review workshops every two years, are determined and revised as necessary by the Kordsa Management Committee, which is made up of our General Manager, our Deputy General Managers responsible for plant operations, and our Directors. Together with the Kordsa Management Committee, our General Manager, who reports to the Board of Directors, determines the company's environmental, social, and governance (ESG) priority topics, risks, and opportunities and develops ESG policies accordingly. These policies are announced to the public on our website, following approval by the Board of Directors. Our Corporate and Brand Communication and Sustainability Manager, who reports directly to the General Manager, leads the Sustainability Management Team, with whom she meets four times a year, and the Sustainability Reporting Group, with whom he communicates constantly during the reporting period. She also ensures coordination between departments and senior management to achieve the relevant goals while coordinating the preparation of the annual sustainability performance report.

In the second quarter of 2020, we reviewed our strategic priorities and set new short, medium, and long-term sustainability goals based on the UN 2030 Sustainable Development Goals. We also updated our sustainability targets in the fourth quarter of 2020.

KORDSA 2021-2025-2030 SUSTAINABILITY TARGETS

RELATED SDG'S	EXPLANATION OF TARGET	INDICATOR	BASE YEAR	2021 TARGET	2025 TARGET	TARGET RESPONSIBLES
	Using of renewable energy	Ratio of renewable energy used in total consumption (%)	2018	5%	In progress	Chief Operational Officers (COOs)
	Reducing emissions	Total emissions (CO2e)	2018	2.5%	17.5%	COOs
	Reducing water withdrawal	Total withdrawal (m ³)	2018	6% (Turkey) 2% (All sites except Turkey)	50%	COOs and Sustainability Leaders
	Reducing waste	Amount of total waste (tons)	2018	6%	50%	COOs and Sustainability Leaders
	Avoiding accidents	Number of fatal injuries	2019	Zero accident	Zero accident	COOs and Sustainability Leaders
	Increasing global suppliers' ratio on sustainability survey	Ratio of supplier participation (%)	2019	50%	In progress	Supply Chain
	Reducing complaints on human rights violations	Number of complaints on human rights violations	2019	Zero complaint	Zero complaint	Human Resources
	Increasing employee satisfaction	Employee satisfaction rate (%)	2019	65% and over	65% and over	Human Resources
	Continuing employee development trainings	Sabancı of New Generation competencies	2019	Continue trainings to complete the competencies	Continuous development	Human Resources
	Increasing women employment (Office staff)	Ratio of women employees (%)	2019	36.6%	45%	Human Resources
	Increasing number of teachers attending ÖRAV training	Number of teachers trained annually	2019	250 Teachers (Duration: 10 week ends)	In progress	Corporate Communications and Sustainability

COOs: Chief Operational Officers

Sustainability Management Team

Nine "Sustainability Leaders" working at different plants are permanent members of the Sustainability Management Team. To achieve the sustainability targets envisaged as part of the company's strategic plans, performance indicators were defined and one of the Sustainability Leaders' duties is to monitor them. Another duty is to ensure the implementation of the planned projects that will help reach the targets by following them with the relevant regional departments. The Team also has members from the Market Development, R&D, Supply Chain, Human Resources, Finance, and Operations departments who are not permanent but who act as "Advisory Members" as necessary.

Sustainability Leaders track and report sustainability performance indicators for their regions using the Monthly Sustainability Performance Indicators Tracking Chart. These reports include Kordsa sustainability performance indicators. Sustainability Leaders also create Quarterly Sustainability Performance Tracking Reports, which include tracking and evaluations towards achieving the targets, and are submitted to senior management every three months.

Sustainability Approach

KORDSA'S SUSTAINABILITY MANAGEMENT STRUCTURE



Sustainability Reporting Group

The Reporting Group is responsible for ensuring regular data collection and best practices in all company plants for the annual sustainability report. Reporting group representatives collect the information they've requested beforehand, according to the reporting criteria demanded from them, between February and March every year. The reporting group consists of representatives from different departments. These departments are Occupational Health and Safety, Environmental, the Energy Committee, Finance, Supply Chain, Human Resources, Legal, Market Development, Corporate Communications, R&D, Quality, and TPM. The reporting group also includes some Sustainability Leaders and Management Team Advisory Members. The Corporate and Brand Communication & Sustainability Manager works to raise awareness on sustainability through social responsibility projects as well as brand and communication activities.

At Kordsa, we create implementation and action plans in line with our short and long-term goals and make them public through our reports. We included the actions taken and their results within the scope of our first five-year sustainability roadmap in the 2019 Sustainability Report. As part of the new targets set in 2020, we have formed four new workgroups. In 2020, Employment and Human Rights, Business Ethics, Environment, and Sustainable Purchasing workgroups have started to design projects and programs to be carried out towards the new five-year goals.

SUSTAINABILITY REPORTING

Our sustainability reports, prepared since 2015 based on the GRI - Global Reporting Initiative Standard and shared with the public on our website, are an important communication tool that demonstrates Kordsa's transparent and accountable management approach. To make Kordsa's performance and development understandable, we use direct and concise language, together with

a format that allows stakeholders to easily access the details they are looking for among the important information in our reports. We explain all developments objectively and in a balanced manner within the scope of our priority issues in our reports and support their reliability through data verification studies carried out by independent assurance providers. Our annual reports cover all of our 12 plants around the world with no limitations.

Since the collection and verification processes of our 2020 data is continuing, our performance indicators, which we address within the scope of the Sustainability Principles Compliance Framework that we prepared voluntarily as per the CMB Corporate Governance Communiqué, belong to 2019. We will present our 2020 results at the end of June 2021, first on our website, and then in our 2020 Sustainability Report. Our statements on six capital items within the scope of the International Integrated Reporting Council (IIRC) reporting framework are available under the title - Kordsa at a Glance - in this report. [Click here for our 2020 Sustainability Principles Compliance Report.](#)

STAKEHOLDER COMMUNICATION

As Kordsa, we carry out our sustainability activities in consideration of the needs and priorities primarily of our key stakeholders (employees, customers, shareholders, and investors), but also all other stakeholders (local communities, suppliers, public institutions, non-governmental organizations, unions, and the general public). We continuously and transparently communicate with our stakeholders; we explain which stakeholders we've communicated with, for what purpose, on what issue, how often, and the developments we have made in sustainability activities.

The direct communication we established with our key stakeholders, the feedback we received, and the actions taken within the scope of sustainability are detailed in the Stakeholder Communication section of our 2019 Sustainability Report. We also include information received from our customers regarding our product development of eco-friendly materials, which is an important element of their satisfaction. Kordsa strives to contribute to sustainability by becoming a member of international standards and initiatives on the topic. Our company has been an active member of the BCSD - Business Council for Sustainable Development since 2010. After signing the UN Global Compact (UNGC) in 2014, we accelerated our tangible sustainability efforts, complying with 10 global principles, and since 2016, Kordsa has been included on the BIST (Istanbul Stock Exchange) Sustainability Index.

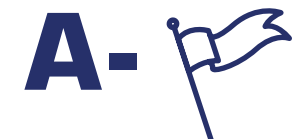
Other platforms where we made commitments and disclosed our EMS performance information are the Carbon Disclosure Project (CDP), the Climate Change Program, the CDP Water Program, and the Ecovadis Sustainability Assessment Survey. We have increased both our 2020 CDP Climate Change and our 2020 CDP Water Program scores to A-. We also increased our score on the Ecovadis Sustainability Assessment Survey and received a Gold Certificate.

OUR ACHIEVEMENTS

2020 CDP CLIMATE CHANGE PROGRAM



2020 CDP WATER PROGRAM



ECOVADIS SUSTAINABILITY ASSESSMENT SURVEY



Digital Transformation

Having assimilated the concepts of "Digital Transformation and Industry 4.0" into its corporate culture, Kordsa continues its efforts to digitize the new products, processes, and methods it develops for all countries where it operates globally.

It has digitally transformed data collection systems from all its plants and processes on a global scale to a centralized reporting platform and has now reached the level of utilizing systems that evaluate new-generation technologies and integrations through analytical intelligence to make smarter decisions.

Approaching digital transformation as a journey rather than a project, Kordsa started its transformation process using an assessment and evaluation methodology. As a result of analyses, expert advisors from different countries examined many business processes in detail and identified certain areas for development to prepare a three-year digital transformation roadmap.

Kordsa has independent organizations regularly measure its digital maturity and Cyber Security maturity levels, and continues to monitor new technologies and development opportunities to determine its 3-year future strategies and focus areas.

Approaching digital transformation as a journey rather than a project, Kordsa has identified development areas and prepared a 3-year digital transformation roadmap.



The Digital Transformation Journey of Kordsa focuses on three main areas:

1. Digital Applications and Infrastructure

Kordsa has created a new digital application infrastructure that enables more effective and flexible management and facilitates day-to-day business. It follows an approach that prioritizes solutions and products that benefit its customers, adapting developing technologies and keeping the digital product life cycle under constant control with its competent managers.

Kordsa has completed and implemented projects aimed primarily at establishing a big data platform where production data is centralized, and switched to a new digital structure that ensures fast end-to-end traceability. Its advanced sensor systems and image processing technologies provide timely prevention of quality errors and more effective and flexible planning management. In addition, the optimization and smart systems installed in the supply chain and planning allow the entire corporate structure to communicate with each other, and facilitate day-to-day business.

Kordsa has launched many innovative technologies such as robotic process automation, which is a priority in the field of digital applications, image processing, mobile technologies, and machine learning, and continues its investments and global expansion in this field.

In 2020, Kordsa transformed a total of 30 business processes to run completely digitally without human intervention, and similarly in 2021, it plans to transform 50 more business processes with robotic process automation. Kordsa also invests in digital working environments for its employees and customers and continues to ensure that its stakeholders are able to conduct their businesses in the most efficient and secure way possible and use digital facilities most effectively.

The global crisis displayed the importance of digital systems, and Kordsa's information systems weren't affected; it standardized and provided remote working and secure connection services to all of its employees, allowing its stakeholders to use digital environments effectively in a way that did not cause business interruptions.

Having qualified for the ISO 27001: 2013 Information Security certificate, Kordsa completed its audit in 2020 with 99% success and decided to spread its standards in this field on a global scale.

30
BUSINESS PROCESSES FULLY DIGITALIZED IN 2020



OUR TARGET IS TO FULLY DIGITALIZE 50 MORE BUSINESS PROCESSES IN 2021



99%
SUCCESS IN THE INFORMATION SECURITY AUDIT IN 2020



Digital Transformation

As a result of the advanced data analytics project work in 2020, nearly USD 2 million in revenue was earned and value was created from data.

Kordsa also considers the cybersecurity work as part of digital transformation and regularly performs cybersecurity-related activities, such as vulnerability scans, phishing tests, and disaster recovery solutions. Kordsa has commissioned systems which can take precautionary measures against any potentially harmful threat by monitoring them through Security Operation Center applications and installed them in its plants all around the world.

Prioritizing the cybersecurity roadmap and business continuity, Kordsa regularly makes risk calculations and considers the transparency principle and the evaluations made by members of the Board of Directors and the Early Risk Detection committee when making investment decisions according to its strategic priorities.

2. Advanced Data Analytics

In the digital transformation process, Kordsa considers employee training in advanced data analytics as extremely important, and has collaborated with Sabancı University, Sabancı Dx, and many international consultancy companies on this topic.



In 2019, it launched advanced data analytics projects with 17 employees who hold positions as Data Scientists, Data Engineers, and Data Translators, and who participated in the Advanced Data Analytics Program at Sabancı University.

Project teams comprised of different business units and sources of all levels have added analytical approaches to their areas of expertise and developed advanced technologies to implement applications that will make a difference to their customers in the sector.

As a result of the advanced data analytics project work carried out with Sabancı Dx and other international consultancy companies in the energy optimization and waste management fields in 2020, Kordsa earned nearly USD 2 million in revenue, creating value from data.

Kordsa is planning to expand existing projects and new analytical projects to plants abroad. As it follows its digital transformation strategy, it is jointly improved with its information systems and operational management excellence in an effective manner.

3. Robotics and Smart Machines

Kordsa continues its investments in robotic process automation, image processing, augmented and virtual reality, mobile technologies, machine learning, and IoT.

Prioritizing business partnerships with start-up companies, projects carried out within the framework of TÜSİAD's Digital Transformation Program in Industry SD2, and projects in the field of the Internet of Things (IoT) with Sabancı Dx, Kordsa will continue to achieve its quality, occupational safety, and efficiency goals through digital automation.

In 2019, Kordsa developed robotic sensor systems and extended them to its plants around the world as well as commissioning instant product monitoring technologies with a high-quality product and service approach. Also, during the pandemic, Kordsa started using image processing technologies to digitize its occupational health and safety services, and it will continue its global investments in augmented reality projects during the remote working period.

Every year, Kordsa renews its sustainable digital transformation strategy starting from upper management, taking steps towards becoming a "Digital Company of the Future" by supporting its priorities with the correct investments, and with its effective management and expert teams, distinguishing itself from its competitors in the sector.

With the use of image processing technologies, Kordsa has also started digitalization in the field of occupational health and safety.

Research & Development



Innovation & Technology

Kordsa has made the concepts of "Innovation" and "Excellence" touchstones of its corporate culture. It continues to work to industrialize the new products, processes and methods it has been developing in its two R&D Centers in its Kocaeli Factory and Istanbul Teknopark, both approved by the Ministry of Industry and Technology as per Law 5746, which requires Kordsa to submit annual reports for both R&D Centers. All annual audits by ministry-appointed arbitrators and commissions so far have been successfully passed and the Ministry has decided to continue our incentives. The 11th annual report of the Kordsa R&D Center (Izmit), whose 64 projects were evaluated as R&D projects as of December 2020, was approved by the Ministry of Industry and Technology in November.

Our Izmit R&D Center received two grand prizes in the "Project Capacity" and "R&D Centers Employing 51 to 75 R&D Staff" categories at the 7th Technology Development Zones and R&D Centers Award Ceremony organized by the Ministry of Industry and Technology. At the Inovalig held in 2020, it ranked second in the category of Innovation Resources.

Aiming to reinforce its leadership position in R&D and innovation, the cornerstones of its corporate culture, and to maintain its leadership in every field it operates in, Kordsa carries out many R&D projects with global and local collaborations.

Kordsa's second R&D center has been in operation at the Composite Technologies Center of Excellence in Teknopark Istanbul since 2016, under the same roof as Sabancı University. The third annual report of this Kordsa R&D Center (Istanbul), which has 14 projects as of December 2020, was approved by the Ministry of Industry and Technology in September.

R&D Activities

With R&D activities on materials, processes, and equipment, Kordsa creates more effective production conditions and offers its customers more competitive and innovative products. As per Law 5746 on supporting R&D activities, the Kocaeli Factory R&D Center has successfully completed its audits since 2009, and the Teknopark Istanbul R&D Center has successfully completed them since 2017.

Kordsa's two R&D centers do work in the areas of tire reinforcement, thin-film and flexible electronics technologies, composite technologies, and construction reinforcement. Its first R&D center was established in 2008. Kordsa carries out research and development activities at its center in Izmit, developing new products, processes and technologies for the industries in which it operates as well as for related sectors and potential markets.

In addition to this R&D center, which explores innovation opportunities in tire and construction reinforcement technologies for both the Turkish and global markets, Kordsa also has a second R&D center that works on composite technologies located in the Composite Technologies Center of Excellence, a joint undertaking of Kordsa and Sabancı University, combining production, innovation, and R&D operations under a single roof. This center hosts researchers, designers, production engineers, production process managers and personnel, doctoral candidates, postdoctoral researchers, 15 faculty members, incubators, and entrepreneurs, all working together in the same ecosystem. As one of the foremost proponents of open innovation in Turkey, Kordsa is a pioneer of university-industry collaboration.

Kordsa cooperates with many different universities and institutions at home and abroad in the field of R&D and engages in projects with academics in relevant fields. In 2019, Kordsa took its open innovation model one step further by collaborating on composite technologies with the University of Sheffield, UK, and Sabancı University. Through this collaboration of industry players and project partners from the aerospace industry at this center, Kordsa aims to fuel new ideas and create unique opportunities that will contribute to its growth.

2
R&D
CENTERS

A TEAM OF
115
PEOPLE



877
PATENT APPLICATIONS



228
REGISTERED PATENTS



Research & Development

Kordsa also actively participates in the TÜBİTAK 2244 Industrial Ph.D. Program.

In keeping with its mission of developing tire reinforcement technology products that are better and more sustainable for future generations, and its "Reinforcer" reputation, Kordsa has been working on eco-friendly adhesive formulas that contain neither resorcinol nor formaldehyde since 2008. In keeping with its open innovation approach, Kordsa's goal is to make this eco-friendly formula the standard adhesive used by the industry. As an outcome of its open innovation approach, Kordsa is licensing this technology for the whole industry to use free of charge.

Kordsa is a participator in the PolynSPIRE project under the European Union's "Horizon 2020" R&D and innovation program to demonstrate "Innovative Technologies Towards More Efficient and Sustainable Plastic Recycling". Aiming to serve the circular economy, PolynSPIRE has total funding support of 10 million euros with 21 partners from 11 countries.

The best-equipped composite materials laboratory in Turkey today, the Composite Technologies Center of Excellence's R&D center enables Kordsa to not only develop products but also to engage in the mass-production of prepregs, fabrics, and sandwich panels for the composite industry. This center also developed a resin technology that speeds up manufacturing and improves productivity in the automotive industry. Known as "CM14", this new resin technology achieves superior visual quality by eliminating water-spot and white-spot problems. Formulated especially to achieve a cosmetic-grade carbon look, this new resin technology makes it possible to use pre-impregnated composite materials in automotive mass production. Kordsa produced the prototype parts with a project partner from the automotive sector using thermoplastic prepregs - a material that can replace metal because of its advantages such as lightness, durability, longevity, and recyclability - which has been the subject of studies at the Composite Technologies Center of Excellence for some time.

Kordsa and Sabancı University are also partners in another endeavor that has been initiated at the Composite Technologies Center of Excellence with EU support. This project, titled "Directional Composites Through Manufacturing Innovation" (DiCoMi), explores issues related to the development of systems, software, and materials needed to manufacture composite materials using 3D printing technology. With total funding of 3 million euros, this project will go on for 2 more years and will make it possible for Turkish and international researchers and experts to interact and work together in EU-member and associate countries. As part of the EU's Horizon 2020 program, the DiCoMi project is being carried out by 15 project partners from 11 countries.

Kordsa also has a EUREKA-supported project. This project, called the Clean, Precise, and Defect-Free Composite Parts Machining Robot (COMACH), is an economical and flexible robotic manufacturing solution, developed to process composite parts that will absorb the composite dust generated during milling from inside the spindle with improved precision. It will have a cloud-based monitoring system that will continuously monitor the process to produce the right parts immediately.

In addition to these projects supported by external funding programs, Kordsa has 1 project as part of the TÜBİTAK TEYDEB 1501 - Industry R&D Projects Grant Program, and 1 project as part of the 1509 International Industry R&D Projects Grant Program.

Kordsa also actively participates in the TÜBİTAK 2244 Industrial Ph.D. Program. Applications were made for two Horizon 2020 and two internationally supported projects in 2020. Kordsa also participates in the Industry Oriented Projects (SOP) Program and ÇYDD My Career Path Projects and offers personal development opportunities to senior undergraduate students in their career fields.

In 2019, Kordsa established the Thin Films and Flexible Electronics Platform, which is one of the world's emerging technologies and is expected to be widely used soon. This new platform is being developed as a collaboration between Kordsa and Sabancı University. With its Nanosis project as part of these studies, Kordsa has been accepted to the TÜBİTAK 1004 Center of Excellence Support Program as a Research Program Executing Organization (APYK) under the coordination of SUNUM.

A Strong Team of 115 People

At its two R&D centers, Kordsa employs a team of 115 people to explore and develop the reinforcement technologies of the future. As of 2020, Kordsa's patent portfolio had reached 877 patent applications and 228 registered patents. Kordsa's new products and its more than 850 patents are intellectual property assets that burnish the company's reputation as a technology leader in the tire, construction, and composite reinforcement market.

Keeping its eye on both market conditions and customer needs when making its R&D investment decisions, Kordsa will continue to reinforce its leadership position in R&D and innovation, the cornerstones of its corporate culture, and to maintain its leadership in all of its business lines.

TECHNOLOGY DEVELOPMENT ZONES AND R&D CENTERS AWARDS "PROJECT CAPACITY"



1ST PLACE

TECHNOLOGY DEVELOPMENT ZONES AND R&D CENTERS AWARDS "R&D CENTER EMPLOYING 51-75 R&D PERSONNEL"



1ST PLACE

INOVALIG-INNOVATION RESOURCES CATEGORY



2ND PLACE

Quality Leadership

Our quality approach focuses on customer satisfaction, so we are developing various practices to increase the level of satisfaction.

Kordsa has a quality management system based on high product quality and continuous improvement with an approach that focuses on customer satisfaction. In this context, we have a holistic quality management approach that includes all processes starting from our supply processes through to when our products reach our customers.

The main quality management systems for which we have conformity certification are:

- ISO 9001 Quality Management System
- IATF 16949 Automotive Quality Management System
- AS9100 Aerospace and Defense Industry Quality and Risk Management Standard

KORDSA's Quality Policy

Kordsa employees are committed to creating sustainable value for all stakeholders and to fulfilling their responsibilities by continuously improving their processes, increasing customer satisfaction, and using different global resources in a balanced way.

Our Product Quality Approach

To provide high-quality products to our customers, quality control points have been determined throughout our production processes, all of which are carried out according to standardized operating procedures based on the zero-error method.

A process control approach and Poka-Yoke systems prevent quality errors that may arise during production. In each production process, a risk-based approach is adopted and risk analyses are carried out to prevent quality errors.

Data is instantly transferred to digital platforms through the visual error detection systems installed in our facilities to prevent the occurrence of errors and achieve high product quality performance. Periodic product and process audits are carried out to monitor the performance of production processes and product quality. We have an internal error management process, designed to fit the philosophy of continuous improvement between processes.

Customer Satisfaction

Our quality approach focuses on customer satisfaction, and we are developing various practices to increase the level of satisfaction. Our goal is to maintain customer satisfaction at the highest level by continuously improving our product quality, delivery, and service quality processes in line with our customer feedback.

We use a "Document Management System" and a "Customer Complaint Management System" to manage customer complaints and monitor customer satisfaction. All customer feedback is managed by our Quality Assurance Department and is tracked through the online registration system accessible by all our facilities. A competent team consisting of Production, Sales, Supply Chain, Quality, Technical, R&D, IT, and Maintenance units, equipped with problem-solving techniques, evaluates all customer feedback. Depending on the type and complexity of the feedback, an appropriate method is applied after choosing among methods such as 8D, horizontal 8, 6 Sigma, Fishbone, and 5 Whys. Root causes for the feedback are determined and actions to prevent recurrence are planned and implemented. In the next step, our customers are presented with a report containing a detailed analysis of their feedback. A satisfaction survey is sent to our customers at the end of each process so that they can evaluate the effectiveness of the process we conducted for their feedback. Quality network meetings are held periodically in all our facilities to achieve the same quality standards and to spread good practices.

Quality Management in Supply Processes

Our primary criterion in the selection of Kordsa suppliers is the provision of products that meet our production quality expectations. Our quality and purchasing teams evaluate potential suppliers in terms of quality systems, capacity, and sustainability. Samples from suppliers who meet the required criteria during the selection phase are tested by the R&D department, and products that meet our requirements are approved.

We perform a "Supplier Assessment" every year for all our approved global suppliers. Also, we share our feedback on our suppliers' performance during our period of working with them via an online platform and follow up by communicating with them.

All feedback from our customers is managed by our Quality Assurance Department and is tracked through the online registration system accessible by all our facilities.

Key Financial Highlights

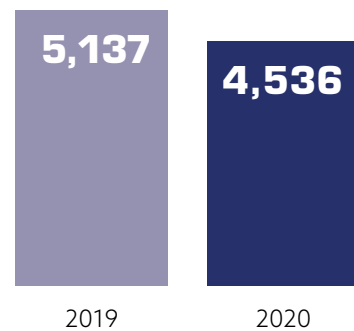
FINANCIAL INDICATORS (TL MILLION)	2019	2020
Turnover	5,137	4,536
Gross Profit	987	803
Operating Profit	614	384
Earnings per Share	17.47	8.05
Net Debt	2,299	2,428
Shareholders' Equity	2,820	3,278

KORDSA CONTINUED TO ENSURE BUSINESS CONTINUITY WITH THE STRATEGIC DECISIONS TAKEN IN 2020.

SUMMARY RATIOS	2019	2020
Gross Profit Margin	19.2%	17.7%
Operating Profit Margin	12%	8,5%
Net Profit Margin	7.4%	3.3%
Return on Assets	6.1%	2.0%

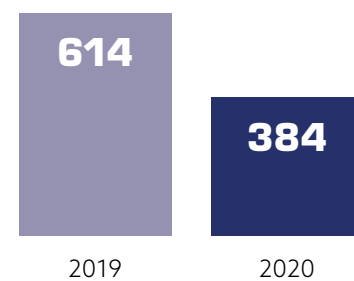
TURNOVER (TL MILLION)

TL **4,536**
MILLION



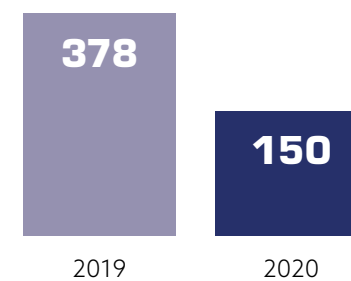
OPERATING PROFIT (TL MILLION)

TL **384**
MILLION



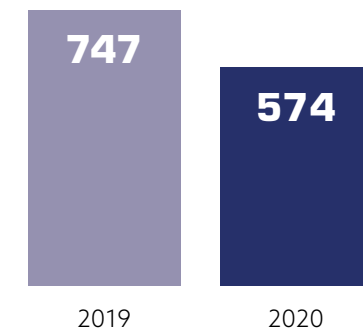
NET PROFIT (TL MILLION)

TL **150**
MILLION



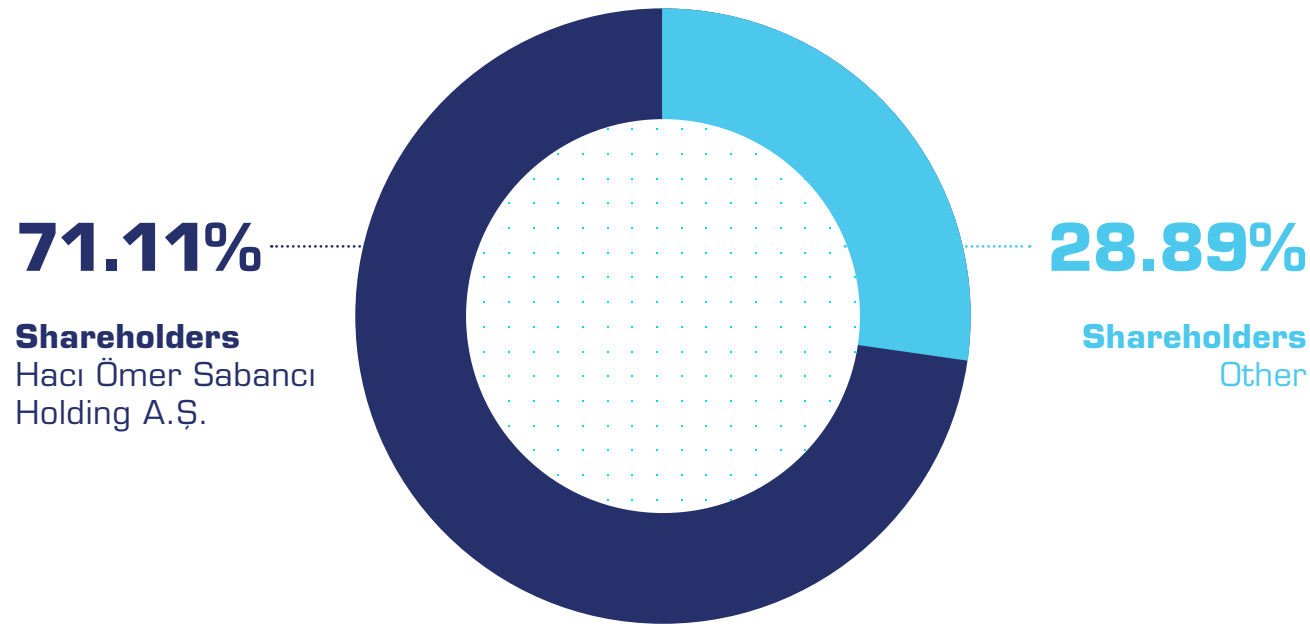
EBITDA (TL MILLION)

TL **574**
MILLION



Shareholder Structure

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



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

Sabancı Group in Brief



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

Sabancı Group companies currently operate in 14 countries as of year-end 2020 and market their products in regions across Europe, the Middle East, Asia, North Africa, North and South America. Sabancı Group – thanks to its solid reputation, positive brand image, strong joint ventures, extensive experience and know-how about the Turkish market – has fostered its core businesses over the years. These enterprises collectively have also contributed significantly to the development of Turkey's economy.

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

In 2020, Sabancı Group posted combined sales revenue of TL 103,5 billion and consolidated net profit of TL 4.8 billion.

Sabancı Holding's own shares, as well as the shares of its 11 subsidiaries, are listed on Borsa Istanbul (BIST) and constitute 6% of total market capitalization of Turkish equity market. The Sabancı Family is collectively Sabancı Holding's majority shareholder. As of year-end 2020, 49.4% of Sabancı Holding's shares are publicly traded.

The details of Sabancı Holding's Financial results from <https://yatirimciiliskileri.sabanci.com/en/financial-reports-publications/liste-report/Financial-Reports/272/0/0>

Sabancı Group companies currently operate in 14 countries as of year-end 2020 and market their products in regions across Europe, the Middle East, Asia, North Africa, North and South America.

Chairman's Message



CEVDET ALEMDAR
CHAIRMAN

ESTEEMED INVESTORS, VALUED BUSINESS PARTNERS AND EMPLOYEES,

As Sabancı of the New Generation, pursue and fulfill our mission of being an "exemplary" and "pioneer" in this transformation process.

Challenges of the year 2020, has once again proven the power of technology and the digital world. In 2020, with the impact of the COVID-19 pandemic; we have witnessed and continue to witness how all the stakeholders of the economy benefit from their transformation skills, innovation and new generation Technologies.

This transformation in the world economy requires a progressive approach in industry. While, a revolution in Industry 4.0 and beyond is discussed in the industrial world today, all Group companies, as Sabancı of the New Generation, pursue and fulfill our mission of being an "exemplary" and "pioneer" in this transformation process. As one of the leaders of this new business system and industrial model that awaits us, Kordsa, each passing day continues to transform, gets stronger, and leaves its mark in global markets.

Having transformed into a company that develops advanced technologies and offers these next generation technologies to the whole world, Kordsa has successfully managed this unprecedented crisis in 2020 due to the pandemic and continued to take actions that will positively contribute to our country's development. Being a global company operating in 5 different countries, Kordsa

ensured business continuity and kept providing services to its customers. Being flexible, agile and adaptable, Kordsa has acted immediately and manage to create value for its stakeholders with its "Inspired to reinforce life" vision. Thus, Kordsa had strengthened its position as a global player and expanded its existing competencies and operation area.

In this critical year, in which we once again understood the importance of combining global power with local agility, digital transformation, and sustainability in every field, Kordsa reinforced its leading position in the global tire reinforcement market in these three topics.

In 2020, Kordsa continued to expand its influence area and competencies following the acquisition of four key companies in the composite world. While providing NASA with the fabric to be used in the Orion space capsule and reach out to space with Fabric Development, with Axiom Materials Kordsa expanded its portfolio of Oxide-Oxide Ceramic Matrix Composites, resistant to high temperature for applications up to 1,400°C. Combining its experience and know-how in advanced material technologies with its goal to create a sustainable future, Kordsa also puts forth significant achievements in 2020. Battery enclosures produced in the UK with Kordsa's carbon fiber fabrics, is a real revolutionary step towards lightning electric vehicles, which are considered as the future of mobility.

As the leading supporter of Sabancı's "We unite Turkey and the world for a sustainable life with leading enterprises" vision, Kordsa while reinforcing its global footprint with its strong technological infrastructure and deeply rooted innovation culture each passing day, empowers itself in diverse areas, that will add value to the future of the industry, especially in advanced material technology. In this regard, the Company, which considers opportunities in complementary disciplines in addition to its current technological competencies, focuses on thin films and flexible electronics, which are seen as the materials of the future, and works on developing new generation flexible wearable healthcare sensors at its specially created R&D platform.

While improving our competencies in the future of the industry and advanced material technologies, we continue to put sustainability at the heart of all our activities. Having developed a long-term roadmap in this regard, Kordsa gradually yet surely moves forward while managing today successfully.

I would like to extend my gratitude to our stakeholders, who always stand by us, for their contributions on our journey, and to our business partners, who share our common vision and goals, and to our employees, who have made our achievements sustainable by their devoted efforts despite the challenging conditions.

CEVDET ALEMDAR
Chairman

Kordsa has acted immediately and manage to create value for its stakeholders with its "Inspired to reinforce life" vision.

Board Of Directors



CEVDET ALEMDAR
Chairman

Between 1993-2002, he worked as Product Leader and then Wire Products Director in Beksa, Sabancı Holding-Bekaert Joint Venture. From 1998 onwards, he additionally took over the role of Bekaert's Sales Manager for Construction Materials in the Middle East. From 2002 to 2005, he worked as Commercial Director in Sakosa. In 2005, he joined Kordsa Global as General Manager of Kordsa Brazil and as Sales and Marketing Director of South America. From 2007 to 2009, based in Bangkok Thailand, he worked as Managing Director for Thai Indo Kordsa and Kordsa Qingdao Nylon Ent., as well as Sales and Marketing Director for Asia Pacific. In 2009 and 2010, he worked in Shanghai as Global Business Development Director, while maintaining his roles in Kordsa Qingdao Nylon Enterprises and Asia Sales and Marketing. From 2010 to 2013 he took role as Kordsa Global's Vice President in charge of Technology and Market Development. Between 2013-2017, he was appointed as General Manager of Temsa Construction Equipment. May 2017 onwards, he has been CEO of Brisa, Bridgestone Sabancı JV Tire Company which is the leading tire and mobility solutions company in Turkey serving to 80 countries. Alemdar was appointed as Industry Group President effective as of 1st of April, 2020. Cevdet Alemdar graduated from Industrial Engineering Faculty of Bogazici University in 1992. He also was granted with an MBA degree in Sabancı University.



MEHMET YILDIZ
Deputy Chairperson

Born in Diyarbakir in 1972, and received his primary, secondary and high school education in Ereğli/Zonguldak, Mehmet Yıldız completed his undergraduate education in 1996 with first rank in Metallurgical and Materials Engineering Department at Yıldız Technical University and received his MSc. degree also from Metallurgical and Materials Engineering department at Istanbul Technical University in 2000. He worked in two different companies between 1996-2000 as an R&D engineer and a project leader in the fields of welding and non-destructive testing. He obtained his Ph.D. degree in 2005 from Mechanical Engineering Department at the University of Victoria, BC, Canada in the fields of computational fluid mechanics and single crystal semiconductor growth and then worked as a postdoctoral researcher and lecturer in the same department until 2007. In 2007, he joined Sabancı University, Faculty of Engineering Natural Sciences as a faculty member and since 2014, has been leading the effort of establishing SU-Kordsa Composite Technologies Center of Excellence, which is an industrial leg of SU-Integrated Manufacturing Technologies Research and Application Center. Currently, he is serving as the founding director of these centers. He has contributed to the establishment of Manufacturing Engineering graduate program. Dr. Yıldız's areas of expertise include advanced composite materials, nanocomposites, structural health monitoring and computational mechanics. He published more than 60 SCI indexed high impact factor journals, prepared and presented over 100 conference papers and graduated around 28 MSc. and Ph.D. students.



BURAK TURGUT ORHUN
Member

Burak Orhun, having graduated from Bogazici University with a bachelor's degree in Economics, Economy, has received his master's degree in Finance from George Washington University and MBA from University of Pennsylvania - Wharton School of Business. Having started his career at Mercedes Benz Türk in Istanbul as a Financial Analyst, after completing his graduate degrees in US, he worked at Thomson Corporation/Reuters, CapitalOne Financial and CadenceQuest, Inc, respectively, at various management positions such as Finance Manager, Director of Portfolio Management, Director of Corporate Development and CFO, respectively. Mr. Burak Orhun, being responsible of all M&A and new investments activities of the Group between 2009- 2018, was the General Manager of Oyak Venture Consulting and Oyak Capital Investment companies, while having executive management, executive director of board and chairmanship roles at chemical and energy companies of the Group, both domestic and global. Mr. Orhun is appointed as Sabancı Holding Strategy and Business Development Director as of 03.09.2018.



TAMER SAKA
Member

Tamer Saka completed his undergraduate, graduate and doctoral studies at Istanbul University, Faculty of Business Administration. He served as Manager and Senior Manager responsible for Risk Management Consultancy at Arthur Andersen and Ernst & Young. In 2004, Mr. Saka joined Sabancı Holding as Risk Management Director. In 2010 and 2011, he worked at Willis London as Managing Director in charge of business development activities in nearly 20 countries including Turkey. In December 2011, Tamer Saka joined Kibar Holding as Strategy and Business Development Coordinator. He served as Automotive and Corporate Functions Group President and Member of the Board of Directors at Kibar Holding as of May 2012. Tamer Saka served as the CEO of Kibar Holding from 2014 until 2018. He was appointed President of the Building Materials Group at Sabancı Holding in April 2018. Currently, Mr. Saka serves as Chairman of the Board of Directors at Akçansa and Çimsa; Member of the Board of Directors at Kordsa and Carrefoursa; Chairman at Turkish Cement Manufacturers' Association, Deputy Chairman at American-Turkish Council (ATC), Deputy Chairman at Corporate Governance Association of Turkey (TKYD). He is also a Member of the Board of Directors at Global Cement and Concrete Association (GCCA), Member of the Board at CEMBUREAU and Member of TÜSİAD and Federation of Istanbul Industrialists and Businessmen Associations.



SEMIHA YAŞAR
Independent Member

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



MEHMET SAMI
Independent Member

Mehmet Sami completed his education years in London. Before starting his professional career in 1988, he first received his undergraduate degree at Kingston University, Department of Economics, and then earned his Master of Science degree at City University in Business Systems Analysis & Design. In the last 32 years, with his corporate finance and capital markets experience, Sami has opened offices in New York and Dubai while establishing strategic alliances in Germany, the United States, and Japan, and given many local and global speeches about the Turkish economy and investment opportunities. From 1988 onwards, Mehmet Sami ran different projects in various fields such as Privatization, Merger & Acquisition, Joint Venture, Private Equity, Public Offering, Company Valuation and Consultancy. In addition to his pioneering experience in Private Equity projects in Turkey, Sami took part in the establishing Turkey's largest Private Equity Fund between 2000-2007 and served seven years as a Member of the Investment Committee. GE Capital, News Corp., Arcelor, T.C. Privatization Administration, Japan Eximbank (JBIC), IFC, Trade Partners UK, AIG, Dubai Holding, Emirates Bank NBD are some of the distinguished institutions for which he provided consultancy over time. Mehmet Sami is also the founder of the Research and Corporate Transactions section at Ata Invest, whose Investment Banking has become one of the largest independent companies in Turkey. After 19 years at Ata Invest, Sami transferred to Deloitte Corporate Finance in 2012, became the Lead Partner of M&A and Borrowing Consultancy and served at the Deloitte Global M&A Executive Board. After 27 years of professional life, Sami established his own company named Pretium Advisory in 2015 to provide Corporate Consultancy for foreign banks as well as multinational and local companies. Sami also served as a Board Member at the Corporate Governance Association and is a Founding Member of the Board of Directors Members Association, and has taken part in the provision and structuring of Corporate Governance standards in various companies.

CEO's Message



ALİ ÇALIŞKAN
CEO

ESTEEMED INVESTORS, VALUED BUSINESS PARTNERS AND EMPLOYEES;

As the reinforcement leader, even though the impacts of the COVID-19 on economy continue across the World, with our strategic decisions and reinforcement technologies we have ensured our business continuity and create profitability in all geographies we operate in.

We are a global company, operating in 5 different countries. Multicultural nature of our company has reinforced us during pandemics. Diversity offering flexibility in the way we do business made us agile enough to adapt to changes and to take action quickly.

Our strong global supply chain and sales organization together with our strong organization in the locations we operate in ensured us to handle regional requirements effectively. Our accurate cash flow management also reinforced us during these unprecedented times. By cooperating with our customers and stakeholders, we were able to adapt to their pace of production in order to keep our ecosystem powerful.

Our investments and technologies have been proven to be right during the pandemic. Topics, that are already on our agenda such as sustainability,

Thanks to the common working culture of Kordsa, we continued to work with team spirit nourished by our differences.

circular economy, the future of mobility, development of green technologies replacing old standards, and the digitalization of products and processes also became more significant for the world, multiplying the strategic importance of our business approach.

As a global reinforcement brand, sustainability is and always will be our operational priority in all industries we operate. Furthermore, sustainability is in the center of our R&D and innovation activities, and we develop our products accordingly. Our goal to create economic value for our shareholders and investors by growing with our technology investments in all three main business areas, to ensure the development of our talented people and to create sustainable value for all our stakeholders by using natural resources responsibly form the basis of our sustainability understanding.

Accordingly, we aim to reduce our emissions by 17.5% by 2025. Besides, we also aim to eventually reduce our hazardous waste and water consumption by 50% until 2030, and to increase the use of renewable energy in all our facilities.

Taking firm steps forward in line with our goals, we improve our performance with our sustainability works. Kordsa increased both its climate change and water report ratings to A- in the 2020 reporting period, in the reporting of Carbon Disclosure Project (CDP), the only independent organization that runs the global disclosure system on companies' climate and water-related risks. We are among the companies to partner with Ecovadis to ensure the sustainability of the global supply chain. Kordsa improved its rating and has received "Gold" status, awarded by Ecovadis. Award places Kordsa in top companies among over 40.000 companies surveyed for their sustainability works between 2015-2019.

We continue to work on the circular economy which is becoming more important for a sustainable future. We reuse our waste in our production process and work to create value for the economy. We reprocess the technological by-products released during yarn production that cannot be used in cord fabric weaving and generate into chips to be used in the engineering plastics industry. We create added value by reprocessing in our İzmit facility these by-products released from all our factories, and we help reduce dependency on imported raw materials by meeting the industry's needs.

As of 2020, we have implemented the Kordsa 2050 Sustainability Roadmap, which includes our new sustainability targets for the years 2025-2030 and 2050.

We have closed the year 2020 with an annual turnover of TL 4.5 billion with our strategic investments and technologies that lead the industry. Our profit for the period was TL 150 million and our operating profit was TL 384 million.

While the world is rapidly digitalizing, we rapidly adapt our production processes to digital transformation in order to differentiate our company with our technologies. 'Lean Digitalization' forms the basis of our digital transformation roadmap. For more than ten years, we have been working to become an exemplary and pioneering company in the industry by making industry 4.0 applications an integral part of our company culture. We focus on automation, data collection, data security and sensor technologies. In this journey, we have strengthened the basic communication and system infrastructures that will be used by all our business units. With our robotic process automation, we eliminate the need for human intervention in our 30 processes including financial affairs, human resources, quality and production. We have created an integrated system creating standardized infrastructures in all our facilities located in 5 countries. We are developing systems for end-to-end traceability, accurate and fast information flow between processes and business units, and timely detection of errors and immediate intervention on site. We have mobile access to the production data of all facilities gathered in one pool and we can easily identify the necessary improvements. We provide cyber security at the highest level and keeps it at the forefront, and we continue to create future value based on our past data by using advanced data analytics methods in integration with our production, quality and supply chain systems.

As Kordsa, we expand our reinforcement area day by day in every business line we operate. We have started to use recycled nylon yarns in tire reinforcement technologies. This recycled material does not compromise on quality and safety. This product, which is a huge engineering success with less carbon emissions, helps Kordsa's business partners using it in their tire production to reach their sustainability goals.

For Passport 20, a turbofan developed by GE Aviation for large business jets, our company Axiom Materials in the US produces a prepereg resistant to high temperatures found in the engine and the exhaust area, with the oxide-oxide composite components compliant with GE specifications.

As a company with an open innovation approach and technology leadership, we made new innovation collaborations in 2020. Kordsa's carbon fiber fabrics have been used for mass production of EV batteries as a result of the joint work since the beginning of 2020 with the British company TRB. With our carbon fiber fabrics, we aim to contribute to the world's transition to sustainable transportation.

Growing in new business lines while maintaining our sustainable growth in current business lines are critical for us. In this sense, we continue to invest in thin films and flexible electronics as they are widely used. We had created a "Thin Films and Flexible Electronics" R&D platform. Here, we are working to develop new generation flexible wearable health sensors with our Nanosis-1004 project, which we initiated last year at the Platform. We are in touch with reputable international universities, institutions, and companies from the US and Europe for project partnership. We also continue to work on investment options for a new lab and machines suitable for flexible electronics technology.

At Kordsa, in everything we do, we are inspired from life. In the past 6 years, we entered new markets with the goal to expand our operation area. With composite we are in aerospace, with construction we are in critical infrastructure projects and now with flexible electronics, which is still in the R&D phase, there are yet more to come. Investment in these areas will continue to be our priority. Today, we touch every area of life, and reinforce every area of life. We are firmly walking towards our goal to create a second Kordsa in composite technologies. We are and will be expanding our area of influence day by day.

As Kordsa, I would like to thank all our employees, business partners, customers and shareholders for their contributions to make success stories out of a challenging year.

Expanding our reinforcement area with our vision "Inspired to reinforce life" we have exceeded the boundaries of the world, and reached out to the space. Following the acquisition of the Fabric Development Inc., our US based company, we produce fabric for the composite structure of the orange balloons used in the Orion capsule of NASA's spacecraft built to take humans farther than they've ever gone before.



ALI ÇALIŞKAN
CEO

Executive Management



ALİ ÇALIŞKAN
CEO

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



VOLKAN ÖZKAN
Genel Müdür Yardımcısı
Chief Operating Officer, Europe, Middle East, Africa (EMEA)

Volkan Özkan graduated from Istanbul Technical University, Department of Business Engineering. He started his professional career at JICA in 2001, as Project Assistant. He joined Kordsa in 2003 and served as Financial Affairs Specialist between 2003-2009. He worked as the Finance Manager between 2009-2011 and Global Finance Manager between 2011-2014. Özkan, who served as the Finance Director of the Indonesian subsidiary IndoKordsa between 2014 and 2017, was appointed as Deputy General Manager-Finance in October 2017, and continued this duty until October 15, 2020. As of October 15, 2020, he was appointed as Deputy General Manager- Europe, Middle East and Africa (EMEA).



MURAT OĞUZ ARCAN
Chief Operating Officer - Composites

He graduated from Bilkent University Business Administration Department in 1993 and completed E-MBA Program at Koç University in 2004. Starting his professional career at Tofaş as Strategic Planning and Management Development Expert in 1996, Mr. Arcan assigned as Foreign Trade and Contract Manager in 2000. As one of the Co-Founders of Hexagon Consulting Turkey, he assumed CEO role between 2005-2013 and led to establishment Of Turkish National Nanotechnology Initiative and Turkish Wind Energy Technology Platform as well. In January 2014, he assumed Senior Business Associate role in Pera EEMEA; providing consultancy to Erdemir Group as of September 2014. In 2015, he joined Kordsa as Business Development Director. Between 2015-2018, he served as Business and Market Development Director and Construction Business Unit Leader. Between July 2018 and October 2019, Arcan served as Chief Operating Officer - Composites, Construction and Business Development. Since November 2019, he has been serving as Chief Operating Officer - Composites.



İBRAHİM ÖZGÜR YILDIRIM
Chief Operating Officer, Asia Pacific (APAC)

İbrahim Özgür Yıldırım received his BSc degree from Middle East Technical University, Department of Chemical Engineering and his MBA degree from Sabancı University in 1993 and 2005 respectively. He started his professional career at Rafine Chemicals in 1994 and worked in different manufacturing companies. Between 1998 and 2007, he served in Sakosa as technical engineer and production engineer. Appointed as Technical Manager at Kordsa Turkey in 2007, Mr. Yıldırım served as New Product Development Manager (2008-2009), New Product and Process Development Director (2009-2011) and Technology Development Director (2011-2013). He was appointed as Chief Technology Officer in 2013 and worked as Chief Technology Officer and Composites Business Unit Leader from 2015 to 2017. Between 2017-2018, he was Chief Technology Officer, Chief Operating Officer – South America and Composites Business Unit Leader. He appointed as the Deputy General Manager - Europe, Middle East and Africa (EMEA) in June 2018, hold this position until August 2020. Mr. Yıldırım has been appointed as Deputy General Manager Asia Pacific as of September 1, 2020.



FATMA ARZU ERGENE /
Chief Finance and Supply
Chain Officer

Fatma Arzu Ergene received her bachelor's degree in Business Administration from Marmara University in 1991 and her MBA degree from Loyola University of Chicago in 1993. She started her professional career at FAO Schwarz as Cash Manager in 1992 while she worked as a Research Assistant at Loyola University, Department of Economics. She served as Account Manager at Eczacıbaşı Menkul Değerler and joined Kordsa in 1994. She worked as Marketing Specialist between 1994-1999, Finance Manager between 1999-2005, EMEA Financial Affairs Director between 2005-2009 and Global Purchasing Director between 2009-2013. After serving as Vice President of Finance and Purchasing in 2013-2015, Ms. Ergene assumed Chief Operations Officer and Chief Finance Officer of South America between 2015-2017. Ergene, who assumed the position of Chief Finance Officer at Enerjisa Enerji Üretim A.Ş. between 2017-2019, was appointed to Kordsa as Deputy General Manager responsible for Trade in August 2019 and continued this duty until October 15, 2020. As of October 15, 2020, she was appointed as Deputy General Manager, Finance and Supply Chain.



ABDÜLKADİR TOPLU
Chief Operating Officer –
North & South America

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

Executive Management



ERAY KARADUMAN

Chief Human Resources, Legal and Information Technologies Officer

Eray Karaduman, received his BSc degree in Economics from Çukurova University in 1999 and MSc degree from the same university in 2004. He started his professional career in 1999 and joined Sabancı Group in 2002, worked in Bossa and Temsa HR teams between 2002 and 2007. After working in Frito Lay as Human Resources Manager between 2007 and 2009, he joined Enerjisa as Human Resources Manager and kept that position until 2012. Thereafter, He worked in Coca-Cola Beverages Company as Group Human Resources and Industrial Relations Director. He joined Unilever in 2015 as Human Resources Director for Supply Chain responsible for North Africa, Middle East, Turkey, Iran, Central Asia and Russia countries and double hatted Global Supply Chain HR Lead position for Sustainable Employment Project and served as Sales and Marketing Human Resources Director, to which he was appointed in 2019, until August 2020. Mr. Karaduman has been appointed as Kordsa Deputy General Manager, Human Resources, Law and Information Technologies as of September 1, 2020.



LEVENT AKPULAT

Chief Global Sales and Market Development Officer

Levent Akpulat received his bachelor's degree in Business Administration from Middle East Technical University in 1990 and his MBA degree from Sabancı University in 2005. He started his professional career in Brisa in 1992, worked in various senior positions in Brisa between 1992-2016, and finally served as Deputy General Manager of Marketing at Brisa. Akpulat, who joined Temsa Motorlu Araçlar team as General Manager in 2017, was appointed as Çimsa Gray Cement Marketing and Sales Deputy General Manager in April 2020 and continued this duty until October 14, 2020. Akpulat has been appointed as Chief Global Sales and Market Development Officer as of October 2020.



DEVİRİM ÖZAYDIN

Global Technology Director

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



FEZAL OKUR ESKİL

Strategy, Business Development Director and Construction Business Unit leader

Fezal Okur Eskiil, received her BSc degree from Bosphorus University Industrial Engineering department in 1998. She received her MBA and MS Industrial and Systems Engineering degrees from the Georgia Institute of Technology Management Sciences and Engineering faculties in 2000 and 2001 respectively. She started her professional career at AT Kearney in Chicago as Management Consultant in 2001. She worked at Eczacıbaşı Baxter as an Operations Manager during 2005 and joined Philip MorrisSA as Supply Chain Executive in 2006. Fezal joined Sabancı Holding as Corporate Strategy and Business Development Manager and executed this role from 2007 to 2012. She continued her career as Corporate Strategy and Business Development Director between 2013 and 2018. During this period, she served as a Board Member at Enerjisa, Kordsa, Carrefoursa and Temsa Transportation Vehicles companies. She joined Enerjisa in 2018 as the Chief Strategy and Business Development Officer. During January-June 2020, Fezal assumed Sabancı Holding CEO Office Director role and as of July 2020 she was appointed as Strategy and Business Development Director and Construction Business Unit Leader. She is currently a Board Member of Sabancı Dx and Teknosa.

Kordsa in Brief

Tire Reinforcement Technologies

SINGLE-END CORD



AUTOMOTIVES
INDUSTRY



MECHANICAL
RUBBER GOODS



PASSENGER
VEHICLES



AVIATION



LIGHT
COMMERCIAL
VEHICLES



CONSTRUCTION
EQUIPMENT



HEAVY-DUTY
VEHICLES



AGRICULTURAL
EQUIPMENT

INDUSTRIAL FABRICS



MECHANICAL
RUBBER GOODS



AEROSPACE
AND
AVIATION



INDUSTRIAL
APPLICATIONS



SPORTS EQUIPMENT

Composite Technologies

FABRICS AND PREPREGS*



AUTOMOTIVE



MARITIME

Construction Reinforcement Technologies

SYNTHETIC FIBER REINFORCEMENT



INFRASTRUCTURES



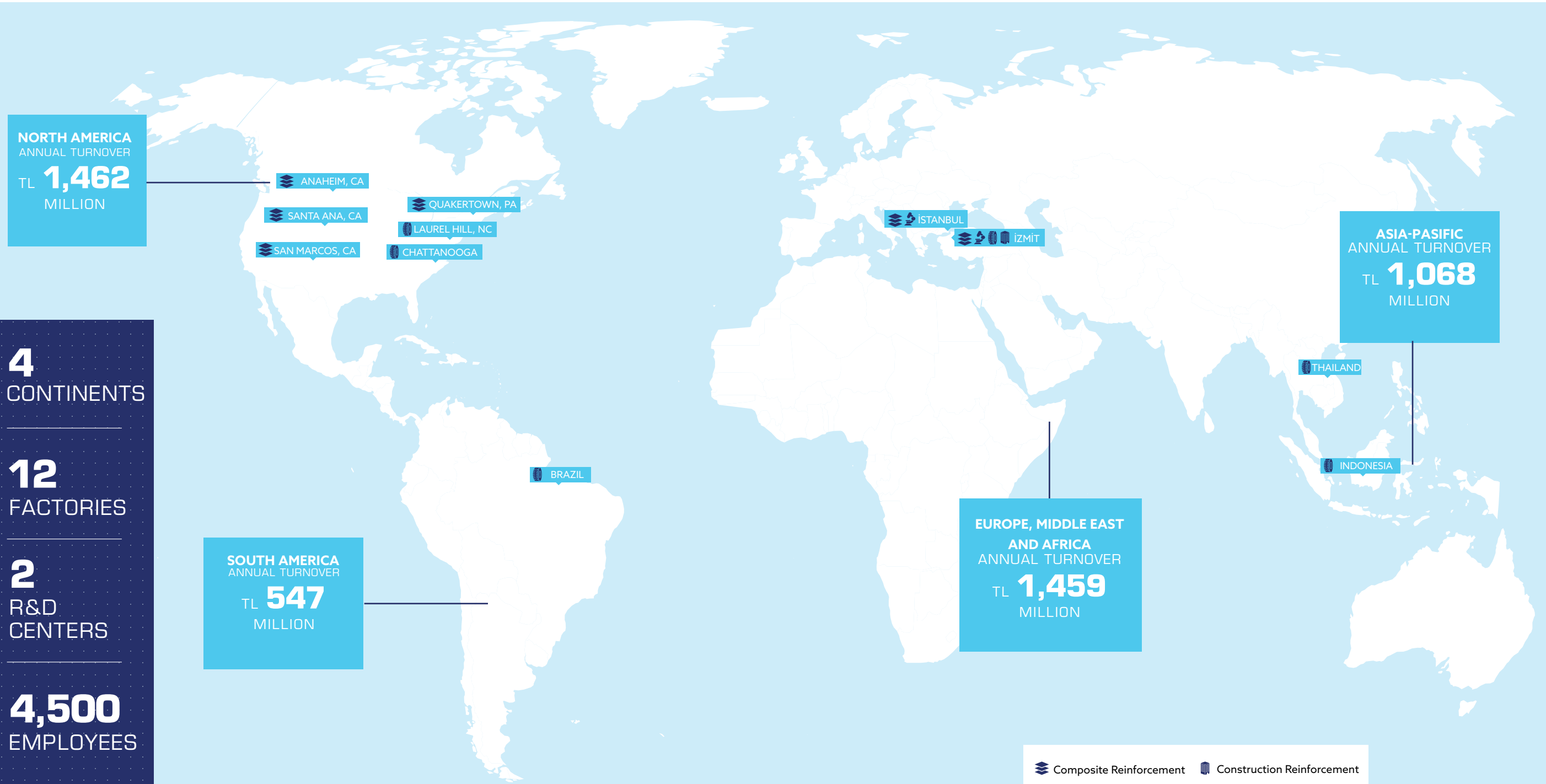
SUPERSTRUCTURES



MINES

* Resin impregnated fabric

Global Footprint



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12
FACTORIES

2
R&D
CENTERS

4,500
EMPLOYEES

Composite Reinforcement Construction Reinforcement
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Kordsa in 2020

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WE REINFORCE ONE OUT OF EVERY THREE MOTOR VEHICLE TIRES AND TWO OUT OF EVERY THREE AIRCRAFT TIRES GLOBALLY.



WITH OUR COMPOSITE TECHNOLOGIES PORTFOLIO WE REINFORCE THE AIRCRAFT WINGS, ENGINES, HULLS, AND THE INTERIORS; WHILE WITH OUR ADVANCED MATERIAL TECHNOLOGIES WE EXPAND OUR SPHERE OF INFLUENCE TO OUTER SPACE.



WE CREATE A DIFFERENCE WITH OUR PIONEERING KRATOS MACRO- AND MICRO-SYNTHETIC FIBERS THAT PROVIDE EASE OF USE, INCREASED EQUIPMENT AND ENERGY EFFICIENCY, LONG-LASTING DURABILITY, AND LOW CARBON EMISSIONS.



WITH OUR SAFETY, HEALTH AND ENVIRONMENT APPROACH, ONE OF OUR TOP STRATEGIC PRIORITIES, OUR GOAL IS ZERO ACCIDENTS AND ZERO WASTE IN ALL GEOGRAPHIES WE OPERATE.

We are inspired to develop our technology and innovation



Please click for Reinforcing Sounds podcast channel.

Kordsa in 2020



Kordsa Leaders Came Together in Istanbul

Executives from Kordsa's production facilities around the world came together at the annual Global Leadership Summit. In addition to reviewing 2019 and sharing 2020 goals, world-renowned speakers Peter Marsh, the author of The New Industrial Revolution, and Chris Barez-Brown, founder of Upping Your Elvis, were also present at the summit.

JANUARY

Kordsa continues to reinforce future generations with its projects for teachers and schools

Kordsa continues to carry out corporate social responsibility projects with the vision to reinforce the future. Every year, Kordsa renovates a school from its inside to the outside including heating and electrical installations, wall painting and educational materials. This year Kordsa took a step further and apart from renovating Akçaova Primary and Secondary School, it also carried out a joint training project with the Teachers Academy Foundation to empower teachers of Akçaova Primary and Secondary School both personally and professionally.



Axiom Materials expands its capabilities with newly opened High-temperature Composite Center

Axiom Materials continues to strengthen its leadership in the field of ceramic matrix composites (CMCs) and related high-temperature composite products. The Company has recently invested in a new 3500 m2 facility for the development, analysis, and production of ceramic matrix composite materials. This new center enhances Axiom Materials' CMC production capabilities in order to support increasing demand for high-temperature composites in aerospace and industrial applications.



Kordsa and Continental bring first series tires with Cokoon dip technology onto the road

Continental, the technology company and manufacturer of premium tires, and Kordsa, the global reinforcer, predominantly serving the tire industry, announced today that the series production of the first of 250.000 passenger car tires featuring their new sustainable adhesive technology began in 2019. The two partners have been working together on this new eco-friendly dip technology since 2017. This new technology enables the bonding activation of textile reinforcing materials with rubber compounds without the use of resorcinol and formaldehyde in the textile dip. Since the first announcement of Cokoon as an open innovation technology in March 2019, it has attracted a lot of attention within the industry. More than 40 companies have expressed an interest in testing the material and are considering joining the licensing pool.



Kordsa participated in Tire Tech Expo 2020 with its sustainable tire reinforcement technologies

The global player in the tire and construction reinforcement and composite technologies markets Kordsa participated in Tire Tech Expo, Europe's most important tire manufacturing technology exhibition, held in Germany between 25-27 February. Kordsa exhibited its tire reinforcement products as well as its sustainable and innovative technologies developed with its "Inspired to Reinforce Life" vision. During the fair was also showcased the Cokoon dip technology developed with Continental as an eco-friendly and sustainable alternative to the formula used in the industry for nearly one century.

Kordsa at the World of Concrete with its innovative construction reinforcement brand KraTos

Kordsa, the global player in the tire and construction reinforcement and composite technologies markets, participated in the International Concrete Fair - World of Concrete (WOC) 2020, one of the world's most prestigious fairs in the field of concrete. Kordsa shared KraTos, its innovative synthetic fiber brand for concrete reinforcement applications, with leading professionals of the construction industry. It attracted great interest with its competencies and the features of its innovative synthetic fibers KraTos Macro and KraTos Micro used in concrete reinforcement applications.

Kordsa in 2020



MARCH

A special message from Kordsa employees for 8 March International Women's Day

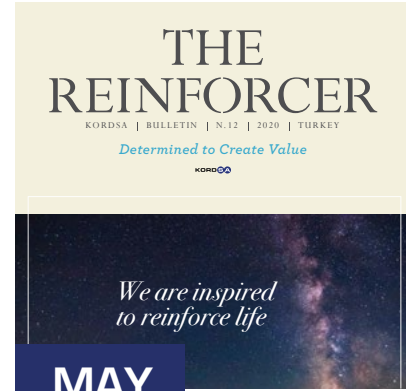
Kordsa's International Women's Day message supporting diversity and social equality has been shared in social media accounts: "With the vision of "inspired to reinforce life", we are working for combating gender-based inequality, supporting women to become more involved in business life, making women more effective at every stage of decision-making mechanisms from production to technology, and benefiting equally from all resources."



APRIL

Valuable Support from Kordsa to fight against COVID-19

Kordsa and Brisa came together in their operating region, Kocaeli to support the fight against the COVID-19. They provided hand sanitiser, sanitiser -Antimic developed by Sabancı University, surgical gowns and washing and drying machines to Kocaeli Provincial Health Directorate in order to support the needs arising from COVID-19.



MAY

12th issue of The Reinforcer has been published

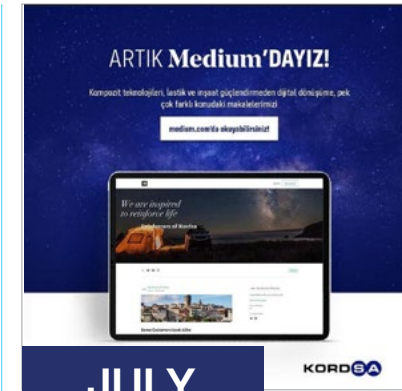
The 12th issue of The Reinforcer, published by Kordsa twice a year, was published with the theme 'Determined to Create Value'. The magazine featured articles by Kordsa professionals and researchers.



JUNE

Kordsa among the most ethical companies in Turkey

At the most ethical companies in Turkey evaluation made by the Ethical Values Center Association (EDMER) Kordsa was ranked among Turkey's 24 most ethical companies with the appropriate ethical practices in line with the international standards. Within the scope of the organization that companies attaching importance to ethical values and that operate in accordance with business ethics and ethical values in company management are rewarded, Kordsa has scored a major success with the applications complying international ethical standards.



JULY

"Reinforcers of Kordsa" are now on Medium

Kordsa is now sharing its expertise of business and reinforcement technologies experience on Reinforcers of Kordsa on Medium, the renowned online publishing platform. The "Reinforcers of Kordsa" page covers articles about reinforcement technologies, global trends, sustainability and digitalization written by Kordsa employees, industry experts and academics. Through Medium, Kordsa will have the chance to interact and convey its knowledge and vision with its business and reinforcement technologies experience to its audience.



AUGUST

Axiom to expand its CMC product portfolio

Axiom to expand its CMC product portfolio with Carbon/SiC and SiC/SiC composite intermediates under license from JST and NITE Corporation of Japan Axiom, the global leader in the development and supply of Oxide/Oxide CMC prepregs for aerospace and industrial applications, is to develop a line of Carbon/SiC and SiC/SiC composite intermediates under license from JST (Japan Science and Technology Agency) and NITE (Nano-Infiltration and Transient Eutectic-phase) Corporation of Japan. This will allow Axiom to expand its offerings over a complete spectrum of CMC materials for aerospace and industrial structural applications with service temperatures to 1400°C.



Kordsa said "We reinforce Life" during the COVID-19 as well

Kordsa, who has been err on the side of caution since the first day of the pandemic, shared the measures taken in terms of hygiene and social distance. Kordsa stated that it continues to reinforce the health of its employees, stakeholders and society through the video prepared.



Kordsa in 2020



Kordsa's podcast channel 'Reinforcing Sounds' is on air

Kordsa, providing reinforcement technologies to the world with its 12 plants in 5 countries, launched Company's brand-new podcast channel Reinforcing Sounds. The channel will feature content on reinforcement technologies, industry trends and technological developments. Those, who are eager to follow industry developments, will be able to listen to inspirational and informative broadcasts at home, in the car or at the workplace.

Kordsa publishes 2019 Sustainability Report

Committed to "Inspired to reinforce life" vision, Kordsa published its 6th Sustainability Report describing managerial, social, economic and environmental progress and activities for the 2019 reporting cycle. Adopting the UN's Sustainable Development Goals, Kordsa's report includes the Company's perspective, goals and contributions in this field.



Advanced Honeycomb Technologies achieves AS9100 Revision D certification

One of Kordsa's U.S. based subsidiaries, Advanced Honeycomb Technologies, manufacturing honeycomb cores for aerospace and industrial applications, has received AS9100 certification. AS9100 is the internationally recognized quality management system for the aviation, space and defense industries.

Kordsa is at the leadership level in the Carbon Disclosure Project Climate Change and Water Security Programs

Kordsa is among companies reporting on its climate and water-related risks and opportunities through the Carbon Disclosure Project (CDP) Climate Change and Water Security programs since 2016. The Company increased both its climate change and water security report scores from B to A- in the 2020 reporting period and rose from management level to leadership level. In the reporting period of 2020, while the industry average of the world and Europe is B, Kordsa was in the top 20% among the companies evaluated in managing climate change related and water-related programs with its performance above the average.



Kordsa is the Most Amazing Place to Work in Brazil

Reinforcement leader Kordsa added another prestigious award to its growing list of accolades. The Company is the winner of the "Most Amazing Place to Work in Brazil" Award for 2020. The announcement was made December 1st, at a virtual event in the presence of the 100 best companies nominated for 2020. The list is developed by FIA, Business Institute Foundation of University of São Paulo, the most reputable university in Brazil and UOL Universe OnLine, the largest content, technology, services and digital payment media company in Brazil, following qualitative and quantitative research with 150.000 employees of 100 companies. Kordsa is the winner in the Mid-Size category.



Kordsa received Apollo Gold Partner Award-Supply Chain Excellence

We have received Apollo Gold Partner Award-Supply Chain Excellence at this year's Apollo Global Partners' Summit by India-based Apollo Tyres, one of the important tire manufacturers.

NOVEMBER

Kordsa is in the BIST Sustainability Index for the 5th time

Kordsa has been included for the fifth time in the BIST Sustainability Index, which includes companies traded on Borsa Istanbul and with high corporate sustainability performances. BIST Sustainability Index is created by Borsa Istanbul as a result of the examination of BIST 100 companies by an independent audit corporation according to international criteria and the measurement of their sustainability performance.



Kordsa has been awarded the "Gold" rating for sustainability

Kordsa, operating with "Inspired to reinforce life" vision throughout 5 continents, has been awarded the Gold rating for sustainability by Ecovadis, an international provider of business sustainability ratings. The rating reflects Kordsa's commitment to achieving sustainability and also acknowledges Kordsa as being outstanding in environment, sustainable procurement, workforce and human resources categories.

Kordsa showcased its KraTos synthetic fibers at the Global Concrete Summit

Kordsa participated in the Global Concrete Summit, which took place online for the first time in the construction industry. Kordsa shared information about KraTos, its innovative synthetic fiber brand which is highly preferred by prestigious infrastructure, superstructure and mining projects which brings value to the industry. Kordsa was the Gold sponsor of the Summit that provided learning and networking opportunities on the latest innovations, technical knowledge, continuing research, tools and solutions for sustainable concrete design, construction and manufacturing. Kordsa shared its innovative concrete reinforcement technologies, namely KraTos Macro, KraTos Micro, KraTos Rebound Minimizer and KraTos Pool Fiber.



Tire Reinforcement Technologies



In its high-tech plants in tire reinforcement industry, Kordsa manufactures cord fabric and single-end cord from nylon 6.6, HMLS, polyester yarns as well as rayon and aramid yarns that give vehicle tires superior flexibility and durability. Kordsa has become a strategic business partner of the biggest tire manufacturers over its years of operation with its knowhow in reinforcement technologies and processes, key position in the market, R&D activities and openinnovation approach.

Thanks to its strong global footprint, its stature as a technology leader, and its reinforcement technology experience, Kordsa is known throughout the world as “The Reinforcer.” Kordsa is the leading manufacturer of nylon cord fabric and polyester cord fabric in Europe, the Middle East and Africa and is also the second biggest manufacturer of nylon cord fabric and polyester cord fabric in the Asia-Pacific market. Besides being the only producer of polyester and cord fabric in South America, Kordsa is the leading nylon cord fabric manufacturer in North America.

Kordsa reinforces one out of every three motor vehicle tires and two out of every three aircraft tires globally.



YARNS

One of the leaders of the nylon 6.6 and HMLS polyester yarn market, Kordsa has a portfolio of yarns that are suitable for use in such applications as cord fabrics, heavyduty textiles, industrial fabrics, chafer fabrics, single-end cords and ropes. Our customers have been confidently choosing T728® branded Nylon 6.6 yarns on passenger car tires for over a half century. Similarly, Kordsa maintains its leadership in the global aircraft tire reinforcement market with the T802® brand.



CORD FABRICS

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



SINGLE-END CORD

Synthetic yarns such as nylon and polyester that we developed above industry quality standards are used in single end cord products. The yarns are processed according to customer requirements under the supervision of advanced quality control systems and supplied to tire manufacturers using advanced technology.

In keeping both with its mission of developing tire reinforcement technology products that are better and more sustainable for future generations and with its “Reinforcer” reputation, Kordsa has been working on eco-friendly adhesives formulas that contain neither resorcinol nor formaldehyde since 2008. As one of the biggest proponents of the “open innovation” concept, Kordsa has combined its deep knowledge, experience and expertise in this area with that of Continental, one of the most important players in the tiremanufacturing industry. Within the framework of this joint effort, Kordsa worked on the chemicals formula used to dip tire cord fabric, while Continental developed the technology needed to put this formula to practical use. The result of these efforts is an eco-friendly alternative to the resorcinol and formaldehyde-based formula which tire makers have been using for over eighty years. In order to make this invention a new standard for the whole industry, Kordsa and Continental make it accessible to everyone under a free licensing agreement.

Kordsa is the technology leader of the industry thanks to its vast knowledge in reinforcement technologies, its strong focus on R&D, its culture of open innovation and its strategic approaches in the tire reinforcement industry. Carrying out its operations across a broad region of the world from the Americas to the Pacific,

Kordsa has become a strategic business partner of the biggest tire manufacturers with its R&D activities and open innovation approach.



Sustainable Products

Kordsa seeks to create sustainable value by providing its customers, employees, shareholders, and the communities in which it lives with innovative and high added-value reinforcement solutions.

CAPMAX®
Capmax® is a ready-to-use tape designed to replace existing calendered cap ply strips in tires, thereby making it possible to use less rubber. Besides saving on manufacturing costs, Capmax®-clad tires have lower rolling resistance; thus, consumes less fuel. Capmax® is intended for light vehicles which are equipped with tires that currently use calendered cap ply strips. Because Capmax® can be introduced to existing tiremanufacturing processes without the need for additional investment, Kordsa’s strategic focus is on local tire-manufacturers in developing and growing markets such as those of India and China where considerable progress has already been made in positioning and commercializing the product.



TWIXTRA® Hybrid Cord Solutions
Cords that are made from twisting two or more different fibers together are known as “hybrid cords.” Twixtra®, a registered Kordsa trademark, is the name under which a group of hybrid cord products are commercially marketed to industrial users. While steady growth in the worldwide demand for highspeed performance tires has been nourishing interest in and demand for Twixtra® products, Kordsa has also begun supplying these products to developing-country tire-manufacturers, who are becoming increasingly more aware of the products’ practical benefits.



COKOON DIP TECHNOLOGY
Kordsa and Continental joined forces to create a new and more eco-friendly bonding technology without resorcinol and formaldehyde in place of the formula used in the industry for bonding textile reinforcing materials with rubber-based compounds for about a century. Kordsa encourages the development of CoKoon technology, which allows textile material to adhere to rubber using existing equipment without additional cost and offers this technology to everyone who wants to be included in the license pool through the licensing model it has established with Continental and without demanding any license fee. Thus, CoKoon, which offers innovation not only in the product but also in the business model, is aimed to become the new standard of the sector.



Composite Technologies



Kordsa has recently created a business line exceeding USD 150 million annually by incorporating Fabric Development, Textile Products, Advanced Honeycomb Technologies, and Axiom Materials, all major players in the composite industry in the USA.

Taking advantage of composite technologies, Kordsa develops innovative and unique intermediary products and applications for use in the aerospace, automotive, sport, maritime, and other industries. As a one-stop solution partner, Kordsa provides design, analysis, a materials library, and prototype production services and develops fabrics, prepregs (a resin impregnated fabric made by impregnating the resin formulations it developed), adhesive films, surface films, honeycomb structures, and sandwich panels manufactured from honeycomb structures to meet customer needs.

Thanks to its state-of-the-art equipment, competent personnel, and weaving and dipping technology experience, Kordsa satisfies the needs of the composite industry with its short delivery times and high-quality products.

An Open Innovation Hub In The Emea Region

Kordsa's production facility for the EMEA region is the Composite Technologies Center of Excellence, established in partnership with Sabancı University. Manufacturing thermoset prepregs, honeycomb structures, and/or sandwich panels made of different core materials according to customer requests for the aerospace, automotive, sport, and maritime industries, Kordsa sets itself apart from its competitors with flexible production capabilities and a much broader product line thanks to its ability to weave fabrics. Kordsa's manufacturing facility at the Composite Technologies Center of Excellence and Sabancı University Labs has been awarded the AS9100D certification.

Serving as an open innovation base and hosting Kordsa's second R&D Center, the Composite Technologies Center of Excellence brings designers, engineers, production managers, doctoral candidates, post-doctoral researchers, university faculty members, and entrepreneurs together under a single roof. Our center is an excellent candidate for the TÜBİTAK 2244 Industrial Ph.D. Program. 12 Faculty Members, 48 doctoral candidates, 26 graduate students; 53 researchers, engineers, technicians, and 8 post-doctoral researchers work at the Center of Excellence. Thanks to this collaborative ecosystem, Kordsa offers specialty services to its customers by involving stakeholders in every stage of research and development from basic research to prototyping and mass production of the intermediate products it develops, going beyond the usual production models.

The Composite Technologies Center of Excellence is one of few prominent testing and prototyping centers in the world. It has long studied thermoplastic prepregs: a material that can replace metal because of its advantages such as lightness, durability, longevity, and recyclability. Kordsa was able to produce their prototype parts with a project partner from the automotive sector using these prepregs, making it possible to produce composite parts in as little as one minute.

Another output of the R&D center's efforts, a new resin system specially designed for heavy commercial vehicle leaf springs, was introduced to the composite industry at JEC World 2019, which is considered the world's biggest composite fair. Developed to meet the needs of the automotive industry, prepregs make a difference with their high mechanical performance and long fatigue life.

Kordsa partnered up with Sabancı University on a project that was initiated at the Composite Technologies Center of Excellence with EU support, and it will work with Sabancı University on issues related to the development of the systems, software, and

Developed in line with the needs of the automotive industry, prepregs create a difference with their high mechanical performance and long fatigue life.

Composite Technologies

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

materials needed to manufacture composite materials using 3D printing technology. As part of the Horizon 2020 program, the project will be carried out by 16 project partners from 11 countries. Another European Union-supported project that we are involved with is being carried out by 7 partners, 2 universities, and 5 industrial companies from Germany and Turkey. This project will produce composite repair materials with nanomaterials for the aviation industry. Following tests and approval by the leading repair and maintenance firm of the Turkish Aviation Industry, it will be ready to use.

Steps Have Been Taken to Become a Global Player in Commercial Aviation

Kordsa's business journey has brought the Company to a new level with brand new investments that will enable it to become a global player in the commercial aviation sector. In parallel with its strategy to increase its global market share and expand its product line, Kordsa has acquired Fabric Development, Textile Products, Advanced Honeycomb Technologies, and Axiom Materials, which are major companies in the composite industry. Kordsa has created a business line exceeding USD 150 million annually by incorporating these four major US companies in the last 2 years.

In 2018, it expanded its area of activity and capabilities by acquiring Fabric Development, Textile Products, and Advanced Honeycomb Technologies - companies that provide advanced composite materials to the aerospace industry.

Axiom Materials develops prepregs made using different fabric technologies, adhesive films, and flat films not only for the aerospace industry but also for next-generation transport vehicles. The high-tech materials produced by Axiom Materials are used in many new-generation applications in different sectors as well as in aircraft engines. By adding Axiom Materials to its high-tech composite intermediate product portfolio, Kordsa has become the leader in the high temperature resistant OxideOxide ceramic prepreg market used in aircraft engines. Working together with Axiom Materials, a composite intermediate product temperature resistant to 1400°C (carbon/SiC and SiC/SiC) will be developed with licenses from the Japanese Science and Technology Institute and the Japanese NITE (NanoInfiltration and Transient Eutectic-phase) company, expanding the product portfolio even further.

Textile Products leads the industry in the development of a variety of weaving techniques, including ways to manufacture fabrics from threads that are fragile and difficult to work with. Fabric Development produces more than 2,000 varieties of fabric in a range of widths, thicknesses, and styles; and it has extensive experience in working with high-performance fibers, creating complex multidimensional shapes, understanding sophisticated fiber

systems, and producing high-performance materials. Fabric Development and Textile Products both supply advanced composite fabrics to the aerospace industry in the US, while Advanced Honeycomb Technologies manufactures a wide range of Nomex® and Kraft™ honeycombs mainly for the aerospace industry. With these new investments, Kordsa has taken a big step toward strengthening its presence in the North American market. Already reinforcing two out of every three aircraft tires and one out of every three automobile tires, Kordsa's US acquisitions mean that henceforth the company will also be reinforcing aircraft wings, hulls, engines, and interiors as well.

In addition to its current capabilities, Kordsa is working to produce a wide range of slit tape material that meets the requirements of civil aviation and that can be used in the automatic fiber/tape placement equipment that has replaced manual layout in the Civil Aviation Composite Industry. Resin systems suitable for non-autoclave curing, which Kordsa continues to develop, will make a difference in the sector, civil aviation in particular.

Fabrics impregnated with a flame-retardant epoxy formulation that are produced by both Axiom Materials and Kordsa's Istanbul businesses have applications in aviation, rail transportation, and all applications and sectors where flame retardant properties are desired.

The Composite Technologies Center of Excellence is one of few prominent testing and prototyping center in the world.



Construction Reinforcement Technologies



Kordsa touches upon every aspect of life through its durable and practical construction reinforcement solutions for infrastructure and superstructure projects. With its vision "We are inspired to reinforce life", it aims to create sustainable value by offering innovative added-value reinforcement solutions to its customers, employees, stakeholders, and the communities in which it operates.

As a leading company in its sector, Kordsa continues its innovative work in construction reinforcement technologies, alongside its energy-efficient, eco-friendly, and revolutionary new tire reinforcement and composite technologies. Kordsa has been creating a difference in the construction market since 2014 with its pioneering KraTos macro-and micro-synthetic fibers for concrete-reinforcement applications for infrastructure and superstructure construction projects. These fibers provide ease of use, time and labor savings, increased equipment and energy efficiency, superior concrete toughness, long-lasting durability, and low carbon emissions. KraTos, an innovative concrete reinforcement synthetic

Kordsa significantly increased its market share in Turkey, and through effective structuring in Brazil and Israel, in priority export markets where it continues its market development activities, and strengthened its presence in 2020.

fiber solution, has been used in many high-profile projects thanks to its fast and efficient applicability, ease of use, low labor requirements, and high performance compared to other traditional techniques.

KraTos Macro provides superior performance in concrete reinforcement applications as well as labor and cost advantages. Furthermore, its polymer structure prevents corrosion, thereby contributing to the long-term strength of the concrete. Because it resists corrosion and does not conduct electricity, KraTos Macro achieves long-term safety and high durability in projects with electromagnetic systems that require constant efficiency. KraTos Micro, on the other hand, is an effective solution-provider whose superior performance characteristics, ease of use, homogeneous dispersion, and crack-bridging features distinguish it from other products on the market.

Because of their performance advantages and ease of use, KraTos Macro and Micro have been used in a wide range of building industry applications, from industrial floor concretes to screed, from high-grade track slab concretes to runways and port structures, and from shotcrete to tunnel lining and prefabricated building elements. Since KraTos Macro and Micro offer sustainability and performance advantages as well as cost savings through optimum amount, they obtained significant references from infrastructure and superstructure projects.

Strong Steps in Export Markets

Kordsa has increased its market share in Turkey, and through effective structuring in Brazil and Israel, in priority export markets where it continues its market development activities, significantly strengthening its market presence since 2019. Taking advantage of these experiences and its globally established infrastructure, efforts in the North American and Asia Pacific markets have been accelerated to achieve results in 2021.

Kordsa's innovative technologies have also won the company numerous nationally and internationally prestigious awards. Strengthening its position as "The Reinforcer", Kordsa continues its efforts to realize its vision of making everyday life more livable, more convenient, and more secure for ourselves and for our loved ones.

Kratos macro and micro synthetic fiber reinforcements have made a difference in the construction market with their ease of use, long-term durability, and low carbon emissions.



Safety, Health & Environment

The common SHE goal of all Kordsa employees and departments is zero work-related accidents and zero waste.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT APPROACH

Our employees' health and safety are foremost among Kordsa's strategic priorities. The common occupational safety goal of all Kordsa employees and departments is zero work-related accidents and illnesses. The rules set out in the Global Procedures for Occupational Health and Safety are applied continuously to prevent employees from getting sick or injured at work. No fines were imposed for non-compliance in 2020.

Reinforcement Center

Kordsa conducts training and awareness-raising activities through its Reinforcement Center to improve the occupational health and safety culture of its stakeholders and to maintain and improve business excellence. During training at the Reinforcement Center, employees see and experience possible work-related accidents using visual and physical models. The Reinforcement Center also has a Perception Improvement Class where the goal is to change employees' perspectives, and an "Ability Enhancement Workshop", where they improve their TPM, 5S, process competence, and quality consciousness abilities through scenarios prepared on modelling machines.

ENVIRONMENTAL MANAGEMENT APPROACH

Kordsa conducts its R&D activities and produces its innovative products and technologies that are the outcome of those efforts according to its mission of "reinforcing the future", and with a sense of responsibility to people and nature. Kordsa has set short and long-term goals for water, energy, material, and waste management, and plans its activities within the framework of these goals which are included in the section, Sustainability Approach.

Policies, Management Systems and Compliance

Kordsa's Occupational Health, Safety, and Environmental Policy is available on our website.

Plants in Turkey, Indonesia, Thailand, Brazil, and the United States Chattanooga plant have qualified for the ISO 14001 environmental management certificate, and the Turkey plant has operated according to the ISO 50001-2011 energy management certificate since 2015. Kordsa complies with environmental laws and other relevant regulations, and received no environmental fines in 2020.

Environmental Priorities and Environmental Management Incentives

Kordsa's performance in material and energy efficiency, emissions, waste, water management, and its progress towards its targets are detailed in the annual sustainability reports we publish. Among the incentives offered to help manage environmental issues are the employee suggestion system and related rewards. Also, a target has been set regarding a new senior management reward mechanism for the 2021 goals. The Board of Directors has the highest level of responsibility for the environment and climate change. Relevant committees and their duties are included in the section, Sustainability Approach.

Position in Carbon Markets

There is no carbon pricing practice at Kordsa's facilities or the industrial companies within Sabancı Holding. Kordsa is not a member of any carbon pricing system (Emission Trading System, Cap & Trade, or Carbon Tax). Therefore, no carbon credit was accumulated or purchased during the reporting period. Although Kordsa did not produce or use any renewable energy in 2020, the use of renewable energy is one of our next five-year goals.



SHE & CONSERVATION RULES

Superior Performance

Standards, Operational Excellence
Kordsa conforms to the highest standards to operate its plants safely and to protect the environment, its employees, its customers, and the communities where its plants are located.

Zero Accidents and Work-Related Illnesses

Kordsa believes that all work-related illnesses and safety and environment-related accidents are preventable and its target for all of them is zero. Kordsa is prepared for emergencies and can lead and help local communities be prepared as well.

Zero Waste and Emissions

Kordsa operates with the goal of generating zero waste at the source. It reuses and recycles materials to minimize the need to deal with or dispose of them and to conserve resources. Waste is treated or disposed of safely and responsibly where it is generated. In its efforts to achieve zero emissions, Kordsa prioritizes fighting climate change, which poses the most serious health and/or environmental risks.

Conserve Energy and Natural Resources, Reinforcing Habitats

Kordsa conforms to the highest standards applicable to safely operate all of its facilities and protect its employees, its customers, and the environment. The efficient use and protection of energy and water resources, which are our natural capital, is our priority, and are tracked with established targets.

1

2

3

4

Human Resources

At Kordsa, strategic operations associated with human resources in parallel with the Company's sustainability and business objectives.

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

Global Human Resources Mission

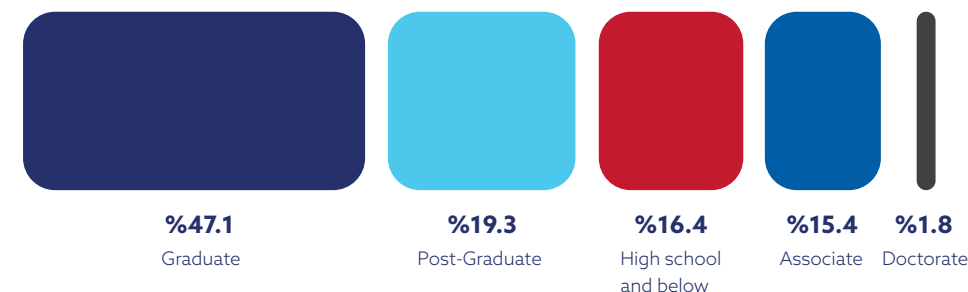
- To lead the way in efforts to attract talented people to the company and retain them
- To help create a positive organizational climate
- To support the empowerment of employees and guide their development
- To develop, implement and support programs and processes that ensure stakeholder satisfaction.

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

The principal responsibilities of Global Human Resources are to:

- Ensure the development and propagation of human resources policies, systems and processes that support the company's strategies and business requirements
- Formulate and implement global strategies that are compatible with the company's sustainability efforts
- While working together with regional and local human resources units, design and oversee structured progression programs at different levels (such as new talent, middle management, senior management) in a way to support the company's corporate growth objectives
- Ensure the development of the best professionals at all levels by creating different experience opportunities in line with the expectations of the company and its employees

Education Levels of Office Employees



Progression Programs

Cultural diversity and differences are the very foundation of Kordsa's corporate culture. With operations in Thailand, Indonesia, Brazil, North America, and Turkey and employing 4,500 people on four continents, Global Human Resources develops HR systems and practices with a Kordsa outlook that is mindful of both local and global trends. The 3-year development programs initiated by Global Human Resources for all employees at the level of manager and above have been completed, and the newly designed development programs for all target groups of experts, engineers, leaders and managers will be put into use in 2021. This provides all employees with individual and competency-based progression opportunities through the development of a common language that is employed in all Kordsa factories. In order to nurture a coaching and mentoring culture at Kordsa, the individual progressions of both management and nonmanagement level personnel are supported through global mentoring, local mentoring in the local language and generationbridging reverse mentoring programs.

OFFICE EMPLOYEES



296
FEMALE



548
MALE

FIELD EMPLOYEES



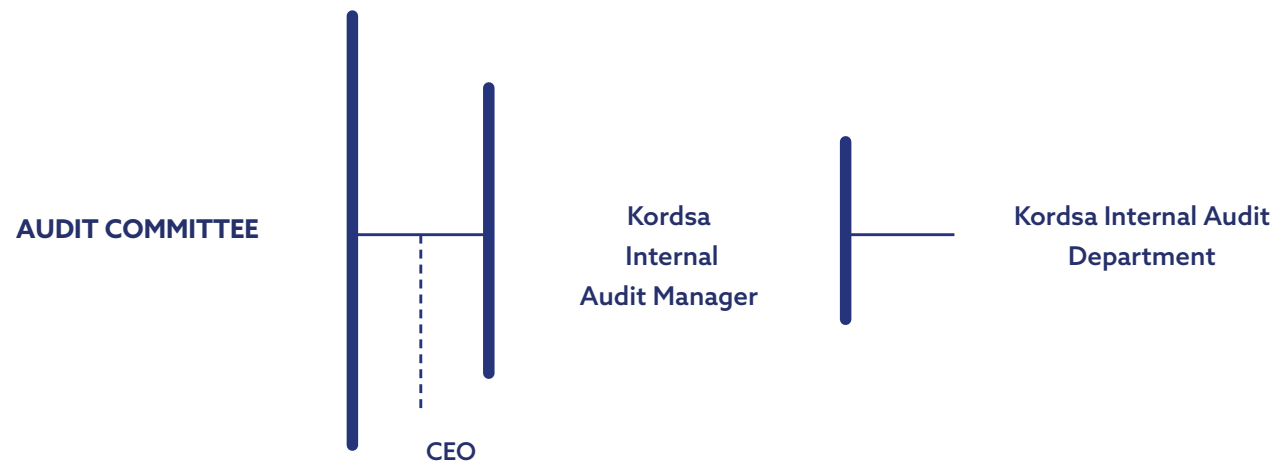
254
FEMALE



2,911
MALE

Internal Audit

The Internal Audit Department reports directly to the Audit Committee, which consists of independent members of the Board of Directors.



2020 OPERATIONS

The Internal Audit Department performed awareness work on both its activities and the internal auditing profession in 2020. In this context, electronic posters were prepared with brief information on internal auditing under the title "Did You Know?" They were shared with Kordsa Reinforcers all over the world via internal communication channels (e-mail, Yammer) every week.

An assessment survey is delivered to process owners after each internal audit activity to assess the benefits and effectiveness of the work performed. During the pandemic, this has been taken one step further. As social distances increased, we began to receive feedback from process owners through online meetings.

The Internal Audit Department held a function meeting at the beginning of 2020 to strengthen their focus and team unity. Team members based in the Indonesian and American facilities were physically present at the meeting, and the steps necessary for a more agile and more value-added Internal Auditing Department were discussed.

2021 GOALS

Data analytics and data visualization are among the top priorities of the Internal Audit Department. To take this journey further, the 2021 goals are as follows:

- Data analytics audits at different facilities and in different processes will continue and their scope will be expanded.
- With the help of robotic process automation, predefined audit analyses will be completed faster with less auditor intervention.
- Periodic audits will be made regular and continuous.
- In addition to data analytics applications, a digital platform will be introduced in 2021 that will allow the internal audit activity life cycle to be standardized and monitored from a single point.

The Internal Audit Department will act in parallel with the organization in 2021 to keep up with the anticipated growth in Kordsa's operations due to new facility acquisitions. With its future new members and in line with the 2021 goals and the approved audit plan, the department will continue to provide agile and value-added services to Kordsa and its stakeholders.

THE INTERNAL AUDIT DEPARTMENT MADE GREAT STRIDES IN DATA ANALYTICS AND DATA VISUALIZATION IN 2020.

Remote working practices during the pandemic did not slow down the Internal Audit Department's operations. On the contrary, they worked to improve data analytics and data visualization capabilities. Thanks to new training, department employees are now able to apply data analytics methodologies more effectively across all of Kordsa's businesses. The acquisition of data analytics applications in 2019 and the inclusion of the projects in the 2020 approved audit plan eliminated the pandemic's impact on the audit plan. 5 data analytics audit projects included in the annual audit plan were completed in 2020.

3 DATA ANALYTICS APPLIED TO FACILITIES

4 DATA ANALYTICS APPLIED TO 4 PROCESSES

LINES OF CODE WRITTEN: **>10,000**

NUMBER OF QUERIES PER PROCESS

- PURCHASING: **63 QUERIES**
- PAYMENTS: **48 QUERIES**
- SALES AND RECEIVABLES: **57 QUERIES**

IN 2020

11
ASSURANCES

5
DATA ANALYTICS

4
CONSULTANCIES

2
SPECIAL PROJECTS

CERTIFICATES



CIA
CCSA
CRMA
CPA

Corporate Governance

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Agenda of 2020 General Meeting of Shareholders

We are inspired to take action for a sustainable future



Please click to reach to Reinforcer Blog.

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



To the Shareholders of Kordsa Teknik Tekstil Anonim Şirketi

OPINION

We have audited the annual report of Kordsa Teknik Tekstil Anonim Şirketi (the "Company") and its subsidiaries (together will be referred as "the Group") for the period between 1 January 2020 and 31 December 2020, since we have audited the complete set consolidated financial statements for this period.

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

BASIS FOR OPINION

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

AUDITOR'S OPINION ON COMPLETE SET OF CONSOLIDATED FINANCIAL STATEMENTS

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Group for the period between 1 January 2020 and 31 December 2020 on 19 February 2021.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE ANNUAL REPORT

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

- The Group's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- The Group's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Group's consolidated financial statements. The annual report shall also clearly indicates the details about the Group's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.



c) The annual report also includes the matters below:

- Significant events occurred in the Group after the reporting period,
- The Group's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees. When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL REPORT

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

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakan Olekli, SMMM
Partner
19 February 2021
İstanbul, Turkey

Annual Report of The Board of Directors For The Accounting Year of 1 January 2020 - 31 December 2020

1. GENERAL INFORMATION:

a) Accounting period of the report: 1 January 2020 - 31 December 2020

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

Trade Title: Kordsa Teknik Tekstil Anonim Şirketi

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

Telephone: Sanayi Mahallesi Teknopark Bulvarı No:1/1B 34906 Pendik / İSTANBUL - TÜRKİYE

Telefon: +90-216-300 10 00

Fax: +90-216-300 10 01

Addresses of Production Facilities:

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

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

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

E-Mail Address: info@kordsa.com

Web Address: www.kordsa.com

Registration Date: 17.08.1973 Kordsa Kord Bezi Sanayi ve Ticaret A.Ş.
12.04.2000 Kordsa Sabancı Dupont Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.
09.12.2005 Kordsa Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.
30.11.2006 Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.
10.04.2017 Kordsa Teknik Tekstil A.Ş.

Central Registration System No: 0577005356400013

Trade Registry and Number: T.C. Kocaeli Ticaret Sicili Müdürlüğü 26907

Tax Office and Number: Büyük Mükellefler 5770053564

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

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

Kordsa's Major Business Activity:

Manufacturing of yarns found in structure of tires and forming the main frame; manufacturing of industrial fabric and industrial cord found in the structure of rubber and plastic materials such as transmission belts, V-belts, rubber hoses; manufacturing of heavy denier fiber and connection fabrics; transformation of any kinds of yarns into tire cord fabric, fabric used in mechanical rubber goods, pilot fabrics and other rubber reinforcement materials, and to market

thereof; to produce and to carry out all kinds of marketing, sales, importation and exportation of Nylon 6, Nylon 6.6 and PET (Polyethyleneterephthalate) HMLS (High Modulus Low Shrinkage) polyester and rayon heavy decitex yarn to be used in auto tires and mechanical rubber products; and participating in capital and management of domestic and foreign companies founded and/ or to be founded for the purpose of working on any kinds of business subject particularly commercial, industrial, infrastructure services, transportation services, mining, touristic, construction subjects; to make them to be managed by creating competing conditions that will respond to needs and in favor of companies whose capitals and management it participated in and more efficiently, rational and profitably depending on the same management and behavior relations and in accordance with the current conditions.

Capital and Partnership Structure:

Registered Capital: 500.000.000 TL

Paid Capital: 194.529.076 TL

Partners with more than 10% of the Company Capital:

There is no real person ultimate controlling shareholder of the Company. Whole of Company stocks (shares) are registered. Company's stocks have been traded at Borsa İstanbul A.Ş. (BIST) since 1986. The Company can not track the share transfer of the shareholders representing its public capital (28.89%). Company is only informed 1 shareholder who is owner of stocks/ dividends representing other capital of the Company (71.11%).

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

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

d) Privileged Shares, Voting Rights of the Shares: Voting Rights and Minority Rights

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

Annual Report of The Board of Directors For The Accounting Year of 1 January 2020 - 31 December 2020

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

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

Our company places emphasis on utilization of minority rights in compliance with regulations of Turkish Commerce Code and Capital Market Code, and there weren't any criticism or complaints about those during the twelve months period of 2020.

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

Board of Directors:

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

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

Name and Surname	Duty	Board Membership- First assigned	Beginning	End
Ahmed Cevdet ALEMDAR	Chairman	06.04.2020	06.04.2020	March 2021
Mehmet YILDIZ	Deputy Chairman	27.03.2017	26.03.2018	March 2021
Tamer SAKA	Member Early Detection of Risk Committee Member	05.09.2019	05.09.2019	March 2021
Burak Turgut ORHUN	Member Corporate Management Committee Member	05.09.2019	05.09.2019	March 2021
Semiha YAŞAR	Independent member Audit Committee Member Corporate Management Committee Member Early Detection of Risk Committee Chairman	15.11.2018	15.11.2018	March 2021
Mehmet SAMİ	Independent Member Audit Committee Chairman Corporate Management Committee Chairman Early Detection of Risk Committee Member	26.03.2018	26.03.2018	March 2021

Structure and Formation of the Board of Directors:

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

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

"Independence Declaration" of Independent Members of the Board of Directors are given place to Information Documents related to Ordinary General Assembly of Shareholders belonging to year 2018 and dated as 20 March 2019 and within the attachments of this report (APPENDIX-1, APPENDIX-2), and it is submitted to information of shareholders and beneficiaries at www.kordsa.com address of the Company.

With decision dated 27 March 2020 and numbered 2020/8 of our Company's Board of Directors, Board of Directors delegated the duties between themselves in compliance with Company Articles of Association after 2019 General Assembly of the Shareholders dated 25 March 2020.

With decision No. 2020/11 dated April 6, 2020, our Company's Board of Directors accepted both Cenk ALPER's resignation from the Chairmanship and Membership of the Board of Directors on April 6, 2020, and the appointment of Ahmed Cevdet ALEMDAR to the position vacated by Cenk ALPER as a Member of the Board of Directors. As per Article 14 of the Company's Articles of Association and Article 366 of the Turkish Commercial Code regarding the assignment of duties, Ahmed Cevdet ALEMDAR has been elected as the Chairman of the Board of Directors. This change will be submitted for the approval of shareholders at the first General Assembly.

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

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

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

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

Annual Report of The Board of Directors For The Accounting Year of 1 January 2020 - 31 December 2020

As stated in provision no 1.3.7. of Capital Market Board Corporate Governance Principles; during the twelve months period of 2020, shareholders that has control over the governance of the Company, members of the Board of Directors, executives with management responsibilities, their spouses, their blood relatives and relatives by marriage (up to 2nd degree) didn't make any important transactions that will cause a conflict of interest with partners and affiliated companies, didn't make a transaction, which is a type of commercial business that is in the field of operation of partnership or affiliated companies, on their own or someone else's behalf, didn't take participation with the title of unlimited partner in another partnership that deals with same kind of commercial transactions. With a separate agenda topic of General Assembly, information is given to shareholders about the developments on these matters.

At the 2020 General Assembly of the Shareholders held on the date of 25 March 2020; Chairman and Members of the Board of Directors is given permission to carry out the transactions written on 395th and 396th provisions of Turkish Commerce Code.

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

During the twelve months period of 2020, even though permission is given to members of the Company's Board of Directors by General Assembly for 395th and 396th provisions of Turkish Commerce Code, they didn't make any transactions together with the Company on their own behalf or someone else's behalf, they didn't attempt to get into competition on the same kind of business activities.

There have been changes in the Board of Directors during the twelve months period of 2020. These changes are submitted to information of shareholders and beneficiaries at www.kordsa.com address of the Company in Turkish.

Tasks Performed Outside the Company by the Members of the Board of Directors:

1. Ahmed CEVDET ALEMDAR

In-Group;

HACI ÖMER SABANCI HOLDİNG A.Ş. Industry Group President.

AKÇANSA ÇİMENTO SANAYİ VE TİCARET A.Ş. Member of the Board of Directors.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş. Chairman of the Board of Directors.

TEMSA MOTORLU ARAÇLAR PAZARLAMA VE DAĞITIM A.Ş. Chairman of the Board of Directors.

TEMSA ULAŞIM ARAÇLARI SANAYİ VE TİCARET A.Ş. Chairman of the Board of Directors.

Outside the Group;

TÜSİAD (Turkish Industry and Business Association) Member.

2. Mehmet YILDIZ

In-Group;

Vice President in Charge of Research Processes- Sabancı University

Professor - Manufacturing Engineering Program, Material Science and Nano Engineering Program,

Faculty of Engineering and Natural Sciences, Sabancı University

Vice Chairman of the Board - Sabancı University Inovent Fikri Mülkiyet Hakları Yönetim Ticaret ve Yatırım A.Ş.

Outside the Group

Kastamonu Entegre Ağaç Sanayi ve Ticaret A.Ş. Member of the R&D Advisory Board

3. Tamer SAKA

In-Group;

HACI ÖMER SABANCI HOLDİNG A.Ş. Building Materials Group President

AFYON ÇİMENTO SANAYİ T.A.Ş. Chairman of the Board of Directors

AKÇANSA ÇİMENTO SANAYİ VE TİCARET A.Ş. Chairman of the Board of Directors

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. Member of the Board of Directors

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. Chairman of the Board of Directors

Outside the Group

YÜD (Board of Directors Association) Member

The American-Turkish Council /ATC Vice President

Turkish Cement Manufacturers' Association (TÇMB) Chairman

Cement Industry Employers' Association (CEIS) Deputy Chairman

Corporate Governance Association of Turkey (TKYD) Vice President

YANINDAYIZ Association Founding Member

TÜSİAD (Turkish Industry and Business Association), Member

ISIFED- Istanbul Industrial and Business Associations Federation Member

DEİK - (Foreign Economical Relations Council), General Assembly Member, Turkey (AMERICA, SPAIN, ENGLAND)

Global Cement and Concrete Association (GCCA), Member of the Board of Directors

CEMBUREAU - The European Cement Association, Member of the Board of Directors

TÜRKONFED (Turkish Enterprise and Business Confederation) Member of the Board of Directors

Annual Report of The Board of Directors For The Accounting Year of 1 January 2020 - 31 December 2020

YÜF (Building Materials Manufacturers' Federation) President

İMSAD (Association of Turkish Construction Materials Producers) Vice President.

TOBB (The Union of Chambers and Commodity Exchanges of Turkey) Chairman of the Cement Assembly

4. Burak Turgut ORHUN

In-Group;

HACI ÖMER SABANCI HOLDİNG A.Ş. Strategy and Business Development Director

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. Member of the Board of Directors

SABANCI DİJİTAL TEKNOLOJİ HİZMETLERİ A.Ş. (Sabancı Dx) Member of the Board of Directors

Outside the Group;

YÜD (Board of Directors Association) Member.

5. Semiha YAŞAR

In-Group;

-

Outside the Group;

SEMPRO DANIŞMANLIK, MÜHENDİSLİK HİZMETLERİ VE TEMSİLCİLİK LTD. ŞTİ. Founder and Business Manager

TMMOB CHAMBER OF MECHANICAL ENGINEERS Ankara Branch Member

SEMPRO DANIŞMANLIK, MÜHENDİSLİK HİZMETLERİ VE TEMSİLCİLİK LTD. ŞTİ. olarak TurkishWin (Turkish Women's International Network) Corporate Member

Independence Declaration

It is given in APPENDIX-1.

6. Mehmet SAMİ

In-group;

AKÇANSA ÇİMENTO SANAYİ VE TİCARET A.Ş. Independent Member of the Board of Directors - Audit Committee

Chairman- Corporate Governance Committee Chairman- Early Detection of Risk Committee Member

ENERJİSA ENERJİ A.Ş. Independent Member of the Board of Directors - Corporate Governance Committee Chairman
- Audit Committee Member - Early Detection of Risk Committee Member

Outside the Group;

PRETIUM KURUMSAL DANIŞMANLIK A.Ş. Partner

BCTT, The British Chamber of Commerce in Turkey – Senior Advisor

Board Directors Association – Founding Member

İstanbul Rotary Club Association - Member

Propeller Club, İstanbul - Member

Independence Declaration

It is given in APPENDIX-2.

The resumes of the Senior Management are submitted to information of shareholders and beneficiaries at www.kordsa.com address of the Company.

Activity Principles of the Board of Directors:

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

24 Board of Directors decisions were taken for the Company's twelve months period of 2020, 24 of these decisions were taken via mail and circulation.

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

There were not any contrary opinions expressed against the decisions taken by Board of Directors members during the meetings held within the twelve month period of 2020.

Number, Structure and Independency of Committees Created Within Board of Directors:

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

Annual Report of The Board of Directors For The Accounting Year of 1 January 2020 - 31 December 2020

Structure of the Board of Directors" provisions 4.5 of "Corporate Governance Notification;

There hasn't been a committee within the Board of Directors structure other than Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee.

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

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

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

With decision dated 27 March 2020 and numbered 2020/8 of our Company's Board of Directors, Board of Directors delegated the duties between themselves in compliance with Company Articles of Association after 2019 General Assembly of the Shareholders dated 25 March 2020.

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

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

Audit Committee, Committee Members and Working Principles:

Audit Committee:

Within the scope of provision 28/A added to Capital Market Board's Notification of Independent Audits "Series:X, No:16" numbered with "Series:X, No:19" Notification, duty of the Audit Committee founded with the Company's Board of Directors decision dated 17 March 2003 and numbered 743 is to inform Company Board of Directors about Company's accounting system, financial reporting, financial information shared with public, activities of the internal audit department, operation and efficiency of independent audit and internal control systems, to support Company's work on compliance with relevant laws and regulations, primarily Capital Markets Board Regulation, Corporate Governance Principles and Company's ethical rules and to perform surveillance tasks on these matters. In compliance with the criteria defined in Capital Markets Board's "Communique on Corporate Governance" numbered II-17.1, current article of the Bylaw of Audit Committee titled "6. Term of duty" has been revised and approved by the resolution no. 2018/26 at the Board of Directors Meeting held on 21 September 2018.

Organization and Responsibility Fields of the Committee:

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

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

Committee Meetings:

Audit Committee meets at least four times a year on a "once every three months at minimum" basis at Company head office or another location over the invitation of Audit Committee Chairman. Committee can be called for

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extraordinary meeting by Chairman of the Board of Directors of Chairman of the Committee. Auditors and directors can hold meeting with a special agenda.

During the twelve months period of 2020, Audit Committee came together four times on the dates of 20 February 2020, 4 May 2020, and 7 August 2020 and 1 November 2020, reviewed and approved internal audit reports.

According to the fulfillment of the responsibilities set in Article 9 of Capital Market Board's Communique on Principles of Financial Reporting in Capital Markets (II-14.1) published in Official Gazette no.28676 dated 13 June 2013, and according to the articles of bylaw:

At their meeting on 20 February 2020:

1. The Committee reviewed Kordsa Teknik Tekstil Anonim Şirketi's Consolidated Statement of Financial Position (Balance Sheet), Consolidated Statement of Profit or Loss, Consolidated 'Other' Comprehensive Income Statement, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity ("Financial Reports") with footnotes for the accounting period 01.01.2019 - 31.12.2019. These had been audited independently by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (KPMG International Cooperative) and prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards and formats determined by the CMB according to the Capital Markets Board's (SPK) Communiqué No. II-14.1 on the "Principles Regarding Financial Reporting in Capital Markets" ("Communiqué"), the Corporate Compliance Report (URF), and the Corporate Governance Information Form (KYBF) for the period 01.01.2019 - 31.12.2019. They were issued in accordance with the Board of Directors' Annual Report for 2019 and the Capital Markets Board's decision No. 2/49 dated 10.01.2019 through the Public Disclosure Platform (PDP) within the framework of the regulations on Capital Markets Board's (SPK) Communiqué No. II-17.1 on Corporate Governance, Capital Markets Board's (SPK) Communiqué No. II-14.1 on the Principles Regarding Financial Reporting in Capital Markets, and the Corporate Governance Compliance Reporting and prepared using templates of Corporate Compliance Report (URF) and Corporate Governance Information Form (KYBF) and reviewed in accordance with CMB regulations. Sharing them with the public through the Central Registry Agency (CRA) and the Public Disclosure Platform (PDP) on February 20, 2020 was discussed and the decision was made and accepted to submit the above for the approval of the Board of Directors of Kordsa Teknik Tekstil A.Ş.

2. Pending approval of the 2019 Ordinary General Assembly, the Committee also decided to recommend KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. to the Kordsa Teknik Tekstil A.Ş. Board of Directors as an auditor to audit the company's 2020 financial statements and reports and to engage in other activities associated with such legislation in accordance with the requirements of the Turkish Commercial Code No. 6102 and of the Capital Markets Law No. 6362.

At their meeting on 4 May 2020, a report was submitted to the Board of Directors regarding the fairness and accuracy of the unaudited summarized consolidated financial reports dated 31 March 2020, which were disclosed to the public on the same date.

At their meeting on 7 August 2020, a report was submitted to the Board of Directors regarding the fairness and accuracy of the reviewed summarized Consolidated Financial reports of 30 June 2020, which were disclosed to the public on the same date.

At their meeting on 2 November 2020, a report was submitted to the Board of Directors regarding the fairness and accuracy of the unaudited summarized consolidated financial reports dated 30 September 2020, which were disclosed to the public on the same date.

Internal Audit Department

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

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

In 2015, 2016 and 2019, the Internal Audit Department was awarded the Corporate Awareness Award by TIDE (Turkish Internal Audit Institute) for their efforts to raise awareness of the internal audit profession, their work, and contributions to institutions in the community.

Duties of the Internal Audit Department are checking the reliability and accuracy of financial statements of Company and affiliated companies ensuring that the activities will be carried out in compliance with laws, and policies and ethics rules accepted by the Company, contributing to finding solutions that decreases risks to minimum or resolves them completely by analyzing the processes and inspecting potential risks in order to increase the efficiency of the operations. Internal Audit Department is responsible with reporting to Audit Committee on a periodical basis. Audit reports, which are issued as a result of audit works carried out by Internal Audit Department, are submitted to Senior Management and to Board of Directors via Audit Committee, actions, which are taken for the issues inspected, are followed by Internal Audit Department through the year. Also; Kordsa Board of Directors continuously surveys the activities of Internal Audit Department through the presentations made by Internal Audit Department on quarterly periods via Audit Committee.

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Internal Audit Department held meetings with Audit Committee 5 times during the twelve months of 2020 on the dates of 20 February 2019, 19 March 2020, 12 June 2020, 16 September 2020 and 16 December 2020.

Corporate Governance Committee, Members of the Committee and Working Principles:

Corporate Governance Committee;

This Committee, which is formed in compliance with Corporate Governance Principles in force of Capital Markets Board (SPK), was founded with the decision of Kordsa Board of Directors on the date of 24.04.2012 and with decision number 979 and it was approved by Internal Regulations (Bylaw). In compliance with the criteria determined within the scope of II-17.1 "Corporate Governance Notification" of Capital Markets Board, current "11. Term of Duty" title of the Internal Regulations of Corporate Governance Committee was revised and approved with the decision of Board of Directors dated 21 September 2018 and numbered 2018/26.

Pursuant to provision of 4.5. Committees Formed within the Structure of Board of Directors of "Corporate Governance Notification" Chairman of the Corporate Governance Board is appointed among independent members by the Company Board of Directors. Corporate Governance Board consists of maximum five members (including Chairman) and two rapporteur appointed by Kordsa Teknik Tekstil A.Ş. Board of Directors in accordance with "Corporate Governance Principles" of SPK.

On October 15, 2020, Fatma Arzu ERGENE was appointed as a member of the Corporate Governance Committee to replace Volkan ÖZKAN.

Structure and Liability Fields of the Committee:

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

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

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

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

Committee Meetings

Agenda of the meeting is determined by the Committee Chairman. Members and shareholders inform Corporate Governance Committee Chairman via Rapporteurs about the matters that they want to be included to the agenda. Meetings are held at least four times a year at dates and locations found suitable by the Chairman. At the beginning of each year, annual meeting calendar of the Corporate Governance Committee is determined by the Committee

Chairman and it is shared by all members.

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

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

During the twelve months period of 2020, Corporate Governance Committee held meetings 7 times on the dates of 19 February 2020, 20 February 2020, 19 March 2020, 6 April 2020, 10 June 2020, 16 September 2020 and 16 December 2020.

Early Detection Of The Risk Committee, Members Of The Committee And Working Principles:

Early Detection of the Risk Committee:

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

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

Structure and Liabilities of the Committee

Members of the committee comprise of those who have either executive or non-executive roles in the Board of Directors titled as a member or independent member and with background and experience in Risk Management in Turkey and abroad. Early Detection of the Risk Committee carries out its work with purposes of description, early detection, inspection of the risks that may put Company's existence, development and continuity into danger, formation of models and management system for prevention of crisis, application of the required precautions related with risks and management of the risks.

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

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Committee Meetings

Agenda of the meeting is determined by the Committee Chairman.

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

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

With the purpose of managing risks efficiently, risk reports are reviewed by Early Detection of the Risk Committee and submitted to the Board of Directors once every two months. Early Detection of Risk Committee held 6 meetings in the twelve-month period of 2020. Meetings were held on 19 March 2020, 10 June 2020, 28 August 2020, 16 September 2020, 16 November 2020 and 22 December 2020.

Senior Management:

Name-Surname	Duty
Ali ÇALIŞKAN	CEO (Chief Executive Officer -Chief Executive Chairman)
Volkan ÖZKAN	Chief Operating Officer - Europe, Middle East and Africa
Fatma Arzu ERGENE	Chief Finance and Supply Chain Officer and Corporate Governance Committee Member
Murat Oğuz ARCAN	Chief Operating Officer - Composites
İbrahim Özgür YILDIRIM	Chief Operating Officer - Asia Pacific
Abdülkadir TOPLU	Chief Operating Officer - North & South America
Eray KARADUMAN	Chief Human Resources, Legal and Information Technologies Officer
Levent AKPULAT	Chief Global Sales and Market Development Officer
Devrim ÖZAYDIN	Global Technology Director
Fezal OKUR ESKİL	Construction and Business Development Director

Tasks Performed Outside the Company:

1. Ali ÇALIŞKAN

In-Group;

AFYON ÇİMENTO SANAYİ T.A.Ş. Member of the Board of Directors

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. Member of the Board of Directors

Kordsa Inc. (USA) Chairman of the Board of Directors

Kordsa Inc. (USA) Chairman of the Board of Directors

Nile Kordsa Company SAE (Egypt) Member of the Board of Directors

Kordsa Brasil S.A. Chairman of the Board of Directors

PT Indo Kordsa Tbk (Indonesia) Chairman of the Executive Committee

PT Indo Kordsa Polyester (Indonesia) Chairman of the Executive Committee

Thai Indo Kordsa CO. LTD. (Thailand) Member of the Board of Directors

Textile Products Inc. (USA) - Member of the Board of Directors

Textile Products Inc. (USA) - Chairman of the Board of Directors

Fabric Development Inc. (USA)- Member of the Board of Directors

Fabric Development Inc. (USA)- Chairman of the Board of Directors

Advanced Honeycomb Technologies Corporation (USA)- Member of the Board of Directors

Advanced Honeycomb Technologies Corporation (USA)- Chairman of the Board of Directors

Axiom Materials Inc. (USA) - Member of the Board of Directors

Axiom Materials Acquisition, LLC (USA) - Member of the Board of Directors

Outside the Group;

DEİK - (Foreign Economical Relations Council), General Assembly Member, Turkey

DEİK Turkey - American Business Councils, U.S. Business Council, Executive Board Member

DEİK Turkey - Asia Pacific Business Councils Turkey - Indonesia Business Councils, Executive Board Member

DEİK Turkey - Thailand Business Councils, Executive Board Member

2. Volkan ÖZKAN

In-Group;

Kordsa Inc. (USA) Member of the Board of Directors

Kordsa Inc. (USA) Vice Chairman - Finance

Kordsa Brasil S.A. Vice Chairman of the Board of Directors

Advanced Honeycomb Technologies Corporation (USA) - Member of the Board of Directors

Advanced Honeycomb Technologies Corporation (USA) - CFO & Treasurer

Axiom Materials Inc. (USA) - Member of the Board of Directors

Axiom Materials Acquisition, LLC (USA)- Member of the Board of Directors

Axiom Materials Inc. (USA) - Vice Chairman & Treasurer

Axiom Materials Acquisition, LLC (USA) - Vice Chairman & Treasurer

Outside the Group;

DEİK (Foreign Economic Relations Council) Turkey - American Business Councils Turkey - Brazil Business Council Executive Board Member

TÜYİD (Turkish Investor Relations Society), Member of the Board of Directors (Representing Kordsa)

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3. Fatma Arzu ERGENE

In-Group;

Nile Kordsa Company SAE (Egypt) Member of the Board of Directors

Outside the Group;

-

4. Murat Oğuz ARCAN

In-Group;

Nile Kordsa Company SAE (Egypt) Member of the Board of Directors

Textile Products Inc. (USA) - Member of the Board of Directors

Textile Products Inc. (USA) - Treasurer

Fabric Development Inc. (USA) - Member of the Board of Directors

Fabric Development Inc. (USA) - Member of the Board of Directors

Advanced Honeycomb Technologies Corporation (USA) - Member of the Board of Directors

Advanced Honeycomb Technologies Corporation (USA) - General Secretary

Axiom Materials Inc. (USA) - Member of the Board of Directors

Axiom Materials Inc. (USA) - Vice Chairman & Secretary

Axiom Materials Acquisition, LLC (USA) - Member of the Board of Directors

Axiom Materials Acquisition, LLC (USA) - Vice Chairman & Secretary

Outside the Group;

-

5. İbrahim Özgür YILDIRIM

In-Group;

Thai Indo Kordsa CO. LTD. (Thailand) Member of the Board of Directors

PT Indo Kordsa Tbk (Indonesia) Chairman of the Board of Directors and CEO

PT Indo Kordsa Polyester (Indonesia) Chairman of the Board of Directors and CEO

Kordsa Brasil S.A. Deputy Chairman of the Board of Directors

Outside the Group;

Turkish Composites Manufacturers Association, Member

SAHA İstanbul, Defence and Aerospace Cluster Association, Member

6. Abdülkadir TOPLU

In-group;

Kordsa Brasil S.A. Deputy Chairman of the Board of Directors

Kordsa Inc. (USA) Member of the Board of Directors and CEO

Kordsa Inc. (USA) Vice Chairman - Operations

Advanced Honeycomb Technologies Corporation (USA) - Member of the Board of Directors

Axiom Materials Inc. (USA) - Member of the Board of Directors

Axiom Materials Acquisition, LLC (USA) - Member of the Board of Directors

Outside the Group;

-

7. Eray KARADUMAN

In-group;

-

Outside the Group;

-

8. Levent AKPULAT

In-group;

-

Outside the Group;

-

9. Devrim ÖZAYDIN

In-group;

-

Outside the Group;

Kocaeli METU Alumni Association, Member

TMMOB Chamber of Chemical Engineers, Member

Atatürkist Thought Association Yahyakaptan Branch, Member

TÜSİAD (Turkish Industry and Business Association) Member TÜSİAD Intellectual Property and R&D Working Group

President

TBK-Turkish Divers Club

10. Fezal OKUR ESKİL

In-Group;

SABANCI DİJİTAL TEKNOLOJİ HİZMETLERİ A.Ş. (Sabancı Dx) Member of the Board of Directors

TEKNOSA İÇ VE TİCARET A.Ş. Member of the Board of Directors

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Outside the Group;

TÜSİAD (Turkish Industry and Business Association) Member of the In-house Entrepreneurship Working Group
Boğaziçi University Alumni Association Member
SEV Izmir American High School Alumni Association Member

The resumes of the Senior Management are submitted to information of shareholders and beneficiaries at www.kordsa.com address of the Company.

Number of Personnel (as of the date of 31.12.2020):

Country	Number of Personnel (Including sub-contractors)
Turkey	1,708
USA	698
Brazil	407
Thailand	399
Indonesia	1,286
China	1
Total	4,499

Education Level of White-Collared Employees (%)(as of the date of 31.12.2020):

1.8%	Doctorate
15.4%	Post Graduate
47.1%	Bachelor's Degree
19.3%	Two-Year Degree
16.4%	High School and below

Collective Contract Applications:

Our Company adheres to the provisions of the XXV. Term Collective Labor Agreement, signed on September 7, 2019, between the Turkish Textile Weaving and Clothing Industry Laborers Union (TEKSİF), of which our unionized employees are members, and the Turkish Textile Industry Employers Union, of which our Company is a member, and which is valid for 36 months starting from April 1, 2019.

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

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

In 2020, members of the Company's board of directors did not make any transactions with the company and/or didn't embark on an enterprise that can be a competitor in the same activity fields.

2. FINANCIAL RIGHTS PROVIDED TO MANAGEMENT BODY MEMBERS AND SENIOR EXECUTIVES:

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

Information about this issue is provided in footnote 27 to the company's independently audited consolidated financial statements for the year beginning on 1 January 2020 and ending on 31 December 2020.

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

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

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

This Wages Policy, which is formed by the Company for Board of Directors Members and senior executives, describes the remuneration systems and applications of Board of Directors Members and senior executives within the scope of the ones with executive's responsibilities in SPK regulations. The Wages Policy has been shared with public over the Company web site that can be accessed through www.kordsa.com starting from 27 March 2012. No member of the Board of Directors owes any debts to the Company transferred from previous years. During the twelve months of 2020, the Company did not extend any loan to any member of the Board of Directors, did not provide any credit facilities, did not provide any loan through personal credits via third parties and did not provide any security in terms of guarantees.

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The General Assembly determines all payments to be made to the Chairman and Members of the Board of Directors. Members of the Board of Directors receive a monthly gross salary of 13,000 TL during their terms of office, as decided at the 2019 Ordinary General Assembly of Shareholders on March 25, 2020.

3. RESEARCH AND DEVELOPMENT STUDIES OF THE COMPANY:

Detailed information on the Company's research and development activities is available on pages 22-25.

4. COMPANY OPERATIONS AND SIGNIFICANT DEVELOPMENTS IN THEM:

Brief information about the company's operations and significant developments in them is provided below. Detailed information is also provided in the footnotes to the company's independently audited consolidated financial statements for the year beginning on 1 January 2020 and ending on 31 December 2020.

1) Investments:

In 2020 the company carried out TL 241.1 million (USD 34.4 million) worth of investments.

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

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

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

Subsidiaries	Country	Activity Subject	Geographic Region	Share (%)
Kordsa Inc.	USA	Industrial Fiber and Cord Fabric Production and Trade	North America	100
Fabric Development, Inc. (*)	USA	Advanced Composite Material Production for Civil Aviation Industry	North America	100
Textile Products Inc. (*)	USA	Advanced Composite Material Production for Civil Aviation Industry	North America	100
Advanced Honeycomb Technologies Corporation (*)	USA	Advanced Composite Material Production for Civil Aviation Industry	North America	100
Axiom Materials Acquisition LLC(*)	USA	Advanced Composite Material Production for Civil Aviation Industry	North America	95.86
Kordsa Brasil S.A.	Brasil	Industrial Fiber and Cord Fabric Production and Trade	South America	97.31
PT Indo Kordsa Tbk	Indonesia	Industrial Fiber and Cord Fabric Production and Trade	Asia	61.58
PT Indo Kordsa Polyester (*)	Indonesia	End. İplik Üretimi ve Tic.	Asia	99.97
Thai Indo Kordsa Co. Ltd. (*)	Thailand	Cord Fabric	Asia	64.19
Nile Kordsa Company SAE (**)	Egypt	Cord Fabric Production and Trade	Europe, Middle East and Africa	51

(*) Company's subsidiaries through indirect ownership.

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

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4) Information Regarding Company's Own Acquired Shares:

None.

5) Information on Private and Public Audit:

There wasn't any private or public audit at our Company in 2020 other than the 1 January 2020 - 30 June 2020 Interim Consolidated Financial Report limited independent audit and 1 January 2020 - 31 December 2020 Consolidated Financial Reports independent audit carried out by Independent External Audit Company, in compliance with principles determined according to TTK (Turkish Commercial Code) 6102 and Capital Markets Code 6362.

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

There is detailed information within the footnotes of the explanatory report related with Consolidated Financial Statements of the Company that went through 1 January 2020 - 31 December 2020 period independent audit.

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

None. .

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

Detailed information is provided under "Financial Position" in article 5 of the Board of Directors report for the year beginning on 1 January 2020 and ending on 31 December 2020.

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

There wasn't such a meeting held.

10) Donations and charities made within the period:

NAME	AMOUNT
T.R. MINISTRY OF NATIONAL EDUCATION KOCAELİ / KANDIRA -	42,627.15
Boğaziçi University	13,147.26
Fongogo Bilişim Bilgisayar Teknoloji Reklam ve Danışmanlık Sanayi Ticaret A.Ş.	5,000.00
Istanbul Technical University (ITU) Strategic Planning Department	12,000.00
İzmit Scholarship Association - İzburn	24,000.00
Mustafa ŞAR-Paralympic Athlete	10,000.00
Commercial Enterprise of the Teachers Academy Foundation (ÖRAV)	10,000.00
TR MINISTRY OF HEALTH KOCAELİ PROVINCIAL HEALTH DIRECTORATE	48,730.00
Turkish Educational Foundation (TEV)	12,550.00
Turkish Industry and Business Association (TÜSİAD)	15,000.00
TOTAL	193,054.41

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

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

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

There is detailed information in 27th footnote of the explanatory report related with Consolidated Financial Statements that went through Company's 1 January 2020 - 31 December 2020 independent audit.

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

None.

Annual Report of The Board of Directors For The Accounting Year of 1 January 2020 - 31 December 2020

5.FINANCIAL POSITION:

(TL Million)	1 January- 31 December 2020	1 January- 31 December 2019	Change %
Sales Revenues	4.536	5.137	-11,7
Gross Sales Profit	803	987	-18,6
Operating Profit	384	614	-37,5
Key Ratios	1 January- 31 December 2020	1 January- 31 December 2019	
Gross Profit Margin	%17,7	%19,2	
Operating Profit Margin	%8,5	%12,0	
Net Profit Margin	%3,3	%7,4	
RoA	%2,0	%6,1	
RoE	%4,8	%14,2	

Detailed information about the company's financial position is provided in the footnotes to the company's independently audited consolidated financial statements for the year beginning on 1 January 2020 and ending on 31 December 2020.

Strategical Objectives of the Company

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

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

Board of Directors gets one-to-one information about process of application for the decisions taken in parallel with the comparative presentations taken from Company authorities at meetings.

During these presentations, in addition to comparison between the budget and actual of the current year, comparison between the same periods of the previous years is submitted to information of Board of Directors in comparison.

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

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

Kordsa operationalized "Composite Technologies Center of Excellence" on the 2nd quarter of 2016. The center, which was brought to life with cooperation between Sabancı University and Kordsa, aims to provide services to all shareholders in all steps of the loop that starts with basic research and continues with prototype production and ends with mass production.

Together with this business model, which was brought to life for the first time in Turkey, researchers, designers, engineers, individuals responsible with production process and employees, doctoral students, researchers after postgraduate, lecturers, start-up company entrepreneurs will be found in the same ecosystem. On account of this ecosystem formed at Composite Technologies Center of Excellence, the path to shaping the production in accordance with customer requirements and demands will be opened.

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

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

With the acquisitions realized in 2018 and 2019, Kordsa strengthened its market leadership in tire-reinforcement technologies with composite technologies and took a giant step within its strategy to grow twice the size.

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

Dividend Rights

There aren't any prerogatives reserved for participation to company profit. The Company has a written Dividend Policy

Dividend Policy:

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

Annual Report of The Board of Directors For The Accounting Year of 1 January 2020 - 31 December 2020

The manner and timing of the dividend payment of the Company are clearly stated in Articles 35, 36 and 41 of the Company's articles of association. Since the Company has paid dividends within the legally prescribed periods every year, no legal issues related to this matter have been encountered as of now.

Gross Dividend Amounts and Ratios Distributed Over the Last Three Years:

Year	2019	2018	2017
Amount (TL)	48.632.269,00	68.085.176,60	66.884.932,20
Percent (%)	25	35	34,383
Issue Date	26.03.2020	25.03.2019	02.04.2018

6. RISK AND ASSESSMENT OF THE MANAGEMENT:

Risk Management

Risk assessment and internal control mechanism are performed at each level of the Company.

Kordsa Corporate Risk Management

Corporate Risk Management is comprised of the culture, skills, and practices that organizations integrate with company strategies to manage the risks they face while creating, preserving, and earning value.

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

- Kordsa Risk Management approach and positioning.
- Governing the risk management process and designing roles and responsibilities.
- Determining and identifying risks.
- Evaluating and prioritizing risks.
- Creating risk management action plans.
- Establishing early risk detection systems.
- Monitoring and reporting risks.
- Creating a risk awareness culture and risk communication.

All of Kordsa's financial and non-financial (operational, reputational, legal, environmental, personnel) risks are defined based on country and operational facility and are prioritized in accordance with CFN.007 Risk Management and company standards. Action plans have been developed to manage risks with high and medium-scale risk scores.

To detect early indicators of significant risks to which Kordsa is exposed and to take necessary precautions and actions, Key Risk Indicators reports have been created.

Corporate Risk Management is included as a fixed item on the agenda at the Kordsa Executive Board monthly meeting and important risks that affect Kordsa are constantly monitored. Also, to manage risks effectively, risk reports are reviewed by the "Early Detection of Risk Committee" established by the Kordsa Board of Directors under the coordination of the Deputy General Manager of the Finance and Supply Chain of the Company and are submitted to the Board of Directors every two months. In particular, these reports contain information regarding high risks, the controls and practices developed to reduce these risks, and the current results of these activities.

Business Continuity Management, which is the cornerstone of the Company's corporate risk management practices, has been adopted as a management standard and an Emergency Crisis Management Standard covering all Company facilities has been established. Kordsa has also initiated a global insurance management program for all its assets around the world in parallel with and complementary to its Corporate Risk Management practices. This structure actively integrates corporate risk management and insurance management, which is the transfer tool of risks.

Detailed information on the Early Detection of Risk Committee can be found in the Board of Directors Annual Report for the January 1, 2020–December 31, 2020 accounting period, under the heading "General Information," and the sub-heading "d) Governing body, executives and staff number. The number, structure, and independence of the committees under the Board of Directors: the Early Detection of Risk Committee, committee members and working principles."

7. OTHER MATTERS:

1) Safety, Health and Environment

Detailed information on safety, health and environment is presented at pages

2) Human Resources

Detailed information on human resources practices is presented at pages.

3) Communication activities conducted between 1 January 2020 - 31 December 2020:

Detailed information on communication activities is presented at pages.

4) Articles of Association Amendments Made within the Period:

There were no changes to the Articles of Association in 2020.

Annual Report of The Board of Directors For The Accounting Year of 1 January 2020 - 31 December 2020

5) Change of independent auditors:

Taking into account recommendations by the Audit Committee and by the Kordsa Board of Directors, shareholders at the annual general assembly for 2019 held on 25 March 2020 approved the selection of KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member of KPMG International Cooperative) to serve as the company's auditors for a oneyear period in order to audit the company's 2020 financial statements and reports and to engage in other activities associated with such legislation in accordance with the requirements of the Turkish Commercial Code (Statute 6102) and of the Capital Markets Law (Statute 6362).

In line with this, an independent auditors' agreement was signed with that firm on 25 March 2020.

6) Issued Stock and Bonds:

There were no capital market instruments issued between the period 1 January 2020 - 31 December 2020.

7) Legislation Amendments that may Significantly Affect Company Activities

There were no legislation amendments that may significantly affect company activities between the period 1 January 2020 - 31 December 2020.

8) Vision, Mission, Values

Detailed information on vision, mission and values are presented at pages.

9) Products

Tire Reinforcement Technologies

Composite Technologies

Construction Reinforcement Rechnologies

Detailed information about Kordsa products is provided on pages .

10) Digital Transformation

Detailed information about Digital Transformation is provided on pages.

11) Declaration of Compliance with Corporate Governance Principles

Kordsa Teknik Tekstil Anonim Şirketi (will be referred as "Company" or "Kordsa") followed all of the mandatory provisions, which are obligatory to application, of Corporate Governance Principles that is found within the appendix of Corporate Governance Notification (Notification) numbered II-17.1 and published by Capital Market Board (CMB) within accounting period of 1 January 2020- 31 December 2020.

The Corporate Governance Compliance Reports produced pursuant to the Capital Markets Board decision No. 2/49 and dated January 10, 2019, and within the scope of the Capital Markets Board Communiqué on Corporate Governance No. II-17.1 and the Capital Markets Board Communiqué on the Principles Regarding Financial Reporting in Capital Markets No. II.14.1, accepted to be implemented and announced with our Company's decision No. 2021/5 and dated February 19, 2021; the Corporate Compliance Report (CCR) and the Corporate Governance Information Form (CGIF) have been created on February 19, 2021, through the Central Registry Agency (CRA) Public Disclosure Platform (PDP) using the relevant templates.

These matters have been submitted for the information of the shareholders and any stakeholders with the 2020 Corporate Governance Compliance Report at <https://www.kap.org.tr/tr/Bildirim/911143> , and the 2020 Corporate Governance Information Form at <https://www.kap.org.tr/tr/Bildirim/911145>.

The update to the Corporate Governance Information Form regarding the election of Ahmed Cevdet Alemdar as the Chairman and Member of the Board of Directors following the resignation of Cenk Alper from the Chairmanship and Membership of the Board of Directors on April 6, 2020, was shared with shareholders and stakeholders at <https://www.kap.org.tr/tr/Bildirim/842418>.

During 2020 operation year, our company exercised due diligence with purposes of total harmony to the principles of Corporate Governance Principles that are not obligatory to follow and submitted detailed information regarding these matters for shareholders and beneficiaries on addresses of www.kap.gov.tr and www.kordsa.com.

Accordingly;

- Within the scope of compliance with principle 4.2.8, Responsibility Policy for Members and Chairman of Board of Directors was issued for mistakes made by members and executives of Board of Directors during their duties and for possible losses that they may cause for the Company.
- In compliance with principle 1.6, dividend policy of the Company was submitted to approval of shareholders at the Ordinary General Assembly of year 2015, dated 23 March 2016 and it was published on Company web site and www.kap.gov.tr.
- Pursuant to principle 1.3.10, a proposal to set a limit of TL 1.000.000 (a million Turkish liras) on 2020 donations other than those which must be made in accordance with the company's articles of association was submitted and approved by shareholders at the annual general assembly for 2019 held on 25 March 2020.
- A total compliance with some of the principles, which aren't obligatory to comply, haven't been met yet due to reasons such as difficulties in application, discussions ongoing on both national and international platforms regarding with the compliance of certain principles and several principles not fully corresponding to existing conditions of the market and the Company. Abeyance reasons of the principles in question are summarized below:

Annual Report of The Board of Directors For The Accounting Year of 1 January 2020 - 31 December 2020

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

It is thought that principles, which are not being applied yet and left outside the principles currently being applied, haven't caused any conflicts of interests between beneficiaries until today.

Our company follows the developments and applications of the regulations and it will continue to the necessary compliance work with principles in the following periods.

12) Sustainability Compliance Statement and Report

KORDSA was listed on the BIST Sustainability Index, which was prepared according to the Capital Markets Board Communiqué on Corporate Governance amendment dated 02.10.2020 for companies aiming for 100% compliance with the Sustainability Principles Compliance Framework. In the past few years, it has achieved a great deal of compliance as a result of work within Sabancı Holding and its Group companies. KORDSA is planning to continue to improve its compliance with these mandatory principles in 2021, for the benefit of all its stakeholders, and especially its shareholders.

As this was the first year of implementation, full compliance with all principles could not be achieved. However, there weren't any fully incompatible principles either. This situation has more concretely demonstrated KORDSA's

sustainability-oriented approach in the environmental, social, and governance areas. Efforts to ensure 100% compliance with these principles across the entire Sabancı Group will continue in 2021.

The 2020 Sustainability Principles Compliance Report; prepared in accordance with the Capital Markets Board Communiqué No. II-17.1 on Corporate Governance amendment dated 02/10/2020 within the scopes of the Capital Markets Board's (SPK) Communiqué No. II-17.1 on Corporate Governance, the Capital Markets Board's (SPK) Communiqué No. II-14.1 on the Principles Regarding Financial Reporting in Capital Markets, and the Sustainability Principles Compliance Reporting regulations and accepted for implementation and announced as per our Company's decision No. 2021/5 dated February 19, 2021; has been created on 19 February 2021 through the Central Registry Agency (CRA) and the Public Disclosure Platform (PDP) using the relevant templates.

This issue is shared in detail with shareholders and stakeholders in the 2020 Sustainability Principles Compliance Report at <https://www.kap.org.tr/tr/Bildirim/911146>.

In addition, the KORDSA 2020 Sustainability Principles Compliance Report, which details our compliance with the principles included in the Capital Markets Board's Sustainability Principles Compliance Framework, will be shared with shareholders and stakeholders on the Company's website, <http://www.kordsa.com>.

Appendices:

APPENDIX-1 : Independence Declaration of Semiha YAŞAR, Independent Board Member.

APPENDIX-2 : Independence Declaration of Mehmet SAMİ, Independent Board Member.

Independence Declarations of Independent Members of The Board of Directors

INDEPENDENCE DECLARATION

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

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

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

Name-Surname: YAŞAR

Signature:



15 November 2018

INDEPENDENCE DECLARATION


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

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

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

Name-Surname: Mehmet SAMİ

Signature:



14 February 2018

2020 Profit Distribution Proposal and Dividend Table

Based on our Company's Board of Directors decision no. 2021/7 dated 23 February 2021,

The Company booked TL 179.930.044,00 in consolidated profit for the period according to the Company's financial statements for the fiscal 01.01.2020-31.12.2020, which have been drawn up pursuant to the CMB Communiqué no: II-14.1 on Principles of Financial Reporting in Capital Markets and which have been independently audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Along this line, as a result of the discussions held it has been decided to approve the 2020 profit distribution table;

The net distributable profit of **TL 152,970,598.00** remaining after deducting legal liabilities and non-controlling interests from the consolidated profit for 2020, calculated in accordance with CMB legislation, Article 35 of the Articles of Association, and in accordance with CMB communiqués, has been reserved as Extraordinary Reserve. It will not be distributed, but rather will be used in order to further increase the financial flexibility of the company during the current global economic conditions. This issue will be proposed to the Ordinary General Assembly to be held on **March 24, 2021**, and as a result of the distribution in accordance with the above principles,

the period loss of TL 16,432,501.66 according to our financial records prepared within the scope of the provisions of the Tax Procedure Law has been decided to be considered as the Previous Year's Loss.

DIVIDEND RATIO TABLE

	TOTAL DIVIDEND PAYOUT		TOTAL DIVIDEND PAYOUT / NET DISTRIBUTABLE	EARNINGS PER SHARE WITH A NOMINAL VALUE OF TL 1	
	CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	-	-	-	-	-
-	-	-	-	-	-

23 February 2021

Conclusion Section of the 2020 Annual Report Disclosing the Relationships With the Controlling and Affiliated Companies Under Article 199 of the Turkish Commercial Code

Pursuant to Article 199 of the Turkish Commercial Code (TCC) no. 6102 that came into force on 1 July 2012, Kordsa Teknik Tekstil A.Ş. Board of Directors is obliged to produce a report within the first three months of the fiscal year concerning its relations with the Company's controlling shareholder and affiliated companies thereof in the past fiscal year, and to quote the conclusion section of the said report in its annual report. Necessary explanations regarding the transactions Kordsa Teknik Tekstil A.Ş. carried out with related parties are presented in note 27 to the financial report. At its meeting held on 19 February 2021, the Company's Board of Directors approved the report disclosing our relationships with our controlling shareholder and affiliated companies within the scope of Article 199 of the TCC, and the report's conclusion section is quoted herein below:

According to the conditions and circumstances known to us at the time any transaction was carried out in line with true and fair accounting principles by and between our Company and its controlling company and its affiliated companies in the operating year from 01 January 2020 through 31 December 2020, legal acts carried out to the benefit of the controlling company or an affiliated company thereof at the instruction of the controlling company and any and all actions taken or avoided to the benefit of the controlling company or an affiliated company thereof during 2020 operating year have been addressed in the form of a report.

In this report prepared by Kordsa Board of Directors and dated 19 February 2021, it has been observed that, in all transactions Kordsa carried out with its controlling company and the affiliated companies thereof during 2020 and all legal acts were carried out and actions were taken as specified in Article 199 of the TCC no. 6102 and as required as per the responsibilities conferred upon the Board of Directors.

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

Agenda of 2020 General Meeting of Shareholders

1. Opening and organization of the Executive Board,
2. Reading and discussion of the Board of Directors Annual Report concerning the year 2020,
3. Reading of Auditors' Reports concerning the year 2020,
4. Reading, discussion and approval of the Financial Statements concerning the year 2020,
5. Presenting the assignments of the Board Members who were elected to serve for the remaining term of the Board membership position vacated during the year 2020, to the approval of General Assembly,
6. Absolution of the Board Members regarding to activities of 2020,
7. Determining the use of profit, amount of dividend and ratios for dividend shares concerning the year 2020,
8. Election of Board Members and determination of their terms of office
9. Determination of the wages of the Board Members as well as the rights of attendance fees, bonuses and premiums,
10. Selection of the auditor,
11. Informing the General Assembly about donations and aids made in 2020,
12. Determination of the donation limits for the year 2020,
13. Approval of amendments to the 10th, 15th and 41st articles of the Company's Articles of Association based on permission obtained from the Capital Markets Board and the Ministry of Trade,
14. Authorization of the Chairman and the Members of the Board of Directors for the performance of the transactions stated in articles 395 and 396 of the Turkish Commercial Code,
15. Wishes and opinions.

Meeting Date: March 24, 2021 Wednesday

Time: 11:00

Location: Sabancı Center, Hacı Ömer Konferans Salonu 4. Levent, 34330 Beşiktaş - İSTANBUL

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Kordsa Teknik Tekstil Anonim Şirketi and Its Subsidiaries
Convenience Translation into English of the Consolidated Financial
Statements As at and for the Year Ended 31 December 2020 With
Independent Auditor's Report
(Originally issued in Turkish)

Consolidated Financial Statements And Independent Auditor's Report

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Kordsa Teknik Tekstil Anonim Şirketi,

A) AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Kordsa Teknik Tekstil Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as "the Group"), which comprise the statement of consolidated financial position as at 31 December 2020, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

BASIS FOR OPINION

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



KEY AUDIT MATTERS

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

REVENUE RECOGNITION

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

The key audit matter

The Group's revenue is primarily generated from sales of industrial fabrics included in the structure of vehicle tires and industrial fabrics to the companies operating in tyre sector. Revenue is recognised when the control of the goods is transferred and the Group fulfilled performance obligations.

Since sales contracts can be complex, the recognition of revenue in the relevant period depends on the accurate evaluation of the sales conditions specific to each situation. For this reason, there is a risk that the revenue will not be recognized in the correct period or amount for the products that may be returned from the products that have been produced and delivered, and for those whose invoices have not yet been issued to the customer and for those invoices have been issued but the control of the goods has not been transferred to the customers.

Regarding to nature and size of Group's revenue transaction, the revenue recognition has been identified as one of key audit matters as the amount and timing revenue requires significant management judgement.

How the matter was addressed in our audit

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

- Evaluation of the effectiveness of key internal controls for accounting of revenue in the consolidated financial statements as well as by the assistance of our IT experts
- Evaluation the timing of revenue recognition for the different shipment arrangements by examining the terms of trade and shipping conditions in the contracts made with customers
- Examination of transfer of control through sales documents obtained for selected sample sales transactions and evaluation of appropriateness of revenue recognition in the appropriate financial reporting period
- Verifying trade receivable balances of third parties by obtaining confirmation letters for selected samples and reconciling to the financial statements.
- Performing analytical procedures to determine the existence of unusual transactions.
- Testing of the subsequent sales returns transactions after the reporting period of financial statements whether they are accounted for in the appropriate financial reporting period by selecting the samples from subsequent sales returns after the reporting period and using substantive testing procedures.
- Evaluation of the journal entries related to revenue that the Group has accounted for during the year.
- Evaluation of the Group's disclosures regarding the revenue in the consolidated financial statements in accordance with TFRS and disclosure requirements.

Independent Auditor's Report



GOODWILL IMPAIRMENT

Refer to Note 2.5 and Note 15 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for goodwill impairment.

The key audit matter

As at 31 December 2020 goodwill is amounting to TL 923,388,013 in the consolidated statement of financial position and is significant.

Regarding to TAS 36 Impairment on Assets Standart, impairment test on goodwill is required annually. Management has compared the book value of each cash generating unit in which goodwill has been allocated to based on discounted cash flow estimates to determine whether any impairment is required to be recognised.

The recoverable amount of the cash generating units calculated based on the higher of the value in use or the fair value less costs, was obtained from the discounted cash flow models. In those models too many basic assumptions have been used, such as future sales volumes and prices, operating expenses, terminal growth rates, and weighted average cost of capital ("WACC").

Goodwill is significant in the consolidated financial statements and determining the assumptions used in estimating recoverable amounts requires significant judgments. Therefore, this item has been identified as one of the key audit matters.

How the matter was addressed in our audit

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

- Evaluation of the appropriateness of the discount rates used in the work for each cash generating unit with the comparison of the sector WACC rates as well as by the assistance of our valuation experts
- Controlling the mathematical appropriateness of the calculations of discounted cash flows
- Controlling the management's analysis regarding to assumptions used in sensitivity of market conditions
- Analyzing of key inputs used in assumptions such as assumptions such as sales volume and long term growth rates
- Evaluation of the disclosures in accordance with the impairment included principal assumptions, judgments ve sensitivities.

OTHER MATTER

As explained in Note 2.1 to the consolidated financial statements, USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira, as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2020 for the consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2020 for the consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows, and the do not form part of these consolidated financial statements.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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



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

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process. Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

RESPONSIBILITIES OF THE INDEPENDENT AUDITORS IN AN AUDIT ARE AS FOLLOWS:

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

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

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

Independent Auditor's Report



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) OTHER LEGAL AND REGULATORY REQUIREMENTS

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 19 February 2021.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2020, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Hakan Ölekli, SMMM
Partner
19 February 2021
İstanbul, Türkiye

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Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Audited Consolidated Statement of Financial Position as at 31 December 2020

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

Notes	31 December 2020 USD (*)	31 December 2019 USD (*)	Audited 31 December 2020	Audited 31 December 2019	
ASSETS					
Current assets					
Cash and cash equivalents	4	61.289.120	122.830.305	449.892.785	729.636.576
Financial investments		13	13	94	76
Trade receivables	7	148.642.754	163.161.327	1.091.112.135	969.210.914
<i>Due from related parties</i>	27	8.745.952	13.040.279	64.199.658	77.461.866
<i>Due from third parties</i>		139.896.802	150.121.048	1.026.912.477	891.749.048
Other receivables	8	3.394.503	4.340.882	24.917.348	25.785.710
<i>Due from third parties</i>		3.394.503	4.340.882	24.917.348	25.785.710
Derivatives	30	10.944	1.371.472	80.336	8.146.818
<i>Derivative financial assets</i>		10.944	1.371.472	80.336	8.146.818
Inventories	9	166.924.950	207.240.636	1.225.312.596	1.231.050.823
Prepayments	10	6.521.338	6.994.960	47.869.885	41.551.462
<i>Prepayments to third parties</i>		6.521.338	6.994.960	47.869.885	41.551.462
Current tax assets	25	625.605	725.967	4.592.257	4.312.390
Other current assets	18	5.836.645	9.798.977	42.843.890	58.207.881
<i>Other current assets from third parties</i>		5.836.645	9.798.977	42.843.890	58.207.881
Subtotal		393.245.872	516.464.538	2.886.621.326	3.067.902.650
Assets held for sale	31	398.584	1.236.950	2.925.808	7.347.731
Total current assets		393.644.457	517.701.488	2.889.547.134	3.075.250.381
Non-current assets					
Financial investments	5	87.847	98.647	644.844	585.981
Other receivables	8	3.675.972	6.976.450	26.983.471	41.441.509
<i>Due from third parties</i>		3.675.972	6.976.450	26.983.471	41.441.509
Investment properties	14	23.841.039	23.260.360	175.005.149	138.171.192
Property, plant and equipment	11	336.760.436	366.030.962	2.471.989.980	2.174.297.121
Right of use assets	13	13.063.091	14.107.664	95.889.622	83.802.346
Intangible assets		244.505.986	257.817.039	1.794.796.193	1.531.484.773
<i>Goodwill</i>	15	125.793.613	134.344.738	923.388.013	798.034.611
Other intangible assets	12	118.712.374	123.472.301	871.408.180	733.450.162
Prepayments	10	702.440	1.523.817	5.156.261	9.051.777
<i>Prepayments to third parties</i>		702.440	1.523.817	5.156.261	9.051.777
Deferred tax assets	25	9.873.591	7.455.075	72.477.097	44.284.637
Other non-current assets	18	9.834.319	12.163.667	72.188.816	72.254.616
Total non-current assets		642.344.722	689.433.681	4.715.131.433	4.095.373.952
Total assets		1.035.989.179	1.207.135.169	7.604.678.567	7.170.624.333

(*) US Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Audited Consolidated Statement of Financial Position as at 31 December 2020

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

Notes	31 December 2020 USD (*)	31 December 2019 USD (*)	Audited 31 December 2020	Audited 31 December 2019	
LIABILITIES					
Short term liabilities					
Short term borrowings	6	164.093.925	286.074.818	1.204.531.453	1.699.341.631
Short term portion of long term borrowings	6	63.059.403	16.316.934	462.887.549	96.925.852
Short term lease liabilities	6	1.232.382	1.614.877	9.046.298	9.592.693
Trade payables	7	90.496.060	104.438.788	664.286.332	620.387.291
<i>Due to related parties</i>	27	2.862.890	2.037.491	21.015.047	12.103.105
<i>Due to third parties</i>		87.633.170	102.401.297	643.271.285	608.284.186
Payables related to employee benefits	17	2.035.889	1.774.254	14.944.441	10.539.421
Other payables	8	5.007.400	7.118.147	36.756.822	42.283.219
<i>Due to third parties</i>		5.007.400	7.118.147	36.756.822	42.283.219
Deferred revenue		2.167.555	1.623.019	15.910.941	9.641.055
<i>Deferred revenue from third parties</i>	10	2.167.555	1.623.019	15.910.941	9.641.055
Short term provisions		4.198.510	8.238.828	30.819.162	48.940.287
<i>Short term employee benefits</i>	17	4.198.510	8.238.828	30.819.162	48.940.287
Other short term liabilities	18	11.591.681	9.041.554	85.088.738	53.708.642
<i>Other short term liabilities to third parties</i>		11.591.681	9.041.554	85.088.738	53.708.642
Derivative financial instruments	30	1.061.022	2.496.379	7.788.431	14.828.992
Subtotal		344.943.828	438.737.599	2.532.060.167	2.606.189.083
Liability directly associated with the assets held for sale		548.584	524.664	4.026.883	3.116.609
Total short term liabilities		345.492.412	439.262.263	2.536.087.050	2.609.305.692
Long term liabilities					
Long term borrowings	6	164.938.173	207.544.961	1.210.728.658	1.232.858.578
Long term lease liabilities	6	12.542.146	12.691.630	92.065.626	75.390.820
Other payables	8	1.162.038	2.397.919	8.529.941	14.244.118
<i>Due to third parties</i>		1.162.038	2.397.919	8.529.941	14.244.118
Long term provisions		15.796.263	15.589.393	115.952.470	92.604.113
<i>Long term employee benefits</i>	17	14.572.905	14.497.256	106.972.412	86.116.601
<i>Other long term provisions</i>		1.223.358	1.092.137	8.980.058	6.487.512
Deferred tax liabilities	25	43.491.690	49.321.761	319.250.750	292.981.127
Other long term liabilities		5.986.201	5.670.058	43.941.705	33.681.278
Total long term liabilities		243.916.511	293.215.722	1.790.469.150	1.741.760.034
Total liabilities		589.408.923	732.477.985	4.326.556.200	4.351.065.726
Shareholder's equity					
Equity attributable to owners of the Company					
Share capital		26.500.794	32.747.900	194.529.076	194.529.076
Share premium	19	8.453.492	10.446.257	62.052.856	62.052.856
Put option valuation fund on non-controlling interest		(4.489.650)	(4.252.543)	(32.956.277)	(25.260.958)
Other comprehensive income or expenses that will not be reclassified to profit or loss	19	4.775.094	6.080.535	35.051.577	36.119.595
<i>Revaluation and remeasurement gain/(loss)</i>		(677.818)	(657.806)	(4.975.520)	(3.907.502)
<i>Defined benefit plans remeasurement fund</i>		(677.818)	(657.806)	(4.975.520)	(3.907.502)
<i>Revaluation and reclassification gain/(loss)</i>		5.452.912	6.738.342	40.027.097	40.027.097
<i>Other revaluation and reclassification gain/(loss)</i>		5.452.912	6.738.342	40.027.097	40.027.097
Other comprehensive income or expenses that will be reclassified to profit or loss		132.609.029	122.197.405	980.651.525	742.017.606
<i>Currency translation difference</i>		133.317.229	122.243.343	985.850.071	742.290.484
<i>Gain/loss on hedge reserve</i>	19	(671.398)	(459)	(4.928.395)	(2.727)
<i>Cash flow hedge gains/loss</i>	19	(671.398)	(459)	(4.928.395)	(2.727)
<i>Revaluation and reclassification gain/(loss)</i>		(36.803)	(45.478)	(270.151)	(270.151)
<i>Other revaluation and reclassification gain/(loss)</i>		(36.803)	(45.478)	(270.151)	(270.151)
Restricted reserves	19	23.413.445	20.613.011	171.866.392	122.445.409
Retained earnings	19	138.540.870	130.510.326	1.016.959.255	775.257.436
Profit for the period		21.824.882	59.913.076	152.970.598	339.755.071
Total non-controlling interests	19	94.952.301	96.401.218	696.997.365	572.642.516
Total equity		446.580.256	474.657.184	3.278.122.367	2.819.558.607
Total equity and liabilities		1.035.989.179	1.207.135.169	7.604.678.567	7.170.624.333

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.1). The accompanying notes form an integral part of these consolidated financial statements.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Audited Consolidated Statement of Profit or Loss For The Year Ended 31 December 2020

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

	Notes	1 January-31 December 2020 USD (*)	1 January-31 December 2019 USD (*)	Audited 1 January-31 December 2020	Audited 1 January-31 December 2019
PROFIT OR LOSS					
Revenue	20	647.215.928	905.932.389	4.536.336.439	5.137.361.394
Cost Of Sales	20	(532.631.112)	(731.881.249)	(3.733.211.464)	(4.150.352.186)
GROSS PROFIT		114.584.816	174.051.141	803.124.975	987.009.208
General And Administrative Expenses	21	(39.813.839)	(40.720.323)	(279.055.195)	(230.916.809)
Selling, Marketing And Distribution Expenses	21	(30.015.332)	(35.976.159)	(210.377.462)	(204.013.603)
Research And Development Expenses	21	(3.488.312)	(1.924.751)	(24.449.577)	(10.914.880)
Other Income From Operating Activities	22	24.832.923	26.113.530	174.053.959	148.084.605
Other Expense From Operating Activities	22	(11.331.645)	(13.224.209)	(79.423.497)	(74.991.846)
OPERATING PROFIT		54.768.612	108.319.227	383.873.203	614.256.675
Income From Investing Activities	23	2.751.127	2.390.705	19.282.650	13.557.211
Expense From Investing Activities	23	(75.862)	(86.271)	(531.715)	(489.227)
OPERATING PROFIT BEFORE FINANCE COSTS		57.443.878	110.623.661	402.624.138	627.324.659
Finance Income	24	18.568.488	1.008.810	130.146.531	5.720.757
Finance Expense	24	(50.341.079)	(29.749.645)	(352.840.625)	(168.704.285)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		25.671.286	81.882.826	179.930.044	464.341.131
Tax (Expense)/Benefit From Continuing Operations		(3.199.751)	(15.112.708)	(22.427.057)	(85.701.146)
<i>Current Tax Expense</i>	25	(1.135.171)	(9.585.167)	(7.956.412)	(54.355.565)
<i>Deferred Tax Expense</i>	25	(2.064.581)	(5.527.541)	(14.470.645)	(31.345.581)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		22.471.535	66.770.118	157.502.987	378.639.985
NET PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS	31	(1.014.267)	(26.814)	(7.108.996)	(152.057)
PROFIT FOR THE YEAR		21.457.268	66.743.304	150.393.991	378.487.928
Profit/(Loss) Attributable to:					
Non-Controlling Interests		(367.614)	6.830.228	(2.576.607)	38.732.857
Owners of the Company		21.824.882	59.913.076	152.970.598	339.755.071
Earnings (Loss) Per Share; (thousands of shares TL)	26				
<i>Earnings/(Losses) Per Share From Continuing Operations</i>		1,15	3,08	8,05	17,47
<i>Earnings/(Losses) Per Share From Continuing Operations</i>		(0,03)	-	(0,19)	-
<i>Earnings / (Losses) Per Diluted Shares From Operations</i>		1,12	3,08	7,86	17,47

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the official USD average CBRT bid rates for the year ended 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.1).
The accompanying notes form an integral part of these consolidated financial statements.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Audited Consolidated Statement of Other Comprehensive Income For The Year Ended 31 December 2020

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

	Notes	1 January-31 December 2020 USD (*)	1 January-31 December 2019 USD (*)	Audited 1 January-31 December 2020	Audited 1 January-31 December 2019
PROFIT FOR THE YEAR		21.457.268	66.743.304	150.393.991	378.487.928
OTHER COMPREHENSIVE INCOME					
Items That Will Not Be Reclassified To Profit Or Loss		103.462	(180.887)	725.162	(1.025.773)
<i>Defined Benefit Plans Remeasurement Fund</i>	25	125.247	(241.183)	877.853	(1.367.698)
<i>Deferred Tax Expense</i>		(21.785)	60.296	(152.691)	341.925
Items That Are Or May Be Reclassified Subsequently To Profit Or Loss		55.607.630	42.908.649	389.753.876	243.326.365
<i>Foreign Currency Translation Differences</i>		56.310.393	42.828.898	394.679.544	242.874.115
<i>Hedging Reserve Gain/(Loss)</i>		(914.481)	102.244	(6.409.598)	579.807
<i>Tax (Expense) Related To Other Comprehensive Income Items</i>		211.718	(22.494)	1.483.930	(127.557)
<i>Deferred Tax (Expense) Benefit</i>	25	211.718	(22.494)	1.483.930	(127.557)
TOTAL OTHER COMPREHENSIVE INCOME		55.711.091	42.727.762	390.479.038	242.300.592
TOTAL COMPREHENSIVE INCOME		77.168.359	109.471.066	540.873.029	620.788.520
Total Comprehensive Income Attributable To:					
Owners Of The Company		55.719.289	89.117.530	390.536.499	505.367.687
Non-Controlling Interests		21.449.070	20.353.536	150.336.530	115.420.833

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the official USD average CBRT bid rates for the year ended 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Audited Consolidated Statement of Changes in Equity For The Year Ended 31 December 2020

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

	Share Capital	Share Premium	Put Option Valuation Fund On Non-Controlling Interest	Other Comprehensive Income Or Expenses That Will Not Be Reclassified To Profit Or Loss		Other Comprehensive Income Or Expenses That Will Be Reclassified To Profit Or Loss		
				Revaluation And Remeasurement Gain/(Loss)	Revaluation And Reclassification Gain/(Loss)	Currency Translation Differences	Gain/(Loss) On Hedge Reserve	Revaluation And Reclassification Gain/(Loss)
				Defined Benefit Plans Remeasurement Fund	Other Revaluation And Reclassification Gain/(Loss)		Gain/(Loss) On Cash Flow Hedge	Other Revaluation And Reclassification Gain/(Loss)

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Audited Consolidated Statement of Changes in Equity For The Year Ended 31 December 2020

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

Restricted Reserves	Retained Earnings		Net Profit For The Year	Equity Attributable To Owners Of The Company	Non-Controlling Interests	Total Equity
	Retained Earnings	Retained Earnings				

Balance At 1 January 2019	194.529.076	62.052.856	-	(2.881.729)	40.027.097	576.104.345	(454.977)	(270.151)	69.754.663	603.575.651	292.457.708	1.834.894.539	504.019.429	2.338.913.968
Transfer	-	-	-	-	-	-	-	-	52.690.746	239.766.962	(292.457.708)	-	-	-
Total Comprehensive Income	-	-	-	(1.025.773)	-	166.186.139	452.250	-	-	-	339.755.071	505.367.687	115.420.833	620.784.859
Gains/(Losses) Due To Other Changes (***)	-	-	(25.260.958)	-	-	-	-	-	-	-	-	(25.260.958)	-	(25.260.958)
Dividend Paid (*)	-	-	-	-	-	-	-	-	-	(68.085.177)	-	(68.085.177)	(46.797.746)	(114.879.262)
Balance At 31 December 2019	194.529.076	62.052.856	(25.260.958)	(3.907.502)	40.027.097	742.290.484	(2.727)	(270.151)	122.445.409	775.257.436	339.755.071	2.246.916.091	572.642.516	2.819.558.607
Balance At 1 January 2020	194.529.076	62.052.856	(25.260.958)	(3.907.502)	40.027.097	742.290.484	(2.727)	(270.151)	122.445.409	775.257.436	339.755.071	2.246.916.091	572.642.516	2.819.558.607
Transfer	-	-	-	-	-	-	-	-	49.420.983	290.334.088	(339.755.071)	-	-	-
Total Comprehensive Income	-	-	-	(1.068.018)	-	243.559.587	(4.925.668)	-	-	-	152.970.598	390.536.499	150.336.530	540.873.029
Gains/(Losses) Due To Other Changes (***)	-	-	(7.695.319)	-	-	-	-	-	-	-	-	(7.695.319)	-	(7.695.319)
Dividend Paid (**)	-	-	-	-	-	-	-	-	-	(48.632.269)	-	(48.632.269)	(25.981.681)	(74.613.950)
Balance At 31 December 2020	194.529.076	62.052.856	(32.956.277)	(4.975.520)	40.027.097	985.850.071	(4.928.395)	(270.151)	171.866.392	1.016.959.255	152.970.598	2.581.125.002	696.997.365	3.278.122.367

(*) In accordance with the Ordinary General Assembly Meeting for 2018 of the Company held on 20 March 2019 the Company distributed a dividend of 35% gross and 29.75% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 68.085.176 (gross TL per share 0,35, net TL per share 0,2927). In accordance with the resolution, the dividend payment was made after 25 March 2019.

(**) In accordance with the Ordinary General Assembly Meeting for 2019 of the Company held on 25 March 2020 the Company distributed a dividend of 25% gross and 21.25% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 48.632.269 (gross TL per share 0,25, net TL per share 0,2125). In accordance with the resolution, the dividend payment was made after 26 March 2020.

(***) The increase (decrease) due to other changes consists of the put option valuation fund of the non-controlling shares of the Group's subsidiary Axiom Materials Acquisition LLC. The accompanying notes form an integral part of these consolidated financial statements.

Kordsa Teknik Tekstil and Its Subsidiaries Audited Consolidated Statement of Cash Flows For The Year Ended 31 December 2020

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

	Notes	1 January-31 December 2020 USD (*)	1 January- 31 December 2019 USD (*)	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2019
A. CASH FLOWS FROM (USED IN) / OPERATING ACTIVITIES		128.714.878	124.414.232	902.162.580	705.528.225
Profit For The Period		21.457.268	66.743.304	150.393.991	378.487.928
Profit/(Loss) For The Period From Continuing Operations		22.471.535	66.770.118	157.502.987	378.639.985
Profit/(Loss) From Discontinuing Operations		(1.014.267)	(26.814)	(7.108.996)	(152.057)
Adjustments to reconcile profit/(loss) for the period		113.387.650	113.955.707	822.770.036	646.220.024
Adjustments Related To Depreciation And Amortisation	11, 12, 13	40.616.998	36.360.845	284.684.540	206.195.077
Adjustments Related To Provisions For (Reversal) Of Impairment		824.524	641.322	5.779.089	3.636.808
Adjustments Related To Provision For (Reversal) Of Doubtful Receivables	7	137.185	38.582	961.531	218.791
Adjustments Related To Provision For (Reversal) Of Inventory Allowances	9	687.339	602.740	4.817.558	3.418.017
Adjustments Related To Provisions		3.437.213	5.524.428	24.091.428	31.327.928
Adjustments Related To Interest (Income)/Expense		21.369.804	21.319.513	149.780.959	120.898.696
Adjustments Related To Interest Income	23	(1.988.001)	(853.707)	(13.933.897)	(4.841.201)
Adjustments Related To Interest Expense	24	22.834.733	21.645.560	160.048.641	122.747.643
Adjustments Related To Unrealized Finance Expenses On Credit Purchases	7	(309.282)	145.774	(2.167.761)	(826.653)
Adjustments Related To Unrealized Finance Income On Credit Sales	7	832.355	(673.432)	5.833.976	3.818.897
Adjustments Related To Unrealized Currency Translation Difference		39.928.224	34.796.971	279.856.924	197.326.661
Adjustments Related To Fair Value Changes		7.002.771	190.831	49.082.421	1.082.165
Adjustments Related To Fair Value Losses/(Gains) Of Investment Properties	14	(622.700)	(1.459.818)	(4.364.502)	(8.278.336)
Adjustments Related To Fair Value Losses/(Gains) Of Derivatives	24	7.625.471	1.650.649	53.446.923	9.360.501
Adjustments Related To Tax (Benefit)/Expense	25	3.199.751	15.112.708	22.427.057	85.701.146
Adjustments Related To Losses/(Gains) On Disposal Of Non-Current Assets		(64.565)	9.091	(452.536)	51.553
Adjustments Related To Gains On Disposal Of Tangible Assets		(64.565)	9.091	(452.536)	51.553
Provisions For Discontinued Operations		1.072.928	-	7.520.153	-
Changes in working capital	-	(10.130.040)	(56.284.779)	(71.001.447)	(319.179.727)
(Increase)/Decrease In Trade Receivables		(18.430.893)	(18.606.767)	(129.182.126)	(105.515.255)
(Increase)/Decrease In Other Receivables		2.968.645	(3.582.821)	20.807.232	(20.317.463)
(Increase)/Decrease In Inventories		(376.558)	(29.895.758)	(2.639.296)	(169.532.862)
(Increase) In Prepaid Expenses		(350.804)	(5.861.406)	(2.458.786)	(33.238.859)
Increase/(Decrease) In Trade Payables		6.517.972	5.591.062	45.684.469	31.705.794
Increase/(Decrease) In Retirement Pay And Employee Benefit Obligation		(1.384.434)	(48.172)	(9.703.501)	(273.174)
Increase/(Decrease) In Other Payables		(2.723.187)	2.389.681	(19.086.816)	13.551.402
Decrease In Deferred Income		894.548	80.110	6.269.886	454.288
Other Increase/(Decrease) In Working Capital		6.873.001	5.224.351	48.172.866	29.626.252
Decrease/(Increase) In Other Assets From Operating Activities		2.037.094	7.434.018	14.277.989	42.156.827
Increase/(Decrease) In Other Liabilities From Operating Activities		4.835.908	(2.209.666)	33.894.877	(12.530.575)
Payments Related To Provision Of Employee Benefits	17	(1.037.301)	(1.387.193)	(7.270.441)	(7.866.496)
Income Tax Returns/(Payments)		(1.175.100)	(11.195.766)	(8.236.279)	(63.488.947)
Net Cash Flows Related From Discontinued Operations		(1.905.929)	1.007.899	(13.358.655)	5.715.593
B. CASH FLOWS FROM INVESTING ACTIVITIES		(29.686.493)	(204.879.797)	(208.072.628)	(1.161.832.355)
Proceeds From Sales Of Property, Plant And Equipment		2.723.509	3.469.106	19.089.077	19.672.609
Acquisition Of Sales Of Property, Plant And Equipment And Intangible Assets	11,12	(34.398.003)	(33.046.558)	(241.095.602)	(187.400.422)
Acquisition Of Subsidiary And/Or Associates Or Cash Outflow For Capital Increase Of Subsidiaries		-	(176.156.053)	-	(998.945.743)
Interest Received	23	1.988.001	853.707	13.933.897	4.841.201
C. CASH FLOWS FROM FINANCING ACTIVITIES		(143.935.440)	186.065.290	(1.008.843.496)	1.055.139.044
Proceeds From Borrowings	6	203.035.055	352.270.565	1.423.072.698	1.997.655.918
Cash Inflows/(Outflows) From Borrowing Transactions	6	(302.228.317)	(128.527.958)	(2.118.318.275)	(728.856.345)
Cash Outflows For Financial Lease Liabilities	6	(2.470.187)	(715.305)	(17.313.543)	(4.056.349)
Dividend Paid	19	(6.938.546)	(12.006.274)	(48.632.269)	(68.085.177)
Interest Paid		(23.052.572)	(16.703.332)	(161.575.478)	(94.721.257)
Cash Inflows From Derivatives (Net)		(8.573.969)	-	(60.094.948)	-
Cash Outflow For Dividend Paid To Non-Controlling Interest And Other Financial Instruments		(3.706.903)	(8.252.406)	(25.981.681)	(46.797.746)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(44.907.054)	105.599.724	(314.753.544)	598.834.914
IMPACT OF THE CURRENCY TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENT		4.994.971	-	35.009.753	-
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	104.099.954	23.065.822	729.636.576	130.801.662
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	4	64.187.871	128.665.546	449.892.785	729.636.576

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the official USD average CBRT bid rates for the year ended 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.1).

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes to the Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

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

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

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

Kordsa is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded in Borsa İstanbul ("BIST") since 1986. As of 31 December 2020, 28,89% of the Company's shares are listed on BIST. As of the same date, the shareholders owning the Company's shares and the percentage of the shares are as follows:

Shareholder Structure	Shareholding %	
	31 December 2020	31 December 2019
Hacı Ömer Sabancı Holding A.Ş.	71,11	71,11
Other	28,89	28,89
	100,00	100,00

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

Average number of employees within the Group is 4.499 (31 December 2019: 4.497).

The address of the registered office is as follows:

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

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

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

Subsidiaries

Geographical divisions in which the subsidiaries that are consolidated in the consolidated financial statements as at 31 December 2020 and 31 December 2019 in accordance with the operating country and segment reporting purpose are as follows:

31 December 2020

Company name	Country	Geographical division	Area of activity
Nile Kordsa Company SAE (**)	Egypt	Europe, Middle East and Africa	Cord fabric manufacture and trade
Kordsa Inc.	United States of America	North America	Industrial yarn and cord fabric manufacture and trade
Fabric Development Inc.	United States of America	North America	Advanced composite manufacture to civil aviation sector
Textile Products. Inc.	United States of America	North America	Advanced composite manufacture to civil aviation sector
Advanced Honeycomb Technologies Corporation	United States of America	North America	Advanced composite manufacture to civil aviation sector
Axiom Materials Acquisition LLC (***)	United States of America	North America	Advanced composite manufacture to civil aviation sector
Kordsa Brezilya S.A.	United States of America	South America	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Tbk (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Polyester (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
Thai Indo Kordsa Co., Ltd.	Thailand	Asia	Cord fabric manufacture and trade

31 December 2019

Company name	Country	Geographical division	Area of activity
Nile Kordsa Company SAE (**)	Egypt	Europe, Middle East and Africa	Cord fabric manufacture and trade
Kordsa Inc.	United States of America	North America	Industrial yarn and cord fabric manufacture and trade
Fabric Development Inc.	United States of America	North America	Advanced composite manufacture to civil aviation sector
Textile Products. Inc.	United States of America	North America	Advanced composite manufacture to civil aviation sector
Advanced Honeycomb Technologies Corporation	United States of America	North America	Advanced composite manufacture to civil aviation sector
Axiom Materials Acquisition LLC (***)	United States of America	North America	Advanced composite manufacture to civil aviation sector
Kordsa Brasil S.A.	United States of America	South America	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Tbk (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Polyester (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
Thai Indo Kordsa Co., Ltd.	Thailand	Asia	Cord fabric manufacture and trade

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

(**) According to the Group's Board of Directors decision numbered 2015/29 dated 31 December 2015, Group's shares amounting to %51 of shares, Nile Kordsa Company for Industrial Fabrics S.A.E. %51 of rates, has been be classified as "Assets Held for sale" in the consolidated statement of financial position as of 31 December 2015.

(***)subsidiary of the Group, Kordsa Inc. Established in United States has acquired 95.86% shares of "Axiom Materials Acquisition LLC" which provides advanced composite materials to the aerospace industry as well as the next generation transportation vehicles that had been owned by Axiom Materials Holdings LLC in exchange of a total purchase price of USD 178.323.365 including cash and working capital adjustments amounting to USD 3.493.365.

The Company and its subsidiaries will collectively be referred to as the "Group".

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance to Turkish Financial Reporting Standards ("TFRS"s)

The accompanying consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") as set out in the Communiqué numbered II-14.1 "Communiqué on Principles of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The consolidated financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019.

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.

Approval of the Financial Statements

These consolidated financial statements have been approved to be issued during the meeting of the Board of Directors held on 19 February 2021, and have been signed by the General Manager Ali Çalışkan and Chief Finance and Supply Chain Officer Officer Fatma Arzu Ergene on behalf of the Board of Directors. General Assembly and related regulatory authorities have the right to make changes in these consolidated financial statements.

Functional and Presentation Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, 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 1 January 2005, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying financial statements.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of Presentation (continued)

Basis of Consolidation

The table below sets out all Subsidiaries and shows their shareholding rates as at 31 December 2020:

Subsidiaries	Direct and indirect ownership interest by the Group and its subsidiaries (%)	Proportion of effective interest (%)
Nile Kordsa Company SAE	51,00	51,00
Kordsa Inc.	100,00	100,00
Fabric Development Inc.	100,00	100,00
Textile Products. Inc.	100,00	100,00
Advanced Honeycomb Technologies Corporation	100,00	100,00
Axiom Materials Acquisition LLC	95,86	95,86
Kordsa Brasil S.A.	97,31	97,31
PT Indo Kordsa Tbk	61,58	61,58
PT Indo Kordsa Polyester	99,97	61,56
Thai Indo Kordsa Co., Ltd.	64,19	39,53

The table below sets out all Subsidiaries and shows their shareholding rates as at 31 December 2019:

Subsidiaries	Direct and indirect ownership interest by the Group and its subsidiaries (%)	Proportion of effective interest (%) Etkin Ortaklık Payı
Nile Kordsa Company SAE	51,00	51,00
Kordsa Inc.	100,00	100,00
Fabric Development Inc.	100,00	100,00
Textile Products. Inc.	100,00	100,00
Advanced Honeycomb Technologies Corporation	100,00	100,00
Axiom Materials Acquisition LLC	95,86	95,86
Kordsa Brasil S.A.	97,31	97,31
PT Indo Kordsa Tbk	61,58	61,58
PT Indo Kordsa Polyester	99,97	61,56
Thai Indo Kordsa Co., Ltd.	64,19	39,53

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 investor; and
- has the ability to use its power to affect the amount of the investor's returns.

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

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 ("Financial Instruments"), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of Presentation (continued)

USD Amount Presented in the consolidated financial statements

USD amount shown in the consolidated statement of financial position prepared in accordance with TAS/IFRS has been translated from TL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 December 2020 of TL 7,3405 = USD 1 and USD amount shown in the consolidated statement of profit or loss, consolidated statement of other comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, at the average USD bid rates calculated from the official daily bid rates announced by the CBRT for the year ended 31 December 2020 of TL 7,009 = USD 1 and do not form part of these consolidated financial statements.

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

Accounting policies have been consistently applied by the Group in all periods presented in the consolidated financial statements. Significant changes in accounting policies are applied retrospectively and previous period consolidated financial statements are rearranged.

There is no change in accounting policies while preparing the consolidated financial statements as of 31 December 2020.

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.

2.4 New and Revised Turkish Accounting Standards

Standards issued but not yet effective and not early adopted as of 31 December 2020

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

Classification Of Liabilities As Current Or Non-Current (Amendments To Tas 1)

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted as of 31 December 2020 (continued)

Classification of Liabilities as Current or Non-current (Amendments to TAS 1) (continued)

The amendments include:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Clarifying how lending conditions affect classification; and
- Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA too on 15 January 2021.

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

Covid-19 Related Rent Concession (Amendments To Tfrs 16)

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases which is issued by POA on 5 June 2020.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only be applicable to lease privileges granted due to the COVID-19 outbreak and only if all of the following conditions are met:

- The change in the lease payments causes the rental price to be revised and the revised consideration is substantially the same or lower than the rental price immediately before the change.
- The reduction in lease payments relates to payments due on or before 30 June 2021
- No other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

Concessions Recognized in Lease Payments Regarding COVID-19-Changes Regarding TFRS 16 Tenants are allowed to apply early, with reporting periods starting on and after 1 June 2020.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised Turkish Accounting Standards (continued)

Interest Rate Benchmark Reform (Amendments To TFRS 9, TAS 39, TFRS 7, TFRS 4 And TFRS 16)

In August 2020, IASB has published amendments which is issued by POA in 18 December 2020 that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a companies's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). In 2019, the Board issued its initial amendments in Phase 1 of the project and then these amendments were also issued by POA.

The objectives of the Phase 2 amendments are to assist companies in:

- applying TFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

In Phase 2 of its project, the Board amended requirements in TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases relating to and these amendments were also issued by POA :

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2021 with earlier application permitted.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted as of 31 December 2020 (continued)

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations. The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

Amendments to TAS 37 are to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted as of 31 December 2020 (continued)

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37) (continued)

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRSs later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

TAS 41 Agriculture

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in TAS 41 with those in TFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with TFRS 13.

Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2020

1. The revised Conceptual Framework (Version 2018)
2. Amendments to TFRS 3 - Definition of a Business

The application of the amendment in TFRS 3 did not have a significant impact on the consolidated financial statements of the Group.

3. Amendments to TAS 1 and TAS 8 - Definition of Material

The application of the amendment to TAS 1 and TAS 8 does not have a significant impact on the consolidated financial statements of the Group.

4. Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

The application of this amendment is not expected to have a significant impact on the consolidated financial statements of the Group.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies

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

a) Revenue

General model for accounting of revenue

In accordance with TFRS 15, a five-step model is followed in recognizing revenue for all contracts with customers.

Step 1: Identify the contract

A contract with a customer is in the scope of the new standard when the contract is legally enforceable and certain criteria are met. If the criteria are not met, then the contract does not exist for purposes of applying the general model of the new standard, and any consideration received from the customer is generally recognized as a deposit (liability).

Contracts entered into at or near the same time with the same customer (or a related party of the customer) are combined and treated as a single contract when certain criteria are met.

Step 2: Identify the performance obligations

The Group defines the "performance obligations" as a unit of account for revenue recognition. The company assesses the goods or services it has committed in a contract with the customer and determines each commitment to the customer as one of the performance obligations as a performance obligation:

- a) good or service (or a bundle of goods or services) that is distinct; or
- b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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

Step 3: Determine the transaction price

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

Significant financing component

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. The Group does not have a sales transaction with a significant financing component.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

a) Revenue (continued)

General model for accounting of revenue (continued)

Step 4: Allocate the transaction price

The transaction price is allocated to each performance obligation – generally each distinct good or service – to depict the amount of consideration to which an entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

Step 5: Recognize revenue

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

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

For each performance obligation that is satisfied over time, Group applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, Group selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

If a performance obligation is not fulfilled in time, then the Group recognizes revenue when the control of goods or services is transferred to the customer.

The Group generates revenue by producing and selling products such as cord fabric, polyester and nylon yarn and composite materials. Revenue is recognized in accordance with delivery terms agreed with the customer when the control of the products are transferred to the customer.

In cases where the cost to be incurred by the Group exceeding the expected economic benefits to be incurred to fulfill the contractual obligations exceeds the expected economic benefit, the Group provides a provision in accordance with TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Contract modifications

The Group recognizes a contract modifications as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity’s stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

b) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 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. In line with the purpose of their use spare-parts are reclassified under other non-current assets.

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
Leasehold Improvements	15
Furniture and fixtures	3-7

Useful lives and residual values are reviewed at each reporting date and adjusted if necessary. Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

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

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

d) Intangible assets (continued)

Intangible assets include rights, software and other identifiable rights. Intangible assets are carried at cost less accumulated amortisation. Intangible assets are recognized at acquisition cost and amortisation is calculated using the straight-line method over a period (Note 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.

The fair value of intangible assets, which includes customer relationships and brand name acquired through business combinations, is determined on basis of the expected cash flow from the use or disposal of the related assets. Indefinite life has been determined for trademarks.

Estimated useful lives of these assets are as follows:

	Useful Lives
Customer relationship	21
Other intangible assets	5-10

Internally generated intangible assets – research and development expenses

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

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

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

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

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

Derecognition of intangible assets

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

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments

i) Recognition and measurement

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability for an item not at FVTPL is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

According to TFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI – debt and equity investment, or equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at amortized cost if it meets both of the following conditions and is not designated as at FVOCI:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Investments in equity instruments that are not held for trading, In recognition of subsequent changes in fair value in other comprehensive income An irreversible preference can be made to present it. The choice of this preference is for each investment can be made on the basis of.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets and equity investments measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets- Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

Financial assets- Assessment whether contractual cash flows are solely payments of principal and interest

Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Since the principal is the present value of expected cash flows, trade receivables and other receivables meets the solely payments of principal and interest criteria. It is managed in accordance with the business model based on collection of these receivables.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets- Subsequent measurement and gains and losses

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. For derivatives defined as hedging instruments, see section (v) below.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost and at FVTPL. If a financial liability meets the definition of held for trading, it is classified as FVTPL. A financial liability is classified as a financial liability held for trading if it is a derivative instrument or if it is defined in this way at the time of first registration. Financial liabilities, whose fair value is reflected in profit or loss, are measured at their fair value and net gains and losses, including interest income, are recognized in profit or loss. Following their initial recording, other financial liabilities are measured by deducting impairments over the amortized cost values of future principal and interest cash flows at effective interest rates. Interest expenses and exchange differences are recognized in profit or loss. Gains and losses arising from the derecognition of these liabilities are recognized in profit or loss. For derivatives defined as hedging instruments, see section (v) below.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group continues to recognize the financial asset in the statement of financial position if it retains substantially all the risks and benefits arising from the ownership of a financial asset.

Financial liability

The Group derecognises a financial liability from the statement of financial position only and only when the liability for the related liability is eliminated or canceled. In addition, the Group derecognises a financial liability from the statement of financial position in the event of a significant change in the conditions or cash flows of an existing financial liability. Instead, it requires recognition of a new financial liability at fair value based on the modified conditions.

In derecognizing the financial liability from its records, the difference between the carrying amount and the amount paid (including any transferred non-cash assets or any liabilities assumed) is included in the financial statements as profit or loss.

iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

v) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments for the purpose of hedging foreign currency. Embedded derivative instruments are separated from the main contract and recognized separately when the underlying contract is not a financial asset and meets certain criteria.

Derivatives are initially recognized at fair value. Subsequent to initial recognition of derivative instruments, changes in fair value are recognized in profit or loss or in other comprehensive income.

The Group defines certain derivatives as hedging instruments in order to maintain the variability in the cash flows related to the high probability of realization arising from the changes in exchange rates. The Group defines certain derivatives and non-derivative financial liabilities as hedging instruments for net investment in foreign operations.

At the beginning of the hedge relationship, the Group makes a documentation regarding the risk management purpose and strategy that causes the protection relationship and the operation of the enterprise.

The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the protection means are expected to offset each other.

Hedge accounting- cash flow hedge

If a derivative instrument is designed as a cash flow hedge hedging instrument, the effective portion of the change in the fair value of the derivative instrument is recognized in other comprehensive income and presented under equity in the hedging reserve. The ineffective portion of the change in the fair value of the derivative is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the beginning of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument.

In the cash flow hedge relationship, the Group defines only the change in the spot item of the forward contract as a means of hedging instrument.

The change in the fair value of (forward value) forward foreign exchange contracts is recognized as hedging reserve in equity as a hedging cost.

In the event that a hedged transaction resulted in non-financial asset or liability which is subsequently recognized in the financial statements, the amount accumulated in the hedge reserve and the cost of hedging are included directly in the initial cost of the non-financial asset or liability.

For all other hedge transactions, the hedging reserve and the hedging cost are classified in profit or loss in the period or periods when the estimated future cash flows of the hedged item are affected by profit or loss.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

v) Derivative financial instruments and hedge accounting (continued)

The hedge accounting is discontinued in case the hedging relationship (or part of it) no longer meets the required criteria, the hedging instrument is expired or sold, terminated or used. In case of discontinuation of cash flow hedge accounting, the retained amount in the hedge reserve shall continue to be classified under equity until the hedged estimate of the non-financial item is recorded; hedging cost is classified as profit or loss in the period or periods in which the estimated future cash flows are affected by profit or loss.

If the expected future cash flows are no longer expected to materialize, the amount accumulated in the hedge fund and the cost of that fund are immediately classified in profit or loss.

Net investment hedge

When derivative instruments or non-derivative financial liabilities are designated as hedging instruments in the net investment hedge transactions, the effective portion of the change in the fair value of the derivative instruments or foreign currency gains and losses on the non-derivative financial liability is recognized as other comprehensive income and is recognized under translation reserve in equity. The ineffective portion of the change in the fair value of the derivative or the foreign currency gains and losses arising from the financial liability are immediately recognized in profit or loss. The amount recognized in other comprehensive income is reclassified to profit or loss at the time of disposal of the entity abroad.

f) Impairment of assets

i. Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk has not increased significantly since initial recognition.

The Group applied lifetime ECL for calculation of loss allowances for trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets (continued)

i. Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

The cash deficit is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in anticipated credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract. Expected credit loss are discounted over the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets (continued)

i. Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

g) Borrowing costs

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

h) Business combinations

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

h) Business combinations (continued)

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TFRS 9, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets or other relevant TFRSs, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

i) Goodwill

Goodwill arising from acquisition of subsidiaries is shown in intangible assets.

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

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

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

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

j) Due date income / (charges)

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

k) Provisions, contingent assets and liabilities

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities and not included in financial statements (Note 16).

l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except for inventories, deferred tax asset and investment properties, 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.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

l) Impairment of non-financial assets (continued)

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.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m) Leases transactions

The Group – as a lessee

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

- A) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- B) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- C) the group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- D) the group has the right to direct use of the asset. The group concludes to have the right of use, when it is predetermined how and for what purpose the group will use the asset. The group has the right to direct use of asset if either:
 - i. The group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. The group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

l) Leases transactions (continued)

The Group – as a lessee (continued)

The Group books a right of use and a lease obligation to the financial statements at the date that the lease is commenced. Right of use asset The right of use asset is initially recognized at cost comprising of:

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

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

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

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

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

Lease Liability

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

l) Impairment of non-financial assets (continued)

The Group – as a lessee (continued)

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

l) Leases transactions (continued)

The Group – as a lessee (continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of lowvalue assets which have equal to or less than 12 months maturity. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group – as a lessor

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

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

n) Provision for post-employment benefits

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

In determining the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the Group attributes benefit on a straight-line basis from the date when service by the employee first leads to benefits under the plan until the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases (Note 17).

o) Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

p) Equity items

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

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

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

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

In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 19).

r) Taxes on income

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

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

Deferred tax assets or liability are reflected to the consolidated financial statements to the extent that they will decrease or increase the tax payable amount when the temporary differences will reverse. 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.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

r) Taxes on income (continued)

Group companies, while recording all deferred tax assets, make their assessment according to whether there is a sufficient amount of taxable profit in the future or not for 3 years takes into account business plans.

Deferred tax assets and liabilities are expected to be valid in the period when assets will be realized or liabilities will be fulfilled and become legal or significant as of the balance sheet date. It is calculated over the legalized tax rates. Deferred tax during the calculation of assets and liabilities, the group's assets as of the balance sheet date the methods anticipated to recover the book value or fulfill its obligations tax consequences are taken into account.

Current and deferred tax for the period

Current tax and deferred tax for the period, excluding those that are associated with items that are directly accounted as receivables or debts in equity or arising from the initial registration of business combinations, are accounted as expense or income in the statement of profit or loss.

In business combinations, in the calculation of goodwill or in determining the portion exceeding the purchase cost of the share acquired by the purchaser in the fair value of the identifiable assets, liabilities and contingent liabilities of the purchased subsidiary, the tax effect is taken into consideration.

Deferred tax, provided that the tax legislation of the same country is subject and there is a legally enforceable right to offset current tax assets from current tax liabilities assets and deferred tax liabilities are mutually deducted from each other.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

r) Taxes on income (continued)

Tax risk

While determining the amount of current and deferred tax expense, the Group takes into account the uncertain tax positions and whether there are any additional tax and interest obligations to be paid. Based on the tax law and past experiences, the Group believes that the tax provisions are sufficient for the periods not subjected to tax inspection. This assessment may contain many professional judgments about future events and is based on estimates and assumptions. In case new information arises that will change the professional opinion of the Group regarding the adequacy of the existing tax liability, this change in the tax liability will affect the tax expense for the period in which this situation is determined.

s) Effect of changes in foreign exchange rates

Foreign Currency Transactions and Balances

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

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

Financial Statements of Foreign Subsidiaries, Joint Ventures and Affiliates

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

t) Related parties

Related parties are individuals or entities that are related to the entity that is preparing its financial statements ("reporting entity").

a) An individual or a close family member is considered related party of the reporting entity when the following criteria are met: If a certain individual,

- (i) Has control or joint control over the reporting entity,
- (ii) Has significant influence over the reporting entity,
- (iii) Is a key management personnel of the reporting entity or a parent company of the reporting entity.

b) An entity is considered related party of the reporting entity when the following criteria are met:

- (i) If the entity and the reporting entity is within the same group. (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others).
- (ii) If the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).
- (iii) If both of the entities are a joint venture of a third party.
- (iv) If one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.
- (v) If entity has plans of post employment benefits for employees of reporting entity or a related party of a reporting entity. If the reporting entity has its own plans, sponsor employers are also considered as related parties.
- (vi) If the entity is controlled or jointly controlled by an individual defined in the article (a).
- (vii) If an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity).

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

t) Related parties (continued)

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration. For the purpose of these consolidated financial statements, shareholders of Hacı Ömer Sabancı Holding A.Ş. Group Companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. The Group determined its top management as board of directors, the president (CEO) and vice presidents, and the general managers of the subsidiaries (Note 27).

u) 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).

v) Statement of cash flows

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

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

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

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

y) 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).

z) 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.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

z) Investment property (continued)

Transfers are made when there is a change in the use of the investment properties. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, Plant and Equipment" up to the date of change in use (Note 14).

aa) Segment reporting

The Group has four operating segments, which include the information used by the management to evaluate their performance and decide on resource allocation. These segments are managed separately, as they are affected by different economic situations and different geographic locations in terms of risk and return. Group management has determined the operating profit as the most appropriate method while evaluating the performance of the segments (Note 3).

ab) Discontinued operations and liabilities directly associated with the assets held for sale

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

ac) Events after reporting period

The Group corrects the amounts received in the consolidated financial statements in accordance with this new situation in the case of events that need to be corrected after the reporting date. Those matters that do not require adjustment after the reporting date are disclosed in the notes to the financial statements in the event those matters affect the financial decisions of users of the financial statements.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.6 Critical accounting estimates and assumptions

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

a) Impairment test of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in Note 2.5. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by Kordsa Management covering a ten-year period. Cash flows beyond three years are extrapolated by taking into consideration the shut-down periods recurring once a year. The USD fair value is converted into TL by using the related foreign exchange rate on the date of the reporting date. Therefore, the values used in the calculations are affected by the fluctuations in the foreign exchange market.

In order to predict the future cash flows (infinite), a terminal growth rate of 1.5%, not exceeding the estimated average growth rate of the country's economy is used.

In order to calculate the recoverable amount of the unit, the weighted average cost of capital rate is used as the after tax discount rate between 7.1% and 8.5%.

As at 31 December 2020, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions.

b) Net realisable value

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

c) Useful lives of tangible and intangible assets

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

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.6 Critical accounting estimates and assumptions (continued)

d) 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.

e) 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 Türkiye and Kordsa Brazil, 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 recognized deferred tax assets for Kordsa Türkiye's operating loss carry-forwards. 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.

f) 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.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.7. Important Changes Regarding the Current Period

The COVID-19 pandemic, which has affected the whole world, has had serious effects on health systems and the economy. Countries have taken measures such as testing and treating patients, imposing travel restrictions, quarantining citizens, and canceling large gatherings to slow the spread of the pandemic. Along with these social measures, comprehensive financial measures were taken simultaneously to reduce negative impacts on the economic view. Similarly, Turkey has many citizens' health and safety measures, as well as to ensure that companies and regulators to support the households in these challenging circumstances, fiscal and monetary actions have been implemented.

The Group management closely monitors all developments and takes necessary measures in order to effectively manage the negative effects of the COVID-19 pandemic on the consolidated financial status, consolidated financial performance and consolidated cash flows of the Group. In the meantime, actions were taken by the Group to minimize the increase in investment expenditures, operational expenses and stocks, payment and collection terms were examined and the cash management strategy was reviewed in order to strengthen the liquidity position. The Group management believes that the Group can successfully manage its commercial risks and liquidity reserves despite the current uncertain economic view. In order to evaluate the potential effects of the social and economic situation arising due to the pandemic, the developments in the regions where the activity is operated are closely monitored. According to this, due to the effects of the pandemic, production is cut in some facilities, stocks and receivables management are focused to increase liquidity and operational efficiency, and investment expenditures are regularly monitored.

While preparing its consolidated financial statements dated 31 December 2020, the Group evaluated the possible effects of the COVID-19 pandemic on the financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, possible impairment losses in the consolidated financial statements dated 31 December 2020 have been evaluated and no significant impact has been identified.

NOTE 3 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External Revenue	1 January 31 December 2020	1 January- 31 December 2019
Europe, Middle East And Africa	1.458.651.377	1.561.362.472
North America	1.462.192.631	1.707.341.688
South America	547.097.343	563.612.272
Asia	1.068.395.088	1.305.044.962
	4.536.336.439	5.137.361.394

b) Segment Assets	31 December 2020	31 December 2019
Europe, Middle East And Africa	1.791.454.511	1.634.332.758
Asia	1.972.275.862	1.671.313.317
South America	468.150.019	450.619.165
North America	3.083.333.493	2.812.532.491
Segment Assets (*)	7.315.213.885	6.568.797.731
Unallocated Assets	405.375.006	738.324.165
Less: Intersegment Elimination	(115.910.324)	(136.497.563)
Total Assets Per Consolidated Financial Statements	7.604.678.567	7.170.624.333

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 3 - SEGMENT REPORTING (CONTINUED)

c) Segment liabilities	31 December 2020	31 December 2019
Europe, Middle East and Africa	1.944.113.453	2.075.386.841
North America	1.466.175.226	1.441.857.205
South America	229.650.480	264.156.417
Asia	360.837.570	309.107.472
Segment liabilities (**)	4.000.776.729	4.090.507.935
Unallocated Liabilities	420.362.658	392.023.083
Less: Intersegment Elimination	(94.583.187)	(51.006.355)
Total liabilities per consolidated financial statements	4.326.556.200	4.351.065.726

(*) Segment assets mainly comprised of assets regarding to operations. Deferred tax assets, time deposit and financial investments have not been associated to segments.

(**) Segment liabilities mainly comprised of liabilities regarding to operations. Income tax liabilities, other financial liabilities and loans and borrowings have not been associated to segments.

d) Segment analysis for the period 1 January - 31 December 2020

	Europe, Middle East and Africa(**)	North America	South America	Asia	Elimination (*)	Total
External Revenue	1.458.651.377	1.462.192.631	547.097.343	1.068.395.088	-	4.536.336.439
Intersegment Revenue	114.920.306	485.221.053	-	87.113.215	(687.254.574)	-
Revenue	1.573.571.683	1.947.413.684	547.097.343	1.155.508.303	(687.254.574)	4.536.336.439
Segment Operating Expenses	(1.248.103.432)	(1.915.116.614)	(473.087.630)	(1.169.543.175)	653.387.615	(4.152.463.236)
Segment Operating Results	325.468.251	32.297.070	74.009.713	(14.034.872)	(33.866.959)	383.873.203
OPERATING PROFIT	325.468.251	32.297.070	74.009.713	(14.034.872)	(33.866.959)	383.873.203

e) Segment analysis for the period 1 January - 31 December 2019

	Europe, Middle East and Africa(**)	North America	South America	Asia	Elimination (*)	Total
External Revenue	1.561.362.472	1.707.341.688	563.612.272	1.305.044.962	-	5.137.361.394
Intersegment Revenue	139.904.473	516.214.641	-	67.313.822	(723.432.936)	-
Revenue	1.701.266.945	2.223.556.329	563.612.272	1.372.358.784	(723.432.936)	5.137.361.394
Segment Operating Expenses	(1.404.055.398)	(2.009.723.673)	(514.302.369)	(1.243.897.862)	648.874.583	(4.523.104.719)
Segment Operating Results	297.211.547	213.832.656	49.309.903	128.460.921	(74.558.352)	614.256.675
OPERATING PROFIT	297.211.547	213.832.656	49.309.903	128.460.921	(74.558.352)	614.256.675

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

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

f) Capital expenditure	1 January- 31 December 2020	1 January- 31 December 2019
Europe, Middle East and Africa	131.752.386	108.710.580
North America	92.113.263	58.370.469
South America	9.939.056	9.888.315
Asia	7.290.897	26.192.900
	241.095.602	203.162.264

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 3 - SEGMENT REPORTING (CONTINUED)

g) Depreciation and amortization expense	1 January- 31 December 2020	1 January- 31 December 2019
Europe, Middle East and Africa	62.428.852	52.953.080
North America	127.766.333	76.408.230
South America	14.509.615	14.422.482
Asia	79.979.740	62.411.285
	284.684.540	206.195.077

h) Provision for doubtful receivables	1 January- 31 December 2020	1 January- 31 December 2019
South America	67.972	20.976
Europe, Middle East and Africa	(23.379)	197.815
North America	916.938	-
	961.531	218.791

i) Provision/ (reversal) for inventory obsolescence	1 January- 31 December 2020	1 January- 31 December 2019
Europe, Middle East and Africa	1.313.988	4.065.137
North America	1.464.010	194.171
South America	4.193.920	(676.226)
Asia	(2.154.360)	(165.065)
	4.817.558	3.418.017

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

a) External revenue	1 January- 31 December 2020	1 January- 31 December 2019
Industrial yarn and cord fabric	3.791.964.249	4.204.765.942
Advanced composite materials	674.051.268	760.425.235
Other	70.320.922	172.170.217
	4.536.336.439	5.137.361.394

b) Capital expenditures	1 January- 31 December 2020	1 January- 31 December 2019
Industrial yarn and cord fabric	163.408.557	153.087.416
Advanced composite materials	60.705.235	29.133.616
Other	16.981.810	20.941.232
	241.095.602	203.162.264

The decision makers in management of the Company follow their analysis according to the above segments.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Cash	70.390	52.073
Bank-demand deposits	198.808.627	129.148.181
Bank-time deposits	251.013.768	600.436.322
	449.892.785	729.636.576

Time deposits have less than 3 months maturity. Average annual interest rate for time deposits are 0,1% for Euro (31 December 2019: 0,5%). Average annual interest rate for time deposits are 1,7% for US Dollars (31 December 2019: 0,75%).

There is no time deposits denominated in Thai Baht as at 31 December 2020 (2019: Nil).

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

There is no restricted cash and cash equivalents of Group as at 31 December 2020 and 2019.

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

NOTE 5 - FINANCIAL INVESTMENTS

	31 December 2020	31 December 2019
Common Stocks	644.844	585.981
	644.844	585.981

Detail of the common stocks are as follows:

	31 December 2020		31 December 2019	
	Percentage of shareholding%	Amount	Percentage of shareholding%	Amount
Investimentos Lei 8200	<0,01	380.484	<0,01	269.363
Desenbanco	<0,01	117.972	<0,01	123.084
Investivos Fiscais Finor	<0,01	10.796	<0,01	11.263
Other	-	135.592	-	182.271
		644.844		585.981

NOTE 6 - BORROWINGS

	31 December 2020	31 December 2019
Short-term borrowings	1.204.531.453	1.699.341.631
Short-term portion of long term borrowings	462.887.549	96.925.852
Lease liabilities	9.046.298	9.592.693
Total short-term financial borrowings	1.676.465.300	1.805.860.176
Long-term borrowings	1.210.728.658	1.232.858.578
Lease liabilities	92.065.626	75.390.820
Total long-term financial borrowings	1.302.794.284	1.232.858.578
Total borrowings	2.979.259.584	3.029.126.061

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 6 - BORROWINGS (CONTINUED)

The details of long and short term borrowings as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term borrowings				
TL borrowings	10,45	310.001.250	12,01	735.324.326
USD borrowings	1,60	235.956.696	3,05	220.949.956
EUR borrowings	0,74	658.426.790	0,82	743.051.737
Other borrowings(*)	6,12	146.717	10,50	15.612
		1.204.531.453		1.699.341.631

	31 December 2020		31 December 2019	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term portion of long term borrowings				
USD borrowings	3,55	432.113.001	4,97	96.925.852
Other borrowings(*)	8,90	30.774.548		-
		462.887.549		96.925.852
Total short-term borrowings		1.667.419.002		1.796.267.483

	31 December 2020		31 December 2019	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Long-term borrowings				
USD borrowings	3,55	1.062.584.497	4,97	1.225.210.236
EUR borrowings	2,90	45.039.500		-
TL borrowings	9,50	100.000.000		-
Other borrowings(*)	8,90	3.104.661	10,50	7.648.342
Total short-term borrowings		1.210.728.658		1.232.858.578

(*) Other borrowings comprise borrowings in Indonesian Rupiah and Brazilian Real.

Due to the investment loans of Group's subsidiaries Indo Kordsa and Indo Kordsa Polyester located in Indonesia, there are pledges on their property, plant and equipment amounting to TL 335.084.356 (USD 45.648.710), inventory amounting to TL 73.405.000 (USD 10.000.000) and trade receivables amounting to TL 44.043.000 (USD 6.000.000) as of 31 December 2020 (31 December 2019: property, plant and equipment amounting to TL 271.162.467 (USD 45.648.710), inventory amounting to TL 59.402.000 (USD 10.000.000) and trade receivables amounting to TL 35.641.200 (USD 6.000.000)).

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 6 - BORROWINGS (CONTINUED)

As of 31 December 2020 and 31 December 2019, the redemption schedules of borrowings are summarized below:

	31 December 2020	31 December 2019
1 to 2 years	571.200.310	354.594.832
2 to 3 years	402.731.842	328.842.508
3 to 4 years	236.794.601	315.781.514
4 to 5 years	1.905	224.825.918
Over 5 years	-	8.813.806
	1.210.728.658	1.232.858.578

As of 31 December 2020 and 31 December 2019, the redemption schedules of leasing are summarized below:

	31 December 2020	31 December 2019
1 to 2 years	16.945.209	13.682.019
2 to 3 years	7.447.909	4.552.448
3 to 4 years	6.361.988	4.289.238
4 to 5 years	5.919.810	4.582.292
Over 5 years	55.390.710	48.284.823
	92.065.626	75.390.820

The financial covenant that the Group is obliged to fulfill within the scope of the loan agreements in USD are met.

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

	2020	2019
1 January	3.114.109.574	1.519.280.334
Proceed from borrowings	1.423.072.698	1.997.655.918
Repayment of borrowings	(2.118.318.275)	(728.856.345)
Interest expense recognized in the statement of profit or loss	160.048.641	122.747.643
Interest accrual	(161.575.478)	(94.721.257)
IFRS 16 leasing standard effect	9.868.368	89.039.862
Lease liability repayments	(17.313.543)	(4.056.349)
Effects of currency translation	569.367.599	213.019.768
31 December	2.979.259.584	3.114.109.574

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

	31 December 2020	31 December 2019
Trade receivables		
Trade receivables	1.026.912.477	891.749.048
Cheques received	11.257.390	7.795.383
Due from related parties (Note 27)	64.199.658	77.461.866
	1.102.369.525	977.006.297
Less: Provision for doubtful receivables	(5.423.414)	(3.976.486)
Less: Unearned credit finance income	(5.833.976)	(3.818.897)
	1.091.112.135	969.210.914

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES (CONTINUED)

As of 31 December 2020, annual interest rates for discount of TL, US Dollar and Euro trade receivables and payables are 17,00%, 4,72% and 3,53% respectively (2019: 12,00%, 4,75% and 3,5%). The average maturities of the trade receivables as of 31 December 2020 is 70 days and average duration of trade payables is 59 days (31 December 2019: 66 days, 69 days).

As of 31 December 2020, trade receivables amounting to TL 93.860.522 (31 December 2019: TL 84.669.620) were past due but not impaired. The aging of these receivables as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Up to 1 month	60.153.088	56.222.363
1 to 3 months	25.528.942	22.770.619
3 to 12 months	5.479.778	3.649.013
1 to 5 years	2.698.714	2.027.625
Balance at 31 December	93.860.522	84.669.620

As of 31 December 2020, trade receivables amounting to TL 5.423.414 (31 December 2019: TL 3.976.486) are past due and provided for, as of 31 December 2020 and 31 December 2019, the aging schedule of the related receivables is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Up to 1 month	-	-
1 to 3 months	-	-
3 to 12 months	-	-
1 to 5 years	5.423.414	3.976.486
	5.423.414	3.976.486

Movement schedules of provision for doubtful receivables for the years ended 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	3.976.486	1.678.429
Additions	961.531	218.791
Subsidiary opening balance effect (*)	-	1.952.679
Currency translation differences	485.397	126.587
Balance at 31 December	5.423.414	3.976.486

(*) TL 1.952.679 from the acquisition of Axiom on 23 July 2019 has been shown as the opening effect of the subsidiary

	31 December 2020	31 December 2019
Trade payables		
Trade payables	645.439.046	609.110.839
Due to related parties (Note 27)	21.015.047	12.103.105
	666.454.093	621.213.944
Less: Unrealised credit finance expense on purchases	(2.167.761)	(826.653)
	664.286.332	620.387.291

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

NOTE 8 - OTHER RECEIVABLES AND OTHER PAYABLES

	31 December 2020	31 December 2019
Other short-term receivables		
Taxes and other duties (*)	14.215.564	15.506.798
Other	10.701.784	10.278.912
	24.917.348	25.785.710

	31 December 2020	31 December 2019
Other long-term receivables		
Litigation guarantee receivables (**)	21.246.787	22.870.002
Other	5.736.684	18.571.507
	26.983.471	41.441.509

(*)Prepaid taxes and other withholding taxes mainly comprise VAT receivables of Kordsa Brazil arising from production incentives related to state regulations.

(**)Litigation guarantee receivables comprise guarantees given to courts by Kordsa Brazil.

	31 December 2020	31 December 2019
Other short-term payables		
Taxes and duties payable	23.007.045	34.011.987
Other	13.749.777	8.271.232
	36.756.822	42.283.219

	31 December 2020	31 December 2019
Other long-term payables		
Taxes and duties payable (***)	8.529.941	14.244.118
	8.529.941	14.244.118

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

NOTE 9 - INVENTORIES

	31 December 2020	31 December 2019
Finished Goods	443.381.693	532.007.762
Raw materials and suppliers	523.736.557	460.247.419
Semi-finished goods	122.527.083	120.411.647
Spare parts	74.146.377	63.760.053
Intermediate goods	51.597.235	43.341.519
Other inventories	46.227.642	38.629.955
	1.261.616.587	1.258.398.355
Less: Provision for obsolescence	(36.303.991)	(27.347.532)
	1.225.312.596	1.231.050.823

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

The allocation of the impairment of inventories for the years ended 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Finished goods	11.099.818	10.476.352
Spare parts	17.098.453	14.527.133
Semi-finished and intermediate goods	4.704.042	1.251.366
Other inventories	1.572.408	964.686
Raw materials and suppliers	1.829.270	127.995
Balance at 31 December	36.303.991	27.347.532

Movement schedules for impairment of inventories for the years ended 31 December 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2020
Balance at 1 January	27.347.532	21.467.744
Additions	9.392.590	6.237.747
Reversals	(4.575.032)	(2.819.730)
Currency translation differences	4.138.901	2.461.771
Balance at 31 December	36.303.991	27.347.532

The amount of provision for impairment of inventory charged to cost of goods sold for the year 2020 is TL 4.817.558 (2019: TL 3.418.017).

NOTE 10 – PREPAYMENTS AND DEFERRED INCOME

Short-term prepaid expenses	31 December 2020	31 December 2019
Prepaid expenses	25.786.277	25.364.115
Advance expenses	14.331.188	11.462.940
Other prepaid expenses	7.752.420	4.724.407
	47.869.885	41.551.462

Long-term prepaid expenses	31 December 2020	31 December 2019
Advances given	3.704.280	8.095.777
Other prepaid expenses	1.451.981	956.000
	5.156.261	9.051.777

Deferred revenue	31 December 2020	31 December 2019
Deferred revenue (*)	15.910.941	9.641.055
	15.910.941	9.641.055

(*) Deferred revenue comprises advances taken from customers.

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended 31 December 2020 is as follows:

	1 January 2020	Additions	Disposals	Transfers	Currency translation differences	31 December 2020
Cost:						
Land and land improvements	109.321.441	2.568.457	-	-	15.257.278	127.147.176
Buildings	692.681.329	2.274.946	(4.158)	4.316.751	94.672.239	793.941.107
Machinery and equipment	3.376.827.022	75.540.226	(20.826.701)	111.801.241	459.869.916	4.003.211.704
Motor vehicles	4.412.732	-	(1.178.773)	-	698.993	3.932.952
Furniture and fixtures	127.559.014	990.558	(1.231.027)	6.716.340	12.816.301	146.851.186
Construction in progress	136.811.567	126.551.093	-	(122.834.332)	5.637.029	146.165.357
	4.447.613.105	207.925.280	(23.240.659)	-	588.951.756	5.221.249.482
Accumulated depreciation:						
Land improvements	24.314.197	1.640.295	-	-	2.081.534	28.036.026
Buildings	317.166.519	19.317.419	(2.322)	-	40.398.175	376.879.791
Machinery and equipment	1.840.777.810	180.740.834	(3.078.811)	-	213.001.483	2.231.441.316
Motor vehicles	2.160.900	674.549	(1.178.773)	-	300.580	1.957.256
Furniture and fixtures	88.896.558	11.257.109	(344.212)	-	11.135.658	110.945.113
	2.273.315.984	213.630.206	(4.604.118)	-	266.917.430	2.749.259.502
Net book value	2.174.297.121					2.471.989.980

TL 228.230.766 (2019: TL 172.561.089) of current period depreciation and amortisation expenses are included in cost of sales, TL 4.044.451 (2019: 1.641.784 TL) is included in research and development expenses and TL 52.409.323 (2019: TL 31.992.204) is included in general administrative expenses.

As of 31 December 2020, there are mortgages on property, plant and equipment amounting to TL 335.084.356 (31 December 2019: TL 271.162.467).

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The movement of property, plant and equipment for the year ended 31 December 2019 is as follows:

	1 January 2019	Additions	Disposals	Transfers	Acquisition of subsidiary (**)	Currency translation differences	Useful Life Correction (*)	31 December 2019
Cost:								
Land and land improvements	93.420.818	1.500.805	(77.983)	5.483.182	-	8.994.619	-	109.321.441
Buildings	578.239.869	1.009.578	(1.452.879)	44.387.696	17.937.766	52.656.140	-	692.778.170
Machinery and equipment	2.871.991.197	30.143.282	(12.806.428)	170.322.698	35.388.790	281.690.639	-	3.376.730.178
Motor vehicles	5.189.934	-	(1.358.641)	58.860	-	522.579	-	4.412.732
Furniture and fixtures	109.761.332	501.671	(2.317.522)	10.023.620	-	9.589.913	-	127.559.014
Construction in progress	210.942.506	149.169.293	-	(230.276.056)	3.254.215	3.721.609	-	136.811.567
	3.869.545.656	182.324.629	(18.013.453)	-	56.580.771	357.175.499	-	4.447.613.102
Accumulated depreciation:								
Land improvements	29.591.640	554.320	(77.838)	-	-	1.526.103	(7.280.028)	24.314.197
Buildings	276.242.373	15.989.733	(113.235)	-	5.957.262	19.090.383	-	317.166.516
Machinery and equipment	1.544.588.670	141.909.455	(8.046.768)	-	11.752.873	150.573.580	-	1.840.777.810
Motor vehicles	3.176.097	15.127	(1.305.016)	-	-	274.692	-	2.160.900
Furniture and fixtures	76.374.695	7.467.842	(2.210.257)	-	-	7.264.278	-	88.896.558
	1.929.973.475	165.936.477	(11.753.114)	-	17.710.135	178.729.036	(7.280.028)	2.273.315.981
Net book value	1.939.572.181							2.174.297.121

(*) Management in Group's subsidiaries Indo Kordsa ve Indo Kordsa Polyester reviewed the useful lives of the land and land improvements in 2019 and revised the accounting estimate prospectively.

(**) Effect of acquisition of subsidiary which is Axiom Materials Acquisition LLC amounting to TL 38.870.636.

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2020	Additions (*)	Disposals	Transfers	Currency translation differences	31 December 2020
Cost:						
Rights	33.659.625	6.693.769	-	-	-	40.353.394
Technology licences	100.107.720	-	-	-	20.569.877	120.677.597
Capitalized development costs	12.737.753	-	-	-	-	12.737.753
Computer software	85.156.256	22.838.102	(4.366.310)	773.051	11.925.436	116.326.535
Customer relationships	461.975.413	-	-	-	108.747.298	570.722.711
Trademarks	143.990.448	-	-	-	34.435.619	178.426.067
Other intangible assets	27.891.310	3.638.451	-	(773.051)	2.815.459	33.572.169
	865.518.525	33.170.322	(4.366.310)	-	178.493.689	1.072.816.226
Accumulated Depreciation						
Rights	14.194.888	1.819.979	-	-	-	16.014.867
Technology licences	28.727.880	10.591.629	-	-	3.785.601	43.105.110
Capitalized development costs	10.335.847	2.401.906	-	-	-	12.737.753
Computer software	51.607.542	12.684.850	(4.366.310)	-	10.607.526	70.533.608
Customer relationships	21.113.104	26.443.923	-	-	4.488.804	52.045.831
Other intangible assets	6.089.102	748.422	-	-	133.353	6.970.877
	132.068.363	54.690.709	(4.366.310)	-	19.015.284	201.408.046
Net book value	733.450.162					871.408.180

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NOTE 12 - INTANGIBLE ASSETS (CONTINUED)

	1 January 2019	Addition (*)	Disposals	Disposals	Currency translation differences	31 December 2019
Cost:						
Rights	33.659.625	-	-	-	-	33.659.625
Technology licences	26.353.453	68.020.800	-	-	5.733.467	100.107.720
Capitalized development costs	12.737.753	-	-	-	-	12.737.753
Computer software	64.599.720	17.886.039	(2.572.748)	-	5.243.245	85.156.256
Customer relationships	193.524.075	232.404.400	-	-	36.046.938	461.975.413
Trademarks	38.088.916	96.362.800	-	-	9.538.732	143.990.448
Other intangible assets	14.731.967	14.288.396	(3.287.688)	-	2.158.635	27.891.310
	383.695.509	428.962.435	(5.860.436)	-	58.721.017	865.518.525
Accumulated Depreciation						
Rights	11.919.157	2.275.731	-	-	-	14.194.888
Technology licences	22.427.661	3.910.367	-	-	2.389.852	28.727.880
Capitalized development costs	9.615.351	720.496	-	-	-	10.335.847
Computer software	36.842.259	12.230.052	(1.542.488)	-	4.077.719	51.607.542
Customer relationships	4.939.986	15.046.438	-	-	1.126.680	21.113.104
Other intangible assets	5.007.799	4.343.338	(3.287.688)	-	25.653	6.089.102
	90.752.213	38.526.422	(4.830.176)	-	7.619.904	132.068.363
Net book value	292.943.296					733.450.162

(*) The portion of the additions amounting to TL 417.029.856 arise from the acquisition of Axiom Materials Acquisition LLC. Please refer to Note 15 for further details on additions on customer relationships, technology licences, trademarks and other intangible assets.

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NOTE 13 - RIGHT OF USE ASSETS

	1 January 2020	Addition	Disposals	Currency translation differences	31 December 2020
Cost					
Properties	74.783.447	6.734.870	(894.881)	19.547.749	100.171.185
Fixtures	594.307	-	(461.550)	120.056	252.813
Vehicles	7.207.216	1.173.682	-	507.410	8.888.308
Other	10.682.398	1.959.816	-	289.159	12.931.373
	93.267.368	9.868.368	(1.356.431)	20.464.374	122.243.679
Accumulated depreciation					
Properties	(4.736.158)	(10.500.382)	636.405	(1.189.694)	(15.789.829)
Fixtures	(186.856)	(64.627)	264.429	(125.260)	(112.314)
Vehicles	(2.435.694)	(2.930.811)	-	(18.911)	(5.385.416)
Other	(2.106.314)	(2.867.805)	-	(92.379)	(5.066.498)
	(9.465.022)	(16.363.625)	900.834	(1.426.244)	(26.354.057)
Net book value	83.802.346				95.889.622
	TFRS 16 Adoption	Addition	Acquisition of subsidiary	Currency translation differences	31 December 2019
Cost					
Properties	8.255.810	5.155.363	58.488.765	2.883.509	74.783.447
Fixtures	407.038	161.698	-	25.571	594.307
Vehicles	2.821.629	3.944.598	165.748	275.241	7.207.216
Other	8.986.542	1.283.963	-	411.893	10.682.397
	20.471.019	10.545.622	58.654.513	3.596.214	93.267.368
Accumulated depreciation					
Properties	-	(4.521.388)	-	(214.770)	(4.736.158)
Fixtures	-	(178.383)	-	(8.473)	(186.857)
Vehicles	-	(2.325.243)	-	(110.451)	(2.435.694)
Other	-	(1.987.192)	-	(119.122)	(2.106.312)
	-	(9.012.206)	-	(452.816)	(9.465.021)
Net book value	20.471.019				83.802.346

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NOTE 14 - INVESTMENT PROPERTIES

	31 December 2020	31 December 2019
Balance at the beginning of the year	138.171.192	114.874.106
Gain / (loss) from fair value adjustments (*)	4.364.502	8.278.336
Currency translation differences	32.469.455	15.018.750
Balance at 31 December	175.005.149	138.171.192

(*) As of 31 December 2020 and 2019 the fair value of the Group's investment property in PT Indo Kordsa Company in Asia Pasific Region has been revalued by independent experts who are not related with the Group and have appropriate qualifications and recent experience in the valuation of properties. The estimated fair values of lands owned have been determined by taking reference of the market transaction prices of similar properties. When determining the fair values of the lands the highest of the value in use has been considered. In the current period no different valuation methodology is performed. As of December 31, 2020 the fair value hierarchy level of investment properties measured by revaluation method is 2.

NOTE 15 - GOODWILL

The goodwill by amount of TL 923.388.013 (2019: TL 798.034.611) as of 31 December 2020 consisted of TL 42.570.007 (2019: TL 42.570.007), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş. on 30 September 1999, TL 3.025.160 (2019: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006, respectively USD 9.656.000 (2019: USD 9.656.000) and USD 19.893.604 (2019: USD 12.684.000) which accrued in consequence of the acquisition of the Fabric Development Inc. ("FDI") and Textile Products, Inc. ("TPI") on 13 July 2018, USD 1.268.000 (2019: USD 1.268.000) accrued in consequence of the acquisition of the Advanced Honeycomb Technologies Corporation ("AHT") on 1 October 2018 and USD 88.764.556 (2019: USD 88.764.556) which accrued in consequence of the acquisition of the Axiom Materials Acquisition ("Axiom") on 23 July 2019.

As at 31 December, the movements in goodwill were as follow;

	31 December 2020	31 December 2019
Balance at the beginning of the year	798.034.611	171.912.390
Acquisition during the year	-	959.754.677
<i>TPI</i> (*)	-	40.897.916
<i>Axiom</i>	-	40.897.916
Transfer to tangible and intangible assets(**)	-	(415.703.751)
<i>Axiom</i>	-	(415.703.751)
Currency translation difference	125.353.402	82.071.295
Balance at the end of the year	923.388.013	798.034.611

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NOTE 15 - GOODWILL (CONTINUED)

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

(**) Pre-acquisition carrying amount of Axiom was determined based on applicable TFRSs immediately before the acquisition. As at 31 December 2020, upon the completion of the fair value allocation of the identifiable assets, liabilities and contingent liabilities recognized on acquisition, total net identifiable has been changed. Under TFRS 3, TL 311.762.000 (USD 55.000.000) has been transferred to customer relationships and other intangible assets, TL 96.362.800 (USD 17.000.000) has been transferred to trademarks after acquisition transaction of Axiom and recognized amortization over determined useful lives. Additionally, TL 8.905.056 (USD 1.571.000) has been accounted for under property, plant and equipment as an addition due to fair value increase assets after the acquisition.

As disclosed in Note 2.6 in detail, there is no change in the book value of the goodwill after assessment for the impairment, which are TL 923.388.013 and TL 798.034.611 for the year ended as of 31 December 2020 and 2019 respectively.

The cash generating unit value, has been tested for the sensitivity of cash flows to the weighted average cost of capital ("WACC") of +1%/-1% and growth rate together(31 December 2019: +1%/-1%). As a result of the impairment test, it has been determined that there is no impairment in the cash generating unit value.

NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

a) Guarantees given	31 December 2020	31 December 2019
Pledges given to banks (Note 6)	452.613.315	380.551.336
Securities (*)	1.084.762.778	1.016.434.222
Letter of credits	46.553.367	69.073.708
Letter of guarantees	246.228.967	176.760.700
Commitments	385.634	-
	1.830.544.061	1.642.819.966

(*) Kordsa Teknik Tekstil A.Ş. has participated in Kordsa Inc.'s loans amounting to USD 23.333.333 (TL 171.278.334) as of 13 July 2018 and USD 124.444.444 (TL 913.484.444) as of 17 July 2019 as joint guarantor.

b) Guarantees received	31 December 2020	31 December 2019
Letter of guarantees	11.057.837	8.825.629
Cheques and notes received as collateral	31.350	15.000
	11.089.187	8.840.629

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NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

31 December 2020	TL Equivalent	TL	USD	EUR	Thai Baht	Other TL Equivalent
A.Total amount of GPMs given in the name of its own legal entity	745.781.283	42.508.926	70.160.238	20.003.635	1.778.000	7.635.877
B.Total amount of GPMs given behalf of subsidiaries consolidated in full	1.084.762.778	-	147.777.778	-	-	-
C.GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D.Total amount of other GPM	-	-	-	-	-	-
i. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-	-
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	-	-	-	-	-	-
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	-	-	-	-	-	-
	1.830.544.061	42.508.926	217.938.016	20.003.635	1.778.000	7.635.877
31 December 2019	TL Equivalent	TL	USD	EUR	Thai Baht	
A.Total amount of GPMs given in the name of its own legal entity	626.385.744	29.911.724	76.555.272	21.303.491	200.000	
B.Total amount of GPMs given behalf of subsidiaries consolidated in full	1.016.434.222	-	171.111.111	-	-	
C.GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	
D.Total amount of other GPM	-	-	-	-	-	
i. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-	
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	-	-	-	-	-	
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	-	-	-	-	-	
	1.642.819.966	29.911.724	247.666.383	21.303.491	200.000	

(*) Group equity ratio to other GPM given by the Group is 0 % as of 31 December 2020 (31 December 2019: 0%).

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NOTE 17 - EMPLOYEE BENEFITS

Short-term provisions for employee benefits	31 December 2020	31 December 2019
Provision for unused vacation	15.953.189	15.164.895
Provision for bonus accrual	12.727.891	26.814.192
Provision for capital contribution plan (*)	2.138.082	6.961.200
	30.819.162	48.940.287

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

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

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

	1 January-31 December 2020	1 January-31 December 2019
Balance at 1 January	15.164.895	13.901.403
Increase during the year	20.661.604	12.832.254
Decrease during the year	(13.489.369)	(8.236.758)
Currency translation differences	(6.383.941)	(3.332.004)
	15.953.189	15.164.895

Long-term provisions for employee benefits	31 December 2020	31 December 2019
Provision for employment termination benefits (*)	63.177.753	50.392.579
Accruals for employee retirement benefit plans (**)	43.794.659	35.724.022
	106.972.412	86.116.601

(*) Provision for employment termination benefits

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and achieves the retirement (age 60 for men 58 for women).

Also, possibility of saving severance payment for employees whose insurance-entry dates went back earlier than 8 September 1999 and before, and who had completed their 15th year in the company has been calculated as 100%.

As at 31 December 2020 the amount payable consists of one month's salary limited to a maximum of TL 7.638,96 (31 December 2019: TL 6.379,86) for each year of service.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 17 - EMPLOYEE BENEFITS (CONTINUED)

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2020	2019
Discount rate (%)	3,91	4,26
The probability of retirement (%)	97,09	97,58

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 7.117,17 (1 January 2020: TL 6.730,15), which is effective from 1 January 2021, 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 2020	1 January- 31 December 2019
Balance at 1 January	50.392.579	43.447.834
Increase during the year	14.356.304	12.299.320
Payment during the year	(3.592.978)	(5.354.575)
Actuarial (gain)/loss	2.021.848	-
Balance at 31 December	63.177.753	50.392.579

(**) Provision for employment retirement benefits plans:

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

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

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

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

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 17 - EMPLOYEE BENEFITS (CONTINUED)

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

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	35.724.022	24.848.813
Addition during the year	4.279.459	7.899.720
Payment during the year	(3.677.463)	(2.511.921)
Actuarial (gain)/loss	(1.143.995)	1.367.698
Currency translation differences	8.612.636	4.119.712
Balance at 31 December	43.794.659	35.724.022
Employee benefit obligations	31 December 2020	31 December 2019
Wage accruals	9.296.180	3.825.533
Due to personnel	5.648.261	6.713.888
	14.944.441	10.539.421

NOTE 18 - OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2020	31 December 2019
Deferred VAT	10.453.633	26.676.481
Deductible VAT	23.683.982	23.256.206
Other	8.706.275	8.302.054
	42.843.890	58.207.881

Other non-current assets	31 December 2020	31 December 2019
Long-term spare parts	67.677.045	68.970.609
Long-term deposits	4.511.771	3.284.007
	72.188.816	72.254.616

Other current liabilities	31 December 2020	31 December 2019
Expense accruals	17.098.891	23.148.659
Sales discounts and commission accruals (*)	9.990.420	8.221.983
Other tax accruals (**)	2.896.659	5.763.587
Other personel expense accruals	857.370	693.815
Lawsuit provision (***)	22.665.712	-
Other	31.579.686	15.880.598
	85.088.738	53.708.642

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

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

(***) Provision for customs related cases of the Group's Subsidiary in Indonesia.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 18 - OTHER ASSETS AND LIABILITIES (CONTINUED)

Other long-term liabilities	31 December 2020	31 December 2019
Other (*)	43.941.705	33.681.278
	43.941.705	33.681.278

(*) It consists of the valuation of the put option liability of the non-controlling shares regarding Axiom Materials Acquisition LLC, a subsidiary of the Group.

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 (2019: 19.452.907.600 shares). All shares are paid and there is no preferred stock. The Group's shareholders and their share at 31 December 2020 and 2019 are as follows:

	2020	Ownership interest %	2019	Ownership interest %
Hacı Ömer Sabancı Holding A.Ş.	138.327.614	71,11	138.327.614	71,11
Other	56.201.462	28,89	56.201.462	28,89
	194.529.076	100,00	194.529.076	100,00

Group has adopted the registered capital system in accordance with the provisions of the Capital Market Law No.6362 numbered 594 dated 21.09.1989 and has passed to this system with the permission of the Capital Market Board. The registered capital ceiling of the Company is TL 500.000.000 and consist of 50.000.000.000 shares each with a nominal value of Kr 1.

Revaluation and hedging reserves

	31 December 2020	31 December 2019
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	(4.928.395)	(2.727)
	(5.198.546)	(272.878)

Financial Assets Fair Value Reserve:

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

Hedging Reserve:

The Hedging Reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 19 - EQUITY (CONTINUED)

Movements of Hedging Reserve:

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	(2.727)	(454.977)
Increases/decreases	47.037.325	6.365.438
Income tax related to gains /losses recognized in other comprehensive income	1.483.930	(122.557)
Amounts reclassified to profit or loss	(53.446.923)	(5.790.631)
Balance at 31 December	(4.928.395)	(2.727)

Share Premiums

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

After the decision of Kordsa Global and Kordsa Turkey's merger through acquisition of Kordsa Global by Kordsa Turkey as a whole with its assets and liabilities as of 30 June 2006 in the Extraordinary General Assembly Meeting of Kordsa Turkey on 29 November 2006, the share premium of TL 57.856 was accounted as addition to share premium.

As of 23 January 2007, founding partners' redeemed shares are acquired in return for TL 45.240.000 and this amount is accounted for as a deduction from additional paid-in capital.

Restricted Reserves

Reserves reserve for specific purposes other than profit from previous period, due to law or contractual obligations or other profit distributions. These reserves are shown in the amounts in the statutory records of the Group and difference arising in preparing the consolidated financials statements in accordance with TFRS are associated with prior years' profit/loss.

As at 31 December 2020 restricted reserves comprised of legal reserves amounting to TL 171.866.392 (31 December 2019: TL 122.455.409).

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

Other comprehensive income that will not be reclassified to profit or loss

Revaluation gain on property, plant and equipment

The amount of property, plant and equipment that is not recognized in profit or loss is recognized as other comprehensive income. As at 31 December 2020, the gains arising from the fair value changes arise from the parcels and lands transferred from lands of PT Indo Kordsa in the Asia Pacific Region to the investment properties.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 19 - EQUITY (CONTINUED)

Other comprehensive income that will not be reclassified to profit or loss (continued)

Revaluation gain on property, plant and equipment (continued)

For the years ended 31 December, movement of revaluation gains on tangible assets were as follows;

	2020	2019
Balance at beginning of the period	40.027.097	40.027.097
Gain from change of fair value	-	-
Balance at closing of the period	40.027.097	40.027.097

Defined Benefit Plans Remeasurement Fund

As at 31 December 2020, TL 4.975.520 (31 December 2019: TL 3.907.502) consists of actuarial gain or loss of long term employee benefits and retirement plan provision (Indonesia and Thailand) recognized as other comprehensive income.

Other accumulated comprehensive income or expenses that will be reclassified in profit or loss

Currency translation difference

Currency translation difference is consist of foreign currency difference arising from translating to reporting currency from functional currency of financial statements of Group's subsidiaries in the foreign country and exchange difference arising from net investment hedge. There is curenry translation difference amounting to TL 985.850.071 (31 December 2019: 742.290.484) in the Group's accompanying consolidated financial statements.

Dividend Payments

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

Retained Earnings

Accumulated gain and loss is shown in retaining earnings as net-off except net income for the period. Extraordinary reserves that are accumulated as profit/loss by their nature are also recognized as retained earnings shown.

Retained earnings in the Group's consolidated financial statements were as follows:

	31 December 2020	31 December 2019
Accumulated profit or loss	935.441.228	735.584.943
Extraordinary reserve	81.518.027	39.672.493
Total retaining earnings	1.016.959.255	775.257.436

Net Profit for the Period

Distribution of net profit for the year of 2019 has been approved with the decision of Ordinary General Assembly Meeting which is held on 25 March 2020. According to decision, net period of TL 48.632.269 in accordance with the decision taken first and second dividends, to the shareholders of the Company as of 26 March 2020.

Net profit for the period of the Group amounting to TL 150.393.991 (2019: TL 378.487.928).

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 19 - EQUITY (CONTINUED)

Non-controlling Interest

The portion of the net assets of the subsidiaries that are not directly or indirectly controlled by the parent company is classified as a non-controlling interest in the Group's consolidated financials statements.

For the year ended 31 December, the movements of non-controlling interests were as follows:

	2020	2019
Balance at the beginning of the period	572.642.516	504.019.429
The portion of total comprehensive income attributed to non-controlling interest	150.336.530	115.420.833
Dividend paid to non-controlling insterest	(25.981.681)	(46.797.746)
Closing at the beginning of the period	696.997.365	572.642.516

NOTE 20 - REVENUE AND COST OF SALES

	1 January- 31 December 2020	1 January- 31 December 2019
Sales income (gross)	4.611.790.406	5.219.160.078
Sales returns (-)	(16.300.905)	(14.520.519)
Sales discounts (-)	(30.876.468)	(24.442.992)
Other sales discounts (-)	(28.276.594)	(42.835.173)
Sales income (net)	4.536.336.439	5.137.361.394
Cost of sales (-)	(3.733.211.464)	(4.150.352.186)
Gross Profit	803.124.975	987.009.208

NOTE 21 - EXPENSES BY NATURE

	1 January- 31 December 2020	1 January- 31 December 2019
Raw materials and consumables used	2.264.379.814	2.781.909.076
Personnel expenses	687.877.040	636.172.158
Energy expenses	380.656.700	456.744.559
Depreciation and amortization expenses	284.684.540	206.195.077
Idle mill expenses	129.533.921	40.258.328
Distribution expenses	127.188.079	114.657.687
Packaging expenses	92.195.269	98.093.919
Consultancy expenses	60.631.172	55.755.136
Maintenance expenses	6.502.381	5.363.312
Rent expenses	4.936.395	4.362.368
Other	208.508.387	196.685.858
	4.247.093.698	4.596.197.478

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange gain/loss on trade receivables/payables - net	71.441.354	30.409.189
Finance income on trade receivables	37.111.554	52.992.162
Domestic production incentive income (*)	36.431.868	39.158.298
Rent income	1.397.109	1.353.429
Export incentive income	3.297.731	1.757.055
Income from insurance claims	365.368	18.209
Other	24.008.975	22.396.263
	174.053.959	148.084.605

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

Other operating expenses	1 January- 31 December 2020	1 January- 31 December 2019
Provision for litigation (*)	37.157.372	-
Finance expense on credit purchases	16.275.743	28.257.268
Taxes and duties	12.697.961	8.756.413
Expenses of the customer damages	516.154	2.812.702
Donations	193.054	20.103.212
Other	12.583.213	15.062.251
	79.423.497	74.991.846

(*) It is the ongoing litigation expenses related to customs clearance of the Group's Subsidiary in Indonesia.

NOTE 23 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Interest income from investing activities	1 January- 31 December 2020	1 January- 31 December 2019
Interest income	13.933.897	8.278.336
Interest income from fair value of investment properties (Note 14)	4.364.502	437.674
Gain on sale of property, plant and equipment	984.251	4.841.201
	19.282.650	13.557.211

Losses from investing activities	1 January- 31 December 2020	1 January- 31 December 2019
Loss on sale of property, plant and equipment	531.715	489.227
	531.715	489.227

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 24 - FINANCIAL INCOME AND EXPENSES

Finance income	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange gain	130.146.531	5.720.757
	130.146.531	5.720.757
Finance expense	1 January- 31 December 2020	1 January- 31 December 2019
Interest expenses	160.048.641	122.747.643
Foreign exchange losses	129.319.282	33.718.368
Losses on derivative instruments	53.446.923	9.833.006
Other	10.025.779	2.405.268
	352.840.625	168.704.285

NOTE 25 - TAXATION ON INCOME

Corporate Tax

Corporate Tax	1 January- 31 December 2020	1 January- 31 December 2019
Corporate tax payable	686.008	-
Less: Prepaid taxes	(5.278.265)	(4.312.390)
Current tax (asset)/ liability, net	(4.592.257)	(4.312.390)

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

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

The corporation tax rate is 22% in Turkey (31 December 2019: 22%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exemption income and allowances.

In accordance with the regulation numbered 7061, published in official Gazette on 5 December 2017, "Law, amending to tax laws and other laws", corporate tax rate for the years 2018, 2019 and has increased from 20% to 22%. Therefore, deferred tax asset and liabilities are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 25 - TAXATION ON INCOME (CONTINUED)

Corporate Tax (continued)

The taxes on income reflected to consolidated income statements for the years ended 31 December 2020 and 2019 are summarized as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Current period corporate tax expense	(7.956.412)	(54.355.565)
Deferred tax income /(expense)	(14.470.645)	(31.345.581)
	(22.427.057)	(85.701.146)

The reconciliation of tax on the consolidated statement of profit or loss for the years ended 31 December 2020 and 2019 is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Profit before tax in the consolidated financial statements	179.930.044	464.341.131
Tax charge according to parent company's tax rate 22%	(39.584.612)	(102.155.049)
Tax rate differences of subsidiaries	(8.897.293)	(17.415.848)
Expected tax charge of the Group	(48.481.905)	(119.570.897)
Disallowable expenses	(1.510.615)	(1.425.063)
Other exempt income	-	4.814.698
Exemption of real estate sales	960.190	2.069.584
Lump-sum expense provision	1.257.441	1.370.240
Research and development incentive allowance	-	8.205.223
Use of losses from previous years for which no deferred tax has been calculated	30.517.421	16.692.095
The effect of the legal tax rate change on the deferred tax amount	(2.973.601)	-
Consolidation eliminations without tax effect	(2.195.988)	2.142.974
Current period tax expense	(22.427.057)	(85.701.146)

The Group recognised deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TFRS and their statutory tax financial statements.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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NOTE 25 - TAXATION ON INCOME (CONTINUED)

Corporate Tax (continued)

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

Country	31 December 2020	31 December 2019
Turkey	%20	%20 - %22
Egypt	%30	%30
United States of America	%25	%25
Brazil	%34	%34
Indonesia	%20 - %22	%25
Thailand	%20	%20

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2020 and 31 December 2019 using the enacted tax rates are as follows:

	Deferred tax assets/(liabilities)	
	31 December 2020	31 December 2019
Provision for employment termination benefits	18.028.095	10.060.161
Prepaid expenses	10.962.329	13.056.512
Deductible financial losses	9.044.629	-
Finance income	529.295	1.010.005
Inventories	13.372.787	4.943.080
Other, net	20.539.962	15.214.879
Deferred tax assets	72.477.097	44.284.637
Property, plant and equipment	(301.876.793)	(291.705.451)
Other, net	(17.373.957)	(1.275.676)
Deferred tax liabilities	(319.250.750)	(292.981.127)
Net deferred tax liabilities	(246.773.653)	(248.696.490)

The maturity of the company's usable financial loss is 2025.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 25 - TAXATION ON INCOME (CONTINUED)

Deferred Taxes

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	(248.696.490)	(117.724.380)
Current year deferred tax income – net	(14.470.645)	(31.345.581)
Charges to equity	1.331.239	214.368
Impact of other changes (*)	2.565.107	(43.948.074)
Currency translation differences	12.497.136	55.892.823
Balance at 31 December	(246.773.653)	(248.696.490)

(*) Other changes arise from differences due to from the adjustment of the indentified intangibles accounted for during TPI's acquisition based on its tax return and also the put option revaluation funds for Axiom's 4,14% non-controlling interest.

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 2020	1 January - 31 December 2019
Net income attributable to equity holders of the parent	152.970.598	339.755.071
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	7,86	17,47
Earning per share from continuing operations		
Net income attributable to equity holders of the parent	156.596.187	339.832.620
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	8,05	17,74
Earning per share from discontinued operations		
Net income/(loss) attributable to equity holders of the parent	(3.625.589)	(77.549)
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	(0,19)	-

Nominal values of ordinary shares for the years ended 31 December 2020 and 2019 are assumed to be Kr 1 each.

NOTE 27 - RELATED PARTY DISCLOSURES

Bank balances:	31 December 2020	31 December 2019
Akbank T.A.Ş. – time deposit	247.820.230	98.871.580
Akbank T.A.Ş. – demand deposit	4.615.874	982.153
	252.436.104	99.853.733
	31 December 2020	31 December 2019
Akbank T.A.Ş. – bank borrowings	160.001.250	641.528.440
	160.001.250	641.528.440

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 27 - RELATED PARTY DISCLOSURES (CONTINUED)

Due from related party:	31 December 2020	31 December 2019
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	63.970.889	75.270.703
Akçansa	-	1.631.518
Enejisa Enerji Üretim A.Ş.	83.979	82.601
Other	144.790	477.044
	64.199.658	77.461.866

Due to related party:	31 December 2020	31 December 2019
Enejisa Enerji Üretim A.Ş.	13.467.332	8.162.434
Sabancı Dx	5.120.151	2.935.505
Hacı Ö.Sabancı Holding A.Ş.	2.123.362	-
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	128.790	265.391
Aksigorta	57.412	612.052
Other	118.000	127.723
	21.015.047	12.103.105

Product sales:	1 January-31 December 2020	1 January-31 December 2019
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	136.690.233	135.863.930
Other	253.336	1.932.986
	136.943.569	137.796.916

Product purchase:	1 January-31 December 2020	1 January-31 December 2019
SabancıDX	698.502	494.130
	698.502	494.130

Service received:	1 January-31 December 2020	1 January-31 December 2019
Enejisa Enerji Üretim A.Ş.	78.774.453	95.541.968
SabancıDX	18.227.620	9.581.539
Aksigorta	3.742.512	1.807.040
Other	788.429	245.697
	101.533.014	107.176.244

Property, plant and equipment purchases:	1 January-31 December 2020	1 January-31 December 2019
SabancıDX	223.815	1.098.701
Other	234.881	-
	458.696	1.098.701

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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NOTE 27 - RELATED PARTY DISCLOSURES (CONTINUED)

	1 January- 31 December 2020	1 January- 31 December 2019
Interest income:		
Akbank T.A.Ş.	10.329.462	1.613.049
	10.329.462	1.613.049
Interest expense:		
Akbank T.A.Ş.	53.423.707	20.467.341
	53.423.707	20.467.341
Foreign exchange gain /(losses), net		
Akbank T.A.Ş.	(8.516.406)	(3.368.133)
	(8.516.406)	(3.368.133)
Rent income		
SabancıDX	111.101	82.246
	111.101	82.246

Transactions with key management personnel:

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

Details of the remunerations provided which is consist of per diem payment, salary and other additional remunerations by the Group for 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Short-term employee benefits	24.838.299	18.637.658
Post-employment benefits	322.544	334.238
	25.160.843	18.971.896

Security and guarantee letters given:

31 December 2020

None.

31 December 2019

None.

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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:

Subsidiaries	31 December 2020			
	Non-controlling interest %	Net profit/loss attributable to non-controlling interest	Accumulated profit/(loss) allocated to non-controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	38,42%	(4.291.971)	691.745.792	4.367.443
Other		1.715.364	5.251.573	
Total		(2.576.607)	696.997.365	

Subsidiaries	31 December 2019			
	Non-controlling interest %	Net profit/loss attributable to non-controlling interest	Accumulated profit/(loss) allocated to non-controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	38,42%	36.174.220	583.473.659	46.797.746
Other		2.558.639	(10.831.143)	
Total		38.732.859	572.642.516	

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

The financial information of PT Indo Kordsa Tbk before the Group's consolidation adjustments and eliminations is as follows:

Summary statement of financial position

	PT Indo Kordsa Tbk	
	31 December 2020	31 December 2019
Cash and cash equivalents	84.780.719	84.448.974
Other current assets	551.432.973	460.869.272
Non-current assets	1.406.908.182	1.173.862.934
Total assets	2.043.121.874	1.719.181.180
Short-term borrowings	77.874.290	11.861.846
Other short-term liabilities	186.225.416	184.972.442
Long-term borrowings	54.332.427	76.949.377
Other long-term liabilities	112.118.340	93.527.254
Total liabilities	430.550.473	367.310.919
Total equity	1.612.571.401	1.351.870.261
Total equity attributable to owners of the Company	1.495.332.265	1.247.802.212
Non-controlling interest (*)	117.239.136	104.068.049

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NOTE 28 - INTERESTS IN OTHER ENTITIES (CONTINUED)

Summary statement of profit and loss:

	PT Indo Kordsa Tbk	
	1 January - 31 December 2020	1 January - 31 December 2019
Revenue	1.155.508.303	1.371.653.027
Cost of sales	(998.903.362)	(1.116.749.112)
Depreciation and amortization expense	(63.590.336)	(61.878.325)
Operating income	(14.485.330)	130.478.158
Finance income /(expense), net	(444.171)	18.428
Profit before tax	(14.929.501)	130.584.704
Tax expenses	6.527.586	(40.351.250)
Non-controlling interests (*)	1.727.761	(4.911.669)
Profit for the year	(6.674.155)	85.233.667

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk management

Financial risk factors

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

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

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

(a) Liquidity risk

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

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

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2020 and 2019 is as follows:

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

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

31 December 2020	Carrying value	Contractual cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Borrowings	2.878.147.660	3.007.756.514	825.029.893	971.994.825	1.210.731.796	-
Lease liabilities	101.111.924	101.111.924	-	9.046.298	92.065.626	-
Trade payables	664.286.332	666.454.093	666.454.093	-	-	-
Other payables	45.286.763	59.764.168	59.764.168	-	-	-
	3.688.832.679	3.835.086.699	1.551.248.154	981.041.123	1.302.797.422	-

31 December 2019	Carrying value	Contractual cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Borrowings	3.029.126.061	3.609.223.321	1.199.836.613	1.099.539.039	1.309.847.669	-
Lease liabilities	84.983.513	84.983.513	-	9.592.693	75.390.820	-
Trade payables	620.387.291	621.213.944	621.213.944	-	-	-
Other payables	8.271.232	18.058.981	18.058.981	-	-	-
	3.742.768.097	4.333.479.759	1.839.109.538	1.109.131.732	1.385.238.489	-

(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.

(b) Market risk

Interest rate risk

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

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

Variable interest financial instruments

	31 December 2020	31 December 2019
Financial liabilities	1.402.851.111	1.359.645.778

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 2020, 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 6.337.074 (2019: TL 4.208.078), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2020, there is no variable interest rate borrowings in EUR (2019: there is no variable interest rate borrowings in EUR).

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Turkish Lira. Foreign Exchange risk is monitored with an analysis of foreign exchange positions.

Derivative financial instruments

The derivative financial instruments of the Group comprise foreign currency forward contracts. The Group entered into foreign currency forward transactions with due date 2020 in order to manage the risks emerging from the sales transactions which are expected to occur within 12 months following the reporting date. The carrying values of the items hedged against the non-financial risk will be adjusted once the expected sales will take place. The Group also entered into foreign currency forward transactions with due date 2021 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 2020, Kordsa Inc. has IRS as a derivative instrument for the repayment of the loan agreement amounting to USD 140.000.000, to manage the variable interest risk of USD 75.000.000. The fair value of the derivative instrument as of 31 December 2020 is TL 4.384.084 of loss.

Foreign exchange forward and swap contracts:

Avro buy USD sell	Average Rate	Foreign Currency (Avro)	Contract Value (USD)	Fair Value (TL)
Less than 3 months	1,1918	3.000.000	3.575.300	(844.824)
Between 3-6 months	1,1940	3.000.000	3.581.900	(845.805)
Between 6-9 months	1,1966	3.000.000	3.589.800	(846.259)
Between 9-12 months	1,1982	3.000.000	3.594.500	(867.460)
BRL sell USD buy	Average Rate	Foreign Currency (USD)	Contract Value (BRL)	Fair Value (TL)
Between 6-9 months	5,3000	555.095	2.942.004	(1.032.111)
Between 9-12 months	5,4000	11.525.800	62.239.320	1.112.447
Forward/Swap Net				(3.324.012)

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;

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Hedges of net investments in foreign operations (continued):

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 199.208.689 (31 December 2019: TL 77.143.406) under Currency Translation Reserves in Equity in accordance with TFRS 9 and TFRS Interpretation 16.

Foreign currency position

Group's assets and liabilities denominated in foreign currencies at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Assets	1.698.239.189	1.450.790.809
Liabilities	(1.568.186.703)	(1.394.350.199)
Net foreign currency position	130.052.486	56.440.610

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2020	Total TL equivalent	US Dollars (*)	Euro (*)	Indonesian Rupiah ('000) (*)	Other TL equivalent
Assets:					
Trade receivables	478.512.456	17.358.460	31.790.180	124.380.560	-
Cash and cash equivalent	208.941.653	23.513.820	3.957.012	966.009	191.358
Other monetary receivables and assets	-	-	-	-	-
Other non- monetary receivables and assets	30.733.534	230.170	47.207	54.627.103	189.796
Current assets	718.187.643	41.102.450	35.794.399	179.973.672	381.154
Non-current asset held for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
Non-current assets	-	-	-	-	-
Total assets (a)	718.187.643	41.102.450	35.794.399	179.973.672	381.155
Liabilities:					
Trade payables	253.028.764	23.186.899	6.471.578	41.189.260	3.094.363
Financial liabilities	1.016.471.765	42.833.740	73.276.196	80.677.513	-
Other monetary payable and liabilities	38.483.482	-	-	73.947.213	-
Current liabilities	1.307.984.011	66.020.639	79.747.774	195.813.986	3.094.363
Financial liabilities	260.202.692	28.888.889	5.000.000	5.965.016	-
Other monetary receivables and assets	-	-	-	-	-
Non-current liabilities	260.202.692	28.888.889	5.000.000	5.965.016	-
Total liabilities (b)	1.568.186.703	94.909.528	84.747.773	201.779.002	3.094.363
Off-balance sheet derivative assets (c)	980.051.546	60.575.755	59.436.185	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
Net foreign currency asset / (liability) position	130.052.486	6.768.677	10.482.811	(21.805.330)	(2.713.208)
Fair value of financial instruments used for foreign exchange hedge	(7.708.095)	-	-	-	-
Hedges amount of foreign currency assets	-	-	-	-	-
Hedges amount of foreign currency liabilities	980.051.546	60.575.755	59.436.185	-	-

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

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2019	Total TL equivalent	US Dollars (*)	Euro (*)	Indonesian Rupiah ('000) (*)	Other TL equivalent
Assets:					
Trade receivables	409.157.118	17.119.965	40.439.945	90.122.265	-
Cash and cash equivalent	600.297.075	11.080.186	80.172.019	2.963.680	20.077
Other monetary receivables and assets	-	-	-	-	-
Other non- monetary receivables and assets	24.775.170	-	8.970	57.838.184	-
Current assets	1.034.229.363	28.200.151	120.620.934	150.924.129	20.077
Non-current asset held for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
Non-current assets	-	-	-	-	-
Total assets (a)	1.034.229.363	28.200.151	120.620.934	150.924.129	20.077
Liabilities:					
Trade payables	293.657.624	32.610.245	12.026.579	30.357.148	6.990.015
Financial liabilities	823.783.971	15.838.930	109.525.073	3.019.043	-
Other monetary payable and liabilities	11.852.994	-	4.000	27.358.458	135.527
Current liabilities	1.129.294.589	48.449.175	121.555.652	60.734.649	7.125.542
Financial liabilities	265.055.610	43.333.333	-	17.895.045	-
Other monetary receivables and assets	-	-	-	-	-
Non-current liabilities	265.055.610	43.333.333	-	17.895.045	-
Total liabilities (b)	1.394.350.199	91.782.508	121.555.652	78.629.695	7.125.542
Off-balance sheet derivative assets (c)	416.561.446	81.126.615	(9.825.711)	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
Net foreign currency asset / (liability) position	56.440.610	17.544.258	(10.760.429)	72.294.434	(7.105.465)
Fair value of financial instruments used for foreign Exchange hedge	(6.682.174)	-	-	-	-
Hedges amount of foreign currency assets	-	-	-	-	-
Hedges amount of foreign currency liabilities	416.561.446	81.126.615	(9.825.711)	-	-

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

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

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

Closing rates	31 December 2020	31 December 2019
	US Dollars	7,3405
Euro	9,0079	6,6506
Indonesian Rupiah (1000 units)	0,5204	0,4273
Brezilian Real	1,4125	1,4737
Thai Baht	0,2444	0,1970
Egyptian Pound	0,4674	0,3711

Average rates	31 December 2020	31 December 2019
	US Dollars	7,0090
Euro	8,0278	6,3477
Indonesian Rupiah (1000 units)	0,4807	0,4009
Brezilian Real	1,3594	1,4373
Thai Baht	0,2240	0,1826
Egyptian Pound	0,4445	0,3394

Foreign currency position as of 31 December 2020 and 2019 in regard to the 10% changes in foreign currency rates is depicted in the table below:

31 December 2020	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Increase/(decrease) 10% of USD parity				
1- US Dollar net asset / liability	4.968.548	(4.968.548)	4.968.548	(4.968.548)
2- Hedged portion of US Dollar amounts(-)	-	-	-	-
3- Net effect of US Dollar (1+2)	4.968.548	(4.968.548)	4.968.548	(4.968.548)
Increase/(decrease) 10% of EUR parity				
4- EUR net asset / liability	9.442.811	(9.442.811)	9.442.811	(9.442.811)
5- Hedged portion of EUR amounts(-)	-	-	-	-
6- Net effect of EUR (4+5)	(9.442.811)	9.442.811	(9.442.811)	9.442.811
Increase/(decrease) 10% of other parities				
7- Other foreign currency net asset / liability	(1.406.110)	1.406.110	(1.406.110)	1.406.110
8- Hedged portion of other foreign currency amounts(-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	(1.406.110)	1.406.110	(1.406.110)	(1.406.110)
TOTAL (3+6+9)	13.005.249	(13.005.249)	13.005.249	(13.005.249)

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2019	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Increase/(decrease) 10% of USD parity				
1- US Dollar net asset / liability	10.421.640	(10.421.640)	10.421.640	(10.421.640)
2- Hedged portion of US Dollar amounts(-)	-	-	-	-
3- Net effect of US Dollar (1+2)	10.421.640	(10.421.640)	10.421.640	(10.421.640)
Increase/(decrease) 10% of EUR parity				
4- EUR net asset / liability	(7.156.331)	7.156.331	(7.156.331)	7.156.331
5- Hedged portion of EUR amounts(-)	-	-	-	-
6- Net effect of EUR (4+5)	(7.156.331)	7.156.331	(7.156.331)	7.156.331
Increase/(decrease) 10% of other parities				
7- Other foreign currency net asset / liability	2.378.752	(2.378.752)	2.378.752	(2.378.752)
8- Hedged portion of other foreign currency amounts(-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	2.378.752	(2.378.752)	2.378.752	(2.378.752)
TOTAL (3+6+9)	5.644.061	(5.644.061)	5.644.061	(5.644.061)

Export and import balances from Turkey as of 31 December 2020 and 2019 is as follows:

	31 December 2020		31 December 2019	
	Original Amount	TL Equivalent	Original Amount	TL Equivalent
Euro	98.683.551	792.208.285	138.467.958	878.954.440
US Dollars	58.461.067	409.755.380	77.866.051	441.565.137
TL	-	-	-	-
Total export		1.201.963.665		1.320.519.577
			1 January-31 December 2020	1 January-31 December 2019
Total import			779.764.304	971.235.232

(c) 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.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk (continued)

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

Disclosures on the credit quality of financial assets

As at 31 December 2020 and 2019, banks, where the cash and cash equivalents within the financial assets that are neither past due nor impaired are kept; mainly have high credit and parties in the trade receivables comprise of the customers/ related parties that are worked with for a long time and without significant collection problems.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2020	Receivables (**)						
	Trade Receivables		Other Receivables (**)			Bank Deposits	
	Related Party	Third Party	Related Party	Third Party	Derivatives	Related Party	Third Party
As of reporting date, credit risk exposure (A+B+C+D) (**)	64.199.658	1.026.912.477	-	-	80.336	252.436.104	197.456.681
- The part of maximum risk under guarantee with collateral	-	11.089.187	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	64.199.658	927.628.541	-	-	-	252.436.104	197.456.681
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	93.860.522	-	-	-	-	-
- The part under guarantee with collateral	-	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	5.423.414	-	-	-	-	-
- The part under guarantee with collateral	-	(5.423.414)	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

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

(*) Excludes taxes and other similar receivables.

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

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2019	Trade Receivables		Receivables (**)		Bank Deposits	
	Related Party	Third Party	Related Party	Third Party	Related Party	Third Party
As of reporting date, credit risk exposure (A+B+C+D) (**)	77.461.866	891.749.048	-	8.146.818	99.853.733	629.730.770
- The part of maximum risk under guarantee with collateral	-	8.840.629	-	-	-	-

A. Net book value of financial assets that are neither past due nor impaired	77.461.866	803.102.942	-	-	99.853.733	629.730.770
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	84.669.620	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	3.976.486	-	-	-	-
- Impairment(-)	-	(3.976.486)	-	-	-	-
- The part under guarantee with collateral	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part under guarantee with collateral	-	-	-	-	-	-
D. Off-balance sheet items with credit risk						

(*) Excludes taxes and other similar receivables.

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

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk (continued)

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

The Group did not make any provisions for doubtful receivables since the overdue receivables are to be collected from the corporate customers who did not delay any collections in the previous periods, and even if they delayed, eventually managed to pay their debts. In addition, when the maturity composition of the receivables which are not impaired are analyzed, it is seen that a little time longer than three months has passed since the maturity date of most of them.

The aging table of the Group's overdue but not impaired trade receivables including the due from related parties which takes into account the overdue terms is as follows:

	31 December 2020	31 December 2019
Less than 1 month	60.153.088	56.222.363
Between 1-3 months	25.528.942	22.770.619
Between 3-12 months	5.479.778	3.649.013
Up to 5 years	2.698.714	2.027.625
	93.860.522	84.669.620

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the debt/(total capital+net debt+non-controlling interest) ratio. Net debt is calculated as total borrowings (including borrowings as shown in the balance sheet) less cash and cash equivalents.

As at 31 December 2020 and 2019 net debt/(equity+net debt+non-controlling interest) ratio is:

	31 December 2020	31 December 2019
Total financial liabilities	2.979.259.584	3.114.109.574
Cash and cash equivalents	(449.892.785)	(729.636.576)
Net debt	2.529.366.799	2.384.472.998
Equity	2.581.125.002	2.246.916.091
Non-controlling interest	696.997.365	572.642.516
Equity+net debt+non-controlling interest	5.807.489.166	5.204.031.605
Net debt/(Equity+non-controlling interest) ratio	44%	46%

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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 2020 Financial assets	Financial assets at amortised cost	FVOCI	Financial liabilities at amortized cost	Derivative financial assets and liabilities	Carrying value (*)	Note
Cash and cash equivalents	449.892.785	-	-	-	449.892.785	4
Trade receivables	1.026.912.477	-	-	-	1.026.912.477	7
Receivables from related parties	64.199.658	-	-	-	64.199.658	27
Financial assets	-	644.844	-	-	644.844	5
Derivative financial instruments	-	-	-	80.336	80.336	29
Financial liabilities						
Borrowings	-	-	2.878.147.660	-	2.878.147.660	6
Lease Liabilities	-	-	101.111.924	-	101.111.924	6
Trade payables	-	-	643.271.285	-	643.271.285	7
Payables to related parties	-	-	21.015.047	-	21.015.047	27
Other financial liabilities (**)	-	-	36.756.822	-	36.756.822	8
Derivative financial instruments	-	-	-	7.788.431	7.788.431	29

31 December 2019 Financial assets	Financial assets at amortised cost	FVOCI	Financial liabilities at amortized cost	Derivative financial assets and liabilities	Carrying value (*)	Note
Cash and cash equivalents	729.636.576	-	-	-	729.636.576	4
Trade receivables	891.749.048	-	-	-	891.749.048	7
Receivables from related parties	77.461.866	-	-	-	77.461.866	27
Financial investments	-	585.981	-	-	585.981	5
Derivative financial instruments	-	-	-	8.146.818	8.146.818	29
Financial liabilities						
Borrowings	-	-	3.029.126.061	-	3.029.126.061	6
Lease Liabilities	-	-	84.983.513	-	84.983.513	6
Trade payables	-	-	608.284.186	-	608.284.186	7
Payables to related parties	-	-	12.103.105	-	12.103.105	27
Other financial liabilities (**)	-	-	42.283.219	-	42.283.219	8
Derivative financial instruments	-	-	-	14.828.992	14.828.992	29

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

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

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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

NOTE 30 - FINANCIAL INSTRUMENTS (CONTINUED)

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.

Fair value hierarchy of financial assets and liabilities:

Certain financial assets and liabilities of the Group are accounted for their fair values on each balance sheet date in the financial statements. The table below is the detail on how the fair value of the financial assets and liabilities aforementioned are determined:

Financial assets / Financial liabilities	Fair Value		Fair value hierarchy	Valuation technique
	31 December 2020	31 December 2019		
Foreign currency forward/ swap contracts	(7.708.095)	(6.682.174)	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties' credit risk.

Kordsa Teknik Tekstil A.Ş. and Its Subsidiaries Notes To The Audited Consolidated Financial Statements As At And For The Year Ended 31 December 2020

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NOTE 31 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

According to The Group's Board of Management decision numbered 2015/29 dated 31 December 2016, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. %51 of rates, would be classified as "Assets Held for Sale" in the balance sheet as of 31 December 2016. Hence, these companies were classified as "Assets Held for Sale" in preparation for financial tables in 31 December 2020 and 31 December 2019 as assets held for sale (31 December 2020: 2.925.808 TL, 31 December 2019: 7.347.731 TL) and liabilities regarding asset groups held for sale (31 December 2020: 4.026.883 TL, 31 December 2019: 3.116.609 TL).

For the year ended 1 January- 31 December 2020 and 1 January- 31 December 2019, the result of the operating activities shown at below:

Nile Kordsa

	1 January - 31 December 2020	1 January - 31 December 2019
Revenue	-	-
Cost of sales	-	-
GROSS PROFIT	-	-
General and administrative expenses	-	-
Selling, marketing and distribution expenses	-	-
Research and development expenses	-	-
Other income from operating activities	-	-
Other expense from operating activities (*)	(7.108.996)	(152.057)
Operating profit	(7.108.996)	(152.057)
Gain from investing activities	-	-
Loss from investing activities	-	-
Operating profit before finance costs	-	-
Finance income	-	-
Finance costs	-	-
Profit before tax from continuing operations	(7.108.996)	(152.057)
Tax expense/income from continuing operations	-	-
Current tax expense	-	-
Deferred tax benefit	-	-
Profit/ (Loss) for the period	(7.108.996)	(152.057)

(*) Refers to provision expenses which are related to impairment of net assets of Nile Kordsa.

NOTE 32 - EVENTS AFTER THE REPORTING PERIOD

None

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