2021 ANNUAL REPORT

KORDSA

2021
ANNUAL REPORT

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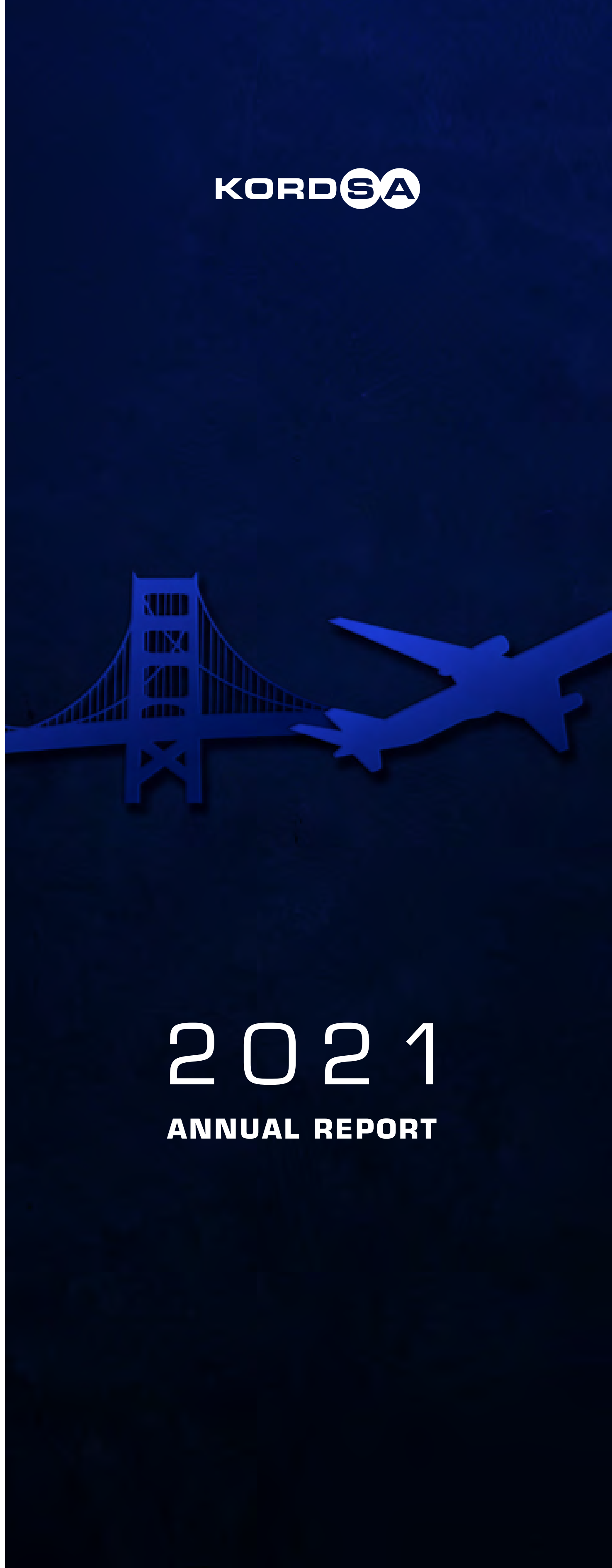

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About Kordsa

We are inspired to reinforce life

WE ARE INSPIRED BY THE PASSION TO DISCOVER THE FAR AWAY AT KORDSA, WE PRODUCE REINFORCEMENT TECHNOLOGIES WITH OUR PASSION FOR EXCEEDING BORDERS.

Please scan the QR code to read the articles of Kordsa at Medium.

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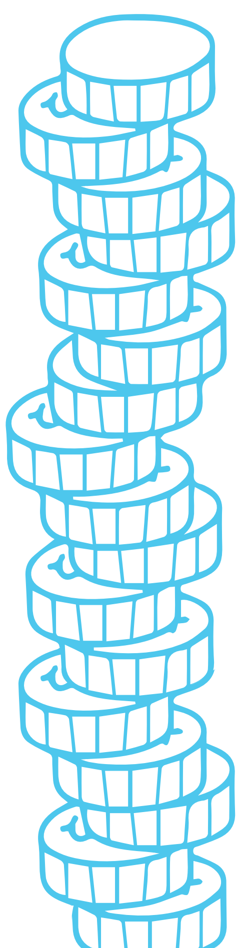
Kordsa at a Glance

KORDSA'S VALUE CREATION PROCESS

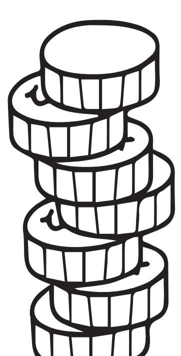
Financial Capital

TURNOVER
TL **7.9**
BILLION

EBITDA
TL **1.2**
BILLION



REAL OPERATING PROFIT
TL **1.3**
BILLION



Human Capital

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

41.9
AVERAGE TRAINING HOURS IN 2021

41,743
EMPLOYEE HOURS OF SAFETY, HEALTH AND ENVIRONMENT TRAINING

4,844*
REINFORCERS (TOTAL NUMBER OF EMPLOYEES)

Number of Office Employees
603
228 FEMALE
375 MALE

Number of Field Employees
3,747
374 FEMALE
3,373 MALE

*Including sub-employers

Safety, Health & Environment

One of our plant certified with the **"Global Recycling Standard"**.

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

"OHS Week" events were held at all our plants.

41,743 employee-hours of Health&Safety trainings were completed to achieve **Zero Work-Related Accident target**.

Intellectual Capital

2
R&D CENTERS

235
INVENTIONS

890
PATENT APPLICATIONS

53.2
USD MILLION REVENUE GENERATED BY NEW PRODUCTS

11.2
USD MILLION R&D EXPENDITURE

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 PROJECT: 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.

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Kordsa at a Glance

Generated Capital

Tire Reinforcement Technologies

Composite Technologies

Construction Reinforcement Technologies

Corporate Social Responsibility

- ÖRAV-Interactive Lesson Design for Online Education - Turkey
- Sabancı Holding
- Marathone - Run for the Gülmek İyileştirir Derneği - Turkey

Natural Capital

2021 ENVIRONMENTAL EXPENDITURES **1.575.034 $**

ENVIRONMENTAL INVESTMENTS		
Emission Management	386,588	**24.5%**
Waste Recycling	174,995	**11.1%**
Waste Disposal	496,919	**31.5%**
Consultancy	247,084	**15.7%**
Training	31,835	**2.0%**
Project Investments	237,614	**15.1%**

Digital Transformation

The Digital Transformation Journey of Kordsa focuses on four main areas.

Connected Operations: The main business applications systems which located in the center are integrated and able to talk to each other with strong infrastructures.

Autonomous Technologies: Establishing smarter and human-independent structures with projects such as optimization, image processing, advanced data analytics, artificial intelligence, robotics.

Cyber Security and Infrastructure: Improvement and regular monitoring of cyber security levels of all infrastructure systems, increasing awareness.

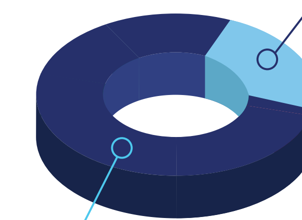
Digital Workforce and Governance: To be an important part of the ecosystem in the digital world, to develop the workforce needed for the digital leadership of the industry.

Why Invest in Kordsa?

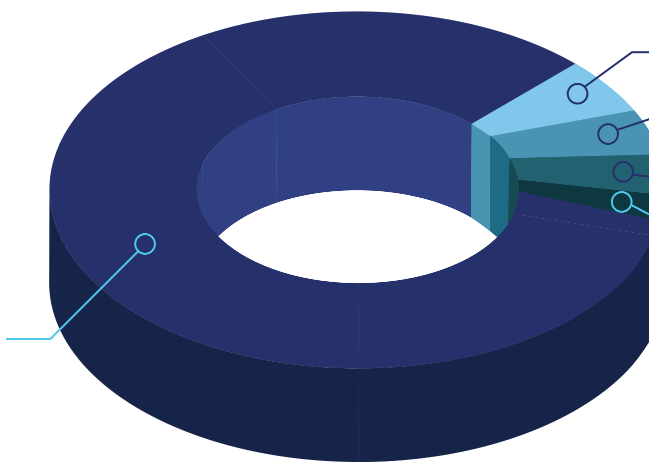
GLOBAL FOOTPRINT
Global footprint with large presence at growth regions

NATURAL HEDGING OPPORTUNITY AGAINST EXCHANGE RATE RISK FOR INVESTORS IN TURKEY

REVENUES



COSTS



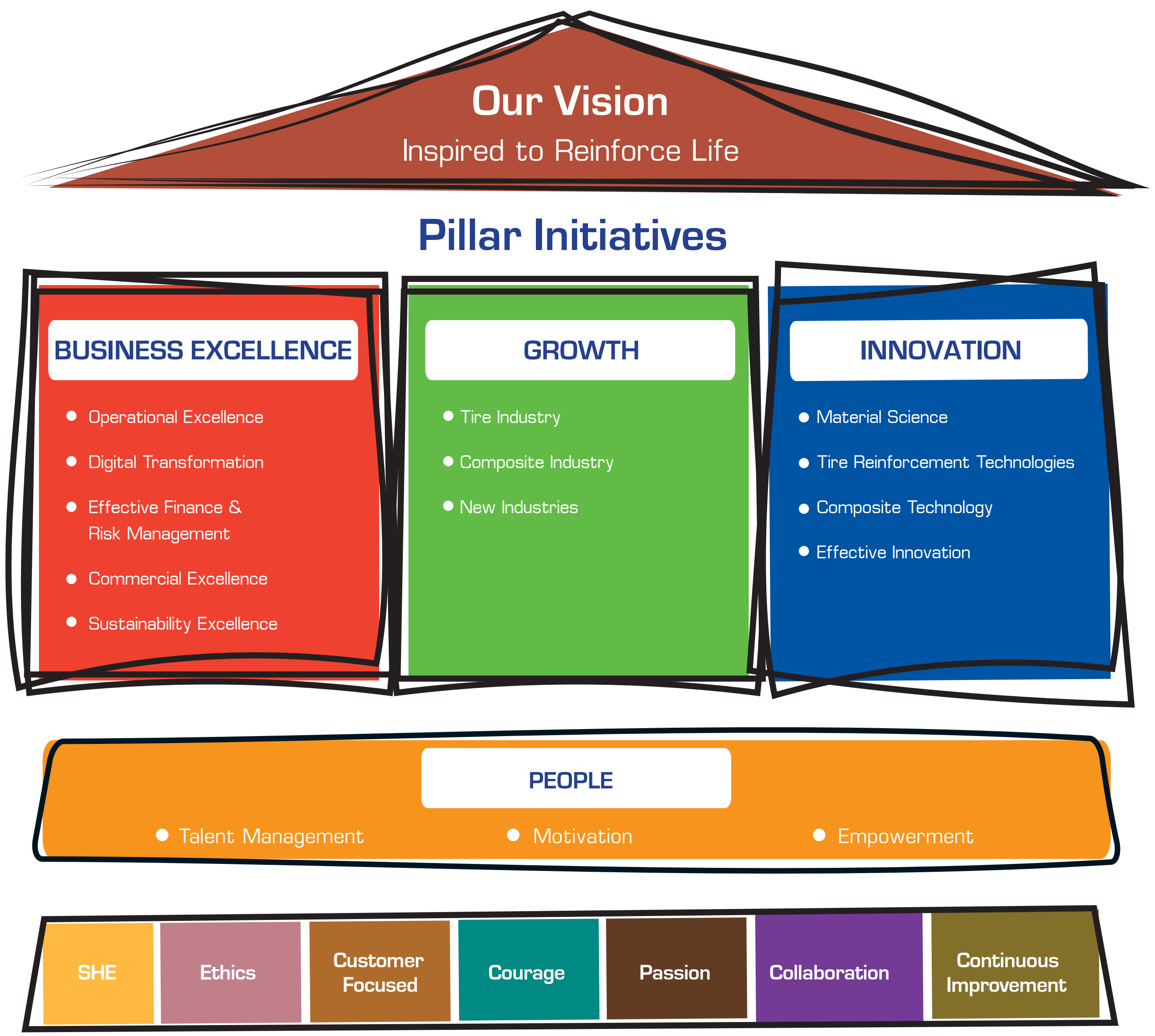
LEADER IN TIRE REINFORCEMENT MARKET
Market leadership based on longstanding partner status with all global tire players

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

Our business processes comply with eight Sustainable Development Goals.

At Kordsa, we have adopted a sustainability approach based on the following goals: to grow in our three main business lines through R&D and technology investments, to continuously support our talented human resources, and to use natural resources efficiently and our social development projects to create value for all our key stakeholders and society. Everywhere we do business, we comply with legislation and corporate ethical values, and we raise the awareness of all our employees about social and environmental responsibility.

Thanks to our expertise and innovative approach, we are help transform the world into a more sustainable one, today and in the future. By cutting down on the rolling resistance of tires, we are reducing fuel consumption, our composite technologies are used in the production of light vehicles, and we provide construction retrofit technologies for sustainable building projects. Science and innovation continue to be central to our sustainable business model.

KORDSA 2025 - 2030 - 2050 SUSTAINABILITY TARGETS

RELATED SDGs	EXPLANATION OF TARGET	PERFORMANCE INDICATORS	BASE YEAR	2050 TARGET
	Reducing emissions	Scope 1&2 emissions (CO_2e)	2019	100%
RELATED SDGS	EXPLANATION OF TARGET	PERFORMANCE INDICATORS	BASE YEAR	2030 TARGET
	Reducing water withdrawal	Withdrawal per sales tonnage (m^3/ton)	2019	50%
RELATED SDGS	EXPLANATION OF TARGET	PERFORMANCE INDICATORS	BASE YEAR	2030 TARGET
	Reducing waste	Amount of total waste per sales tonnage (ton/ton)	2018	50%
RELATED SDGS	EXPLANATION OF TARGET	PERFORMANCE INDICATORS	BASE YEAR	2025 TARGET
	Improving accident ratio in operations	Number of fatal injuries High-consequence injuries Recordable injuries	2019	Zero accident
	Sustainable Supply Chain Programme	Ratio of targeted suppliers on sustainability assessment (%)	2019	100%
	Reducing complaints on human rights violations	Number of complaints on human rights violations	2019	Zero complaint
	Continuing employee development trainings	Sabancı of New Generation competencies	2019	Continuous development
RELATED SDGS	EXPLANATION OF TARGET	PERFORMANCE INDICATORS	BASE YEAR	2025 TARGET
	Increasing women employment (Office staff)	Ratio of women employees (%)	2019	45%
RELATED SDGS	EXPLANATION OF TARGET	PERFORMANCE INDICATORS	BASE YEAR	2025 TARGET
	Increasing number of teachers attending ÖRAV training	Number of teachers trained annually	2019	1,500 teachers

SUSTAINABILITY ROADMAP

In 2020, we reviewed our strategic priorities and set new short, medium, and long- term sustainability targets based on the United Nations (UN) 2030 Sustainable Development Goals. (SDGs) We determined eight SDG's that are in line with our business processes.

SDG 4: Quality Education, SDG 5: Gender Equality, SDG 6: Clean Water and Sanitation, SDG 8: Decent Work and Economic Growth, SDG 9: Industry, Innovation, and Infrastructure, SDG 12: Responsible Consumption and Production, 13: Climate Action and SDG17: Partnerships for the Goals.

We shared our goals and activities within this context with our stakeholders in our 2020 Sustainability Report.

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-social and economic impacts of company activities into account when determining its corporate governance strategy.

Our targets on our sustainability focus areas, which we determine through internal review workshops every two years, are determined, and revised as necessary by the Kordsa Executive Committee, which is comprised of our General Manager, our Deputy General Managers responsible for plant operations, and our directors.

Together with the Kordsa Executive 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.

The Sustainability Leader, who reports directly to our General Manager, ensures coordination between departments and senior management to achieve the relevant goals and works on implementation of sustainability strategy throughout the company.

At Kordsa, our highest management body, the Board of Directors, takes ownership of our company's performance regarding sustainability priorities.

Sustainability Approach

KORDSA'S SUSTAINABILITY MANAGEMENT STRUCTURE

BOARD OF DIRECTORS
(Audit, Corporate Governance and Early Detection of Risk Committees)

CEO
Deputy General Managers and Directors (Executive Management)

Head of Sustainability .... **Europe, Middle East, Africa Vice President (Sustainability Sponsor)**

Sustainability Department (Headquarter)

Regional Sustainability Team

SUSTAINABILITY WORKING GROUPS

- Sustainable Employment
- Sustainable Production
- Sustainable Products
- Sustainable Supply Chain
- Community Development

MATERIAL SUSTAINABILITY TOPICS

Occupational Health and Safety	Business Ethics (Compliance and Anti-Corruption)	Energy Management
Employment	Sustainable Growth	Emissions Management
Equal Opportunity and Diversity	Suppliers' ESG Evaluations	Water and Wastewater Management
Human Rights	Social Development	Waste Management
Training and Development		Material and Raw Material Management

The Sustainability Department located at the headquarters works in harmony with the regional sustainability team who are located at the different factories in five countries. Responsibilities of the Regional Sustainability Team are to monitor defined performance indicators to achieve the sustainability targets envisaged as part of the company's strategic plans, and to follow up on implementation of planned projects together with regional departments to achieve the sustainability targets.

Regional Sustainability Team tracks and reports sustainability performance indicators for their regions using the Monthly Sustainability Performance Indicators Tracking Chart. These reports include Kordsa sustainability performance indicators. The team also creates Quarterly Sustainability Performance Tracking Reports, which include tracking and evaluations towards achieving the targets, and are submitted to senior management every three months.

The sustainability targets, defined as strategic initiatives of Kordsa are monitored over performance indicators. These targets are extended towards all individual targets of the executive team starting from the general manager. Sustainability performance is included in the bonus system through identification and integration to Kordsa Variable Bonus System Based on Performance.

The Sustainability Working Groups work on the roadmaps to achieve specific targets, follows up and monitors action plans with this regard. Sustainable Employment, Sustainable Production, Sustainable Products, Sustainable Supply Chain and Community Development working groups started to design the programs and projects of the next five years starting from 2020.

2021 CDP CLIMATE CHANGE PROGRAM ASSESSMENT SCORE RESULTED AS A-

As Kordsa, we developed energy and emission management approach as part of the combatting Climate Change. From the Board of Directors down, all units within Kordsa sustainability management structure have duties and responsibilities in defining strategies and taking required actions in tackling climate change.

At Kordsa, we are targeting to reach net zero emission by 2050 the latest to help restrict global warming to 1.5°C. In 2021, we pledged to Science Based Targets Initiative a global enterprise within this scope. As of 2020, the Scope 3 emissions were also included in the emission calculations and independent auditing body verification works commenced. We are monitoring the risks related to climate change as part of the risk assessment works performed by the Early Risk Identification Committee. We are systematically handling the climate change related risks and opportunities that may arise from possible legislation changes during the transition process to the low-carbon economy, from climate change induced extreme weather acts and from possible changes in customer preferences. The detailed analysis of our risks and opportunities within climate change scope is available in CDP Climate Change Program 2021 report.

Click here for the Kordsa CDP Climate Change Report.

WE ARE INCLUDED IN THE A LIST IN 2021 CDP WATER PROGRAM ASSESSMENT

In the CDP Water Programs rankings, we have been reporting to since 2016, we raised our water program score in 2021 once again and earned a place among the 118 companies in the Global A list worldwide.

The utilization, quality and accessibility of water and protection of water resources take an important place in Kordsa's all facilities and manufacturing processes for business continuity and costs. From the Board of Directors down, all units within Kordsa sustainability management structure have duties and responsibilities in defining strategies and taking required actions in water management.

ACHIEVEMENTS

2021 CDP CLIMATE CHANGE PROGRAM

A-

2021 CDP WATER PROGRAM GLOBAL A LIST

A

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Sustainability Approach

Communication with our stakeholders is constant and transparent; and we explain which stakeholders we communicate with, for what purpose, on what topic, and how often we communicate with them, explaining the developments we have made in our sustainability activities.

We are handling our water related risks in all our facilities within enterprise risk management framework. In the water risks we review annually; we assess the risks that may occur in six years and beyond. Among the tools we use in these assessments are WRI (World Resource Institute) Aqueduct Water Risk Map application, COSO Corporate Risk Management Framework and ISO 31000 Risk Management Standard. The details of all risk areas are available in our CDP Water Program 2021 report.

Click here for the Kordsa CDP Water Program Report.
Click here for the Kordsa Water Policy.

COMMUNICATION WITH STAKEHOLDERS

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), and other stakeholders (local communities, suppliers, public institutions, non-governmental organizations, unions, and the public). We continuously and transparently communicate with our stakeholders; we explain the stakeholder groups we communicate with, the purpose, the issues, the frequency of the engagements, and share the developments we achieved in our 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 sustainability reports. 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 in Turkey 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 ESG performance information are the Carbon Disclosure Project (CDP) Climate Change Program, the CDP Water Program, and the EcoVadis Sustainability Assessment Survey. We are listed in the Global A ranking of the CDP Water Program in 2021. Our CDP Climate Change Program Score A- is unchanged. We also increased our score on the EcoVadis Sustainability Assessment Survey and received a Gold Certificate.

SUSTAINABILITY REPORTING

Our sustainability reports, prepared since 2015 based on the GRI - Global Reporting Initiative Standard and shared publicly on our website, are 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 material issues in our reports and support their reliability through data verification studies carried out by independent assurance providers. Our annual reports cover all our 12 plants around the world with no limitations.

We will present our 2021 results, first on our website, and then in our 2021 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 - of this report.

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Digital Transformation

Having adopted the "Digital Transformation and Industry 4.0" concepts into its corporate culture, Kordsa continues to digitalize the new products, processes, and methods it develops for all the countries it operates in around the world.

Kordsa has transformed the data collection systems in its plants around the world into a structure that allows centralized reporting. In addition, it has launched systems that integrate analytic intelligence and new generation technologies to allow smarter decision-making.

Approaching digital transformation as a journey, rather than a project, Kordsa started the transformation process in 2018 using a measurement and evaluation methodology. As a result of these analyses, expert sector advisors from different countries examined many of our business processes in detail, determined areas of improvement, and prepared a 3-year digital transformation roadmap. We implemented all the projects on the roadmap in 3 years, creating values for digital outputs and productivity, quality, and customer satisfaction for all stakeholders.

Kordsa repeated its digital maturity level measurements in all its plants around the world in 2021, determining new strategies, setting new 2-year targets, and identifying main focus areas.

Kordsa has international independent organizations that periodically conduct digital maturity and cyber security level tests and continuously monitors development opportunities to set future strategies and focal points.

The new digital roadmap created in 2021 groups Kordsa's digital transformation journey under four main headings:

1. Connected Operations

Kordsa has created a new digital application infrastructure that enables more effective and more flexible process management to facilitate daily work. Our approach adapts developing technologies and prioritizes products and solutions that benefit our customers while continuously keeping the life cycle of digital products under control.

Kordsa has implemented a big data platform that centralizes all production data and provides the fastest end-to-end traceability to prevent quality errors in a timely manner with advanced sensor systems and image processing technologies. Also, the company has made its supply chain and planning management more effective and flexible with optimizations and intelligent systems, as well as implementing projects that aid in the transition to the new digital infrastructure where each tool communicates with each other to facilitate daily work.

In the coming period, we plan to focus on improving the infrastructure of our primary systems. Work on corporate resource planning and central procurement in EMEA and Asia Pacific started in 2022.

In addition, Kordsa's information systems have remained unaffected by the global crises which further revealed the importance of digital systems. The company's infrastructure provided standard remote working and secure connection services to all its employees, and it ensures that all stakeholders are able to use the company's digital media with no interruptions to business.

2. Autonomous Technologies

One of Kordsa's priorities in the field of digital applications is robotic process automation. Its investments and implementation of many innovative technologies, such as image processing, mobile technologies, and machine learning help spread them around the world. As part of this, in 2021, Kordsa transformed a total of 65 business processes to run completely digitally with no human intervention, and it plans to increase the number of digitized processes to 100 in 2022 by transforming them with robotic automation.

In 2021, Kordsa developed its own robotic sensor system and installed them in its production plants around the world to actively monitor its production according to its understanding of quality products and services. Kordsa had also used image-processing technologies during the pandemic and started digitizing occupational health and safety processes for our employees. In addition, our investments into augmented reality that started during the remote working period continue.

Digital Transformation

Kordsa is taking steps to become the 'Digital Company of the Future', rising up to stand out from its competitors in the sector.

Our 2022 targets include the implementation of augmented reality, artificial intelligence, big data analysis, image processing, mobile technologies, 5G/LTE-A private online network structuring, machine learning, and the Internet of things, all of which we consider to be the building blocks of our digital journey.

In this regard, Kordsa prioritizes business partnerships with start-up companies, projects under the TUSIAD (Turkish Industry and Business Association) SD2 Program for Industrial Digital Transformation, university-industry cooperation, joint projects with Sabancı Holding companies and IoT (Internet of Things) projects run with Sabancı Dx to achieve its goals of quality, occupational safety, and efficiency.

3. Cyber Security and Infrastructure

Kordsa has earned the ISO 27001: 2013 Information Security Certificate, and completed an audit in 2021 with 99% success. We have decided to renew our certificate and implement these standards globally.

Kordsa considers its work on cyber security to be part of its digital transformation and regularly conducts vulnerability screening tests, phishing tests, and provides disaster recovery solutions. Kordsa's Security Operations Center is active in all the countries where it operates, in addition to other systems that are ready to take measures against any threat all over the world.

In addition to prioritizing business continuity according to its cyber security roadmap, Kordsa also regularly calculates risks, and makes strategic decisions through joint evaluations by the Board Members and the Early Detection of Risks Committee in accordance with the principle of transparency.

4. Digital Workforce

Kordsa considers the training of its employees in different fields during the digital transformation process to be very important, so it cooperates with Sabancı University, Sabancı Dx and many international consulting companies to achieve this.

It also invests in digital work environments for its employees and customers and continues to use its communication channels effectively so that stakeholders can do their work in the most efficient and secure way possible.

Project teams consisting of different business units and various human resources have developed advanced technologies by combining analytical approaches with their expertise to bring innovative solutions to customers.

With the aim of increasing the digital literacy of all its employees in 2022, Kordsa also closely monitors and contributes to the ecosystem of companies in the industry.

Kordsa sets a sustainable digital transformation strategy each year, starting from the top management. With competent management and expert teams, we invest in the right areas and take firm steps towards becoming the "Digital Company of the Future", rising to the top of the industry and standing out from our competition.

IN 2021

65

BUSINESS PROCESSES FULLY DIGITALIZED

HEDEF 2022'DE

IS TO FULLY DIGITALIZE

100

BUSINESS PROCESSES

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Research & Development

Innovation-Technology

Kordsa has adopted the concepts of "innovation" and "excellence" into its company culture, operating two R&D centers, one at the Izmit production plant and the other at the Composite Technologies Excellence Center of Techno-park Istanbul. Both comply with law no. 5746 and with approval by the Ministry of Industry and Technology, continue their efforts to industrialize new products, processes, and methods they develop. As per law no. 5746, Kordsa sends annual reports covering both R&D Centers to the Ministry of Industry and Technology. To date, we have successfully passed every annual audit conducted by reviewers and the commission appointed by the Ministry, who has decided to continue our incentives.

As of December 2021, 63 of Kordsa's R&D Center (Izmit) projects reported in its 12th interim report of the company were approved by the Ministry of Industry and Technology. At the 8th R&D and Design Centers and Technology Development Regions Summit Award Ceremony, organized by the Ministry of Industry and Technology, the Izmit R&D Center won first prize in the category of "D Group R&D Centers (76-250 R&D Personnel Employment)". It also ranked second at Inovalig 2020, in the category of Innovation Sources.

Kordsa's second R&D center has been conducting its activities under the same roof as Sabancı University at the Composite Technologies Center of Excellence at Techno-park Istanbul since 2016. As of December 2021, the Kordsa R&D Center (Istanbul) has 12 projects, and its 4th annual report was approved by the Ministry of Industry and Technology in September.

R&D Activities

Kordsa's research and development activities on materials, processes, and equipment create more effective production conditions, and offer more competitive, innovative products to its customers. As per law no. 5746 on supporting R&D activities, the Kocaeli Factory R&D center and Istanbul Techno-park R&D center have successfully passed their audits since 2009 and 2017, respectively.

Kordsa established its first R&D center in 2008, and it now has two R&D centers operating in the fields of tire reinforcement, thin film and flexible electronic technologies, composite technologies, compounding, and construction reinforcement. Through its research and development activities at the center in Izmit, Kordsa develops new products, processes, and technologies for industry, related sectors, and potential markets.

Kordsa's Izmit R&D center serves both the Turkish and the global market as an innovation kitchen for tire and construction reinforcement technologies. Kordsa's second R&D center, focused in the field of composite technologies, is located at the Composite Technologies Excellence Center, jointly founded by Kordsa and Sabancı University to bring production, innovation, and R&D under the same roof. In this center, researchers, designers, production engineers, production process managers, employees, doctoral students, postdoctoral researchers, faculty members, and incubation company entrepreneurs work together in the same ecosystem. Kordsa is an important supporter of open innovation in our country, and is a pioneering force leading university and industrial cooperation.

As part of this, Kordsa cooperates with many universities and organizations in Turkey and abroad in R&D and carries out joint projects in qualified specialties taught at universities. In 2019, Kordsa expanded its open innovation model in the field of composite technologies one step further and started to cooperate with the University of Sheffield in the UK together with Sabancı University, bringing the aerospace industry together with project partners with the goal of creating new ideas and opportunities that will contribute to the growth of the company.

1ST

1./8. R&D, DESİGN CENTERS AND TECHNOLOGY DEVELOPMENT REGİONS SUMMİT "R&D CENTERS EMPLOYİNG 76-250 R&D PERSONNEL" AWARD

Research & Development

Kordsa cooperates with many local and international universities and organizations in the field of R&D.

Kordsa has been working on an environmentally friendly adhesive formula with no resorcinol or formaldehyde called “Booster” since 2008. With the mission to develop better, more sustainable products for future generations in the field of tire strengthening technologies, Kordsa aims to make this environmentally friendly formula developed with an open innovation approach the new standard for adhesives in the industry, licensing it free of charge.

Kordsa is a partner in the European Union R&D and innovation program Horizon 2020 "PolynSPIRE (Demonstration of Innovative Technologies Toward More Efficient and Sustainable Plastic Recycling)" supported by the call for "Innovative Technologies for Efficient and Sustainable Plastic Recycling". A total of 21 project partners from 11 countries are working on the PolynSPIRE project with a budget of 10 million euros, with the main goal of serving the circular economy. The project has successfully moved into its 4th year.

The Kordsa R&D Center at the Composite Technologies Excellence Center has the best-equipped laboratory infrastructure in the field of composites in Turkey. They serially produce prepreg, cloth, and sandwich panels for product development and the composite industry. This R&D Center has developed a resin technology that increases the production rate of the automotive sector and increases efficiency. This new generation resin technology, called CM14, is specially formulated for carbon-looking cosmetic grade visuals, offering high visual quality by eliminating water stains and white spots and paving the way to use composite prepregs in automotive mass production. At the Composite Technologies Excellence Center, Kordsa has been working for some time on thermoplastic prepreg that can replace metal materials with advantages such as lightness, durability, longevity, and recyclability, and we have recently produced a prototype with a project partner from the automotive industry using thermoplastic prepreg.

At the Composite Technologies Excellence Center, Kordsa and Sabancı University are partners in another Horizon 2020 supported project called "DiCoMi (Directional Composites through Manufacturing Innovation)". Kordsa and Sabancı University are working together to develop systems, software, and materials to produce composite materials using 3-D printer technology. This project will last another year, subsidized by 3 million euros. It allows the exchange of qualified domestic and foreign labor within EU member states and other associated countries. A total of 15 project partners from 11 countries run the DiCoMi project as part of the Horizon 2020 program.

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Kordsa also has a project supported by EUREKA called "COMACH (Clean, Precise, and Defect-Free Composite Parts Machining Robotic System)". This project will design cost-effective, flexible robotic manufacturing solutions for processing composite parts, a system that will absorb the composite dust released during milling from the spindle, and a cloud-based monitoring system with improved accuracy and continuous process monitoring to ensure proper production the first time.

In addition to projects supported by external funding programs, Kordsa also has 1 project underway with the TUBITAK TEYDEB (Technology and Innovation Funding Programs Directorate) 1501 - Industrial R&D Projects Support Program, and 1 project underway with the 1509 International Industrial R&D projects Support Program.

Finally, Kordsa applied to the Technology-Oriented Industrial Action Program in 2021. It is also actively involved in the TUBITAK 2244 Industry-Doctoral Program, the Industry-Oriented Projects (SOP) Program, and the CYDD (the Association for Supporting Contemporary Life) Career Path Projects, offering senior undergraduate students personal development opportunities.

Kordsa established its Thin Film and Printable Flexible Electronics platform, which is one of the world’s new developing technologies and is expected to be widely used in the near future. Work on this new platform continues in cooperation with Kordsa and Sabancı University. Kordsa is working as a Research Program Executive Organization (RPEO) in coordination with PRESENTATIONS to the TUBITAK 1004 Center of Excellence Support Program with its project "Nanosis", a large-scale research project with 28 stakeholders in its second period.

Strong Team of 114 People

Kordsa’s team of about 114 people is developing future empowerment technologies in its two R&D centers. As of 2021, Kordsa has reached a total of 890 patent applications. Thanks to Kordsa's new products and more than 685 international patent applications, it has consolidated its leadership in intellectual property, tire, and construction reinforcement and composite technologies.

While considering changing market conditions and customer demands when making R&D investment decisions, Kordsa aims to consolidate its leading position in R&D and innovation, which is one of the cornerstones of its corporate culture, and to maintain its leadership in all its sectors.

2
R&D CENTERS

A TEAM OF
114
PEOPLE

890
PATENT REGISTRATION

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Quality Leadership

Kordsa has adopted a holistic quality management approach that covers all operations from procurement to production and delivery to customers.

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.

Kordsa uses a quality management system based on high product quality, continuous improvement, and customer satisfaction. As part of this, Kordsa has adopted a holistic quality management approach that covers all operations from procurement to production and delivery to customers.

We have earned the following quality management systems conformity certificates:

•ISO 9001 Quality Management System
• IATF 16949 Automotive Quality Management System
• AS9100 Aviation, Aerospace and Defense Industry Quality and Risk Management Standard

Product Quality Approach
In order to provide our customers with high-quality products, we established quality control points throughout our production plants, and we manage all processes based on standard operating procedures and the "0" error method.

To prevent possible quality errors in production, we apply a process control approach and Poka-Yoke systems. In each production process, we analyze possible risks to prevent quality errors.

We use visual error trapping systems in our plants and transfer data instantly on digital platforms to prevent errors and achieve high product quality performance. In addition, we regularly conduct audits to monitor our production performance and product quality that includes an internal error management system that complies with our philosophy of continuous development.

Customer Satisfaction
At Kordsa, we develop various applications to increase customer satisfaction with high quality products and services. Our goal is to keep customer satisfaction at the highest level based on customer feedback, by continuously improving the quality of our products, delivery performance, and service.

In order to manage customer complaints and track customer satisfaction, our infrastructure uses a "Document Management System" and a "Customer Complaint Management System". Our Quality Assurance Department manages and follows all customer feedback through an online registration system accessible by all our plants. An expert team consisting of Production, Sales, Supply Chain, Quality, Technic, R&D, IT, and Maintenance units assess all feedback. Depending on the type and complexity of the feedback, we choose the best method from among 8D, Decoy 8, 6 Sigma, Fishbone, and 5 Cause Analysis. We identify the root causes of problems, and plan and take actions to prevent recurrence. Next, we present a report to our customers with a detailed analysis of the feedback. We send a satisfaction questionnaire to our customers at the end of each process to evaluate the effectiveness of our problem solving approach. All our plants across the globe apply this approach. In addition, all our plants regularly conduct various analyses and report the results to senior management. We also hold regular quality network meetings to spread good practices with the goal of ensuring that all Kordsa plants implement the same standards, produce at equal standards, and to sustainably increase our quality performance.

Quality Management in Procurement
When choosing Kordsa suppliers, we prioritize partners that offer the products that meet our production quality expectations. First, our quality and purchasing teams evaluate potential suppliers in terms of quality systems, capacity, and sustainability. During this selection process, we take samples from suppliers who meet our criteria and our R&D Center performs the necessary tests on the samples. Suppliers that receive positive test results are approved.

Following the selection process, all suppliers on our global supplier list are given a 'Supplier Assessment' every year. We also share our feedback with suppliers through an online platform and follow up joint work.

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Key Financial Highlights

FINANCIAL INDICATORS (TL MILLION)	2020	2021
Turnover	4,536	7,891
Gross Profit	803	1,732
Operating Profit	384	1,326
Earnings per Share	8,05	39,72
Net Debt	2,428	3,984
Shareholders' Equity	3,278	6,484

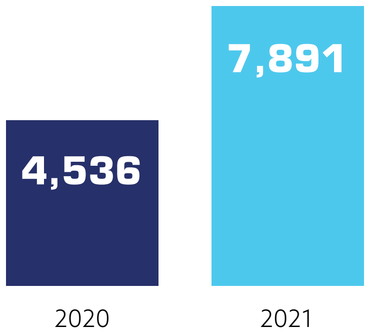
KORDSA CONTINUED TO ENSURE BUSINESS CONTINUITY WITH THE STRATEGIC DECISIONS TAKEN IN 2021.

SUMMARY RATIOS	2020	2021
Gross Profit Margin	17.7%	21.9%
Operating Profit Margin	8.5%	16.8%
Net Profit Margin	3.3%	10.8%
Return on Assets	2.0%	2.0%

TURNOVER

TL MILLION

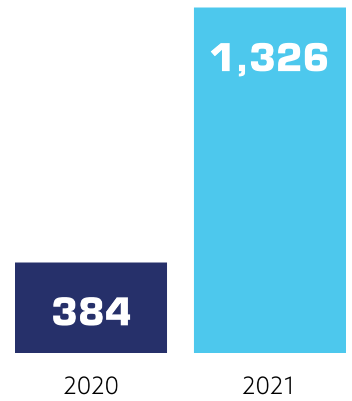
7,891



OPERATING PROFIT

TL MILLION

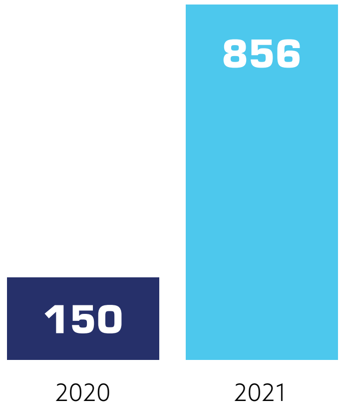
1,326



NET PROFIT

TL MILLION

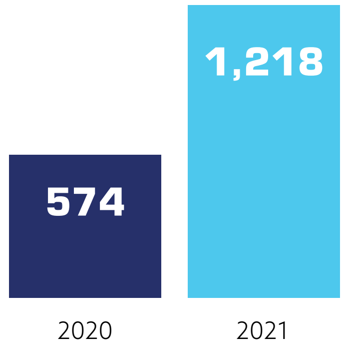
856



EBITDA

TL MILLION

1,218

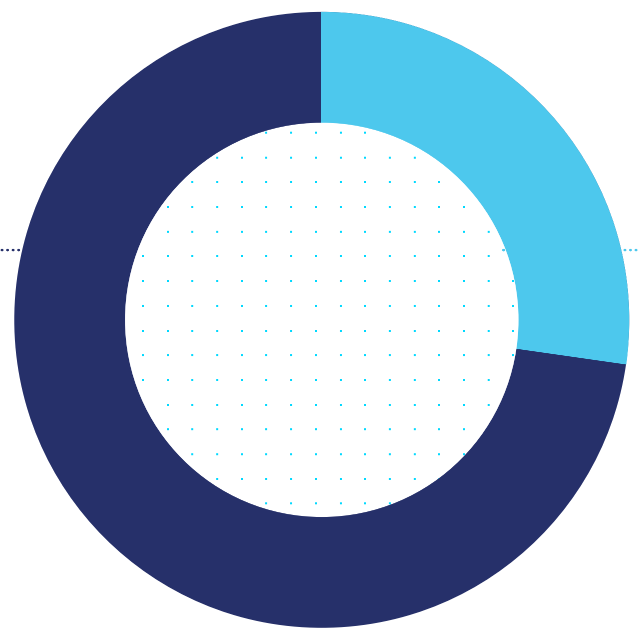


Shareholder Structure

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

71.11%

Shareholders
Hacı Ömer Sabancı Holding A.Ş.



28.89%

Shareholders
Other

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, financial services,
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 2021 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, Bridgestone, Carrefour, E.ON, Heidelberg Cement, Marubeni and Skoda.

In 2021, Sabancı Group posted combined sales revenue of TL 152 billion and consolidated net profit of TL 12 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 2021, 49.1% of Sabancı Holding's shares are publicly traded.

Sabancı Group companies currently operate in 14 countries as of year-end 2021 and market their products in regions across Europe, the Middle East, Asia, North Africa, North and South America.

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

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Chairman's Message

CEVDET ALEMDAR
CHAIRMAN

As Sabancı Holding, we are working to become a next generation pioneer of this transformation process.

ESTEEMED INVESTORS, VALUED BUSINESS PARTNERS AND COLLEAGUES,

In the last two years, our working habits, priorities and methods underwent a rapid change. The negative effects of the COVID-19 pandemic on the global supply chain, ranging from raw materials to finished products, continued. The domino effect of plant closures and supply shortages across the extended supply network quickly led to significant supply chain disruptions.

Despite these developments, Kordsa remained a global company with a strong global supply chain. We continued production without interruptions, and provided our customers with the services they needed. As a global company with activities in five different countries across four continents, Kordsa extended and diversified its supplier portfolio from more convenient locations in order to minimize supply risks. Supply chain problems, especially in the Far East, increased Kordsa's strategic position in the tire reinforcement technologies sector.

In this process, Kordsa's digital operational excellence infrastructure helped it to effectively plan its daily operations globally. Kordsa optimized its logistics operations by creating alternative routes and solutions to overcome challenges, and was able to provide business continuity during the pandemic in Turkey as across the entire world.

Establishing long-established partnerships with customers, maintaining close and transparent communication with them, foreseeing market needs, and creating the technology of tomorrow today all enabled Kordsa to overcome fluctuations in supply and demand across 2021.

Thanks to increasing product demand and Kordsa's precautions against supply-chain problems, we have become one of the leading companies in the sector, taking a 26.6% share in the global nylon market and a 12.3% share in the global PET market.

These have positively reflected on Kordsa's financial indicators. Despite the effects of the global chip shortage on the automotive industry and pandemic-related supply-chain problems, Kordsa increased its operational profitability by 70%, and its net profit by 360% compared to the previous year; thanks to high capacity utilization rate and effective cost management in tire reinforcement.

While 30% of Kordsa's composite materials product portfolio consisted of non-aviation products up until three years ago, this share increased to 53% with the expansion of its product range in the automotive and green energy markets.

Being competitive in global markets, creating a difference, and representing Turkey across the world have always been our business priorities. In tandem with these, Kordsa's primary goals also include global leadership in tire reinforcement technologies, global leadership among advanced materials companies, and a strong position in construction reinforcement technologies. To attain these goals, Kordsa is pursuing growth through new acquisitions; and also leverages organic growth opportunities by developing new technologies with a focus on sustainability.

At Sabancı Group, Kordsa's parent holding, we see sustainability as an integral part of our strategy. We include efficiency and circular economy practices across our entire value chain, and strive to achieve sustainability through product life-cycles.

At Kordsa, we aim to reach net zero emissions by 2050 with our commitment to the Science-Based Targets Initiative to help limit global warming to below 1.5°C. As a company, we hope to become a pioneer in our sector with our sustainability goals for 2030 and 2050.

Innovation is Kordsa's most powerful tool in reducing waste and ensuring efficient resource use. In this regard, sustainable chemicals, bio-based polymers, polymer recycling technologies are all in the forefront of our innovation agenda.

Composite materials, which play a crucial role in sustainable mobility, are also a strategic business line for Kordsa. While lightening vehicles with advanced technology materials, Kordsa also promotes low carbon emissions; thus contributing to a sustainable future of mobility. Kordsa's carbon fibers, which are used in the production of lightweight battery enclosures of EVs, are also a great contribution in this regard.

While reinforcing one out of every three automobile tires and two out of every three aircraft tires on the planet, we now reinforce engines, wings and the hulls of aircraft with composite materials. With the aerospace industry gradually recovering from the effects of the pandemic, our business line in aircraft reinforcement now looks set to grow.

Composite materials, with their lighter, durable and strong features, contribute to sustainable mobility in the aviation industry by reducing fuel consumption.

In light of our vision to reinforce life, I would like to thank all our stakeholders; and all our colleagues for their contribution to our unprecedented success in these challenging times.

CEVDET ALEMDAR
Chairman

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. Yildiz'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.

GÖKHAN EYIGÜN
Member

Mr. Gökhan Eyigün graduated from Management Engineering Department of İstanbul Technical University with honors degree in 1998. He had his MBA degree from Rotterdam School of Management in 2004; moreover, he attended several executive programs at Harvard Business School. Mr. Eyigün started his career at Arthur Andersen in 1998 where he was mainly specialized in Corporate Finance Advisory. He, then, took responsibility in the formation of Corporate Finance and M&A Advisory department at PricewaterhouseCoopers in 2004 and led the department afterwards. In 2007, Mr. Eyigün joined Sabancı Group where he contributed to Strategy and Business Development department at various executive roles until 2018. He served as the Secretary General of Sabancı Holding and the General Manager of Exsa, Tursa and AEO companies between 2018 and 2021; and he worked as the Executive Board Member of Temsa Motor Vehicles between 2020 and 2021, in addition. He was appointed as the Group President of Strategy and Business Development at Sabancı Holding in 2021. He continues to serve as the Secretary General of Sabancı Holding at the same time.

N. ORHUN KÖSTEM
Member

Orhun Köstem received his bachelor's degree from Middle East Technical University Mechanical Engineering Department in 1991 and completed his MBA Program at the same university. He also has a master's degree in Finance and Corporate Law from Bilgi University. Mr. Köstem joined Anadolu Group in 1994 and held various management positions until 2008. In 2008, he was appointed as the CFO of Efes Breweries International and in 2009 continued his career as Corporate Finance Coordinator of Anadolu Group. Mr. Orhun Köstem pursued his career in Coca-Cola İçecek where he worked from 2010 to 2016 as the CFO and from 2017 to 2018 as the Regional Director responsible for Middle East and Pakistan. Mr. Köstem served as the CFO of Anadolu Efes between 2019 and 2021. Mr. Köstem has been in charge of Group CFO of Sabanci Holding since July 1, 2021. He is also the Chairman and Member of the Board of Directors of Carrefoursa and Kordsa, respectively. Mr. Köstem is one of the three authors of the book "A Window to Capital Markets: The A to Z of Public Offering and Investor Relations" published in 2009. In 2016, 2019, 2020 and 2021 he was listed among "Turkey's Most Influential 50 CFOs", according to a research conducted by BMI Business School in collaboration with DataExpert. He was awarded as Turkey's Best CFO in the Investor Relations Awards organized by Thomson Reuters Extel in 2011 and 2013, while he was also honored with the "Best CFOs" by Sell Side analysts in Consumer Sector in Emerging EMEA by Institutional Investor Magazine and Institutional Investor Research Group in 2020. He is also a member of CFO Network of World Business Council for Sustainable Development (WBCSD).

MEHMET SAMİ
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.

GÜNGÖR KAYMAK
Independent Member

Güngör Kaymak, having graduated from Middle East Technical University (METU) Department of Industrial Engineering, started his professional career at Arçelik as an investment and planning project engineer in 1984. He then worked as an investment specialist at Auer and planning manager at Cerçelik. Kaymak joined IBM Turkey in 1989 and held various roles in international procurement, OEM, business solutions and sales departments until 1997. He worked for Hewlett Packard Turkey and assumed manufacturing and public sector sales manager roles in 1997-2001 and then moved to SAP Turkey as marketing and sales Director.

Kaymak joined Sabancı Group as the sales and marketing director of I-Bimsa in August 2002 and assumed BİMSA A.Ş. general manager role in 2004. He has also undertaken general manager role for Sabancı Telekom in 2005-2009, Sabancı Holding CIO and Bimsa board membership roles in 2011-2014 in addition to his main assignment. Kaymak moved to HP Turkey general manager role in 2014 and he is currently working as managing director of Hewlett Packard Enterprise (HPE) Turkey, Kazakhstan & Kyrgyzstan Cluster.

He is a member of TÜBİSAD, TÜSİAD, YASED, TBD and TBV. Kaymak participated in the advisory boards of the Industrial Engineering department of Bilkent University and the Computer Engineering department of Yeditepe University for a few years in the past and he is currently giving mentorship to executives in Turkey and abroad.

CEO’s Message

ALİ ÇALIŞKAN
CEO

TEEMED INVESTORS, VALUED BUSINESS PARTNERS AND EMPLOYEES

Together with its challenges, 2020 also caused great changes in our lives. The increase in vaccination rates, the recovery of economies, and adaptation to the new lifestyle under pandemic conditions gave us hope in 2021. As 2020’s uncertainties fade away in many areas in 2021, we gained new perspectives. Certainly, 2021 came with its own challenges, but at the end of the year, we proved once again that we are a resilient, agile company and that we can overcome anything when we walk side by side with our business partners.

As Kordsa, we are an established company with more than 4,800 employees at our 12 facilities, and our diverse multicultural structure makes us stronger. We successfully carry out our operations all over the world, across different workplace settings and cultures, always in harmony and team spirit.

In 2021, we maintained our profitability while ensuring our business continuity in all countries in which we operate. Compared to 2020, we increased our

operating profitability by 70% and our net profit by 360%. Through the successful outputs of our strategic investments and innovation efforts, our net profits reached 856 million TL; our operational efficiency grew; and our EBITDA reached 1.2 billion TL.

We are continuing our reinvention of Kordsa as an advanced materials company across all our business lines. Still, as we are experiencing the effects of the climate change, it is imperative that we act responsibly by “walking the talk” for sustainability. At KORDSA, our motto is "Inspired, We Reinforce Life”. Accordingly, we contribute to sustainability in every step we take.

The primary goal of our R&D platforms is to transition our product portfolio into sustainable products. In 2021, we continued to evaluate the sustainability performances of our suppliers, and focused on increasing cooperation opportunities in order to reach Kordsa's 2050 sustainability goals.

We develop energy efficiency and water saving projects in our production processes, and focus on roadmaps to reduce our emissions. We also contribute to social sustainability with social projects that support gender equality and education across the countries in which we operate. We aim to reduce our water consumption and waste by 50% until 2030; and to reduce waste and carbon emissions by 100% until 2050 - as well as increasing renewable energy usage in all our facilities.

In 2021, we started to provide cord fabrics produced from recycled nylon yarn to for use in tire reinforcement technologies. These nylon yarns have been awarded a Global Recycled Standard (GRS) certificate, which verifies the content of recycled materials in a final product. This technology, does not compromise on quality and safety; and is a key milestone in our journey to become the sustainable materials leader of the future.

We are actively reporting on our climate and water-related risks and opportunities through the Carbon Disclosure Project (CDP) Climate Change and Waters programs since 2016.

In the reporting period of 2021, we improved our score to “A” in water security and have been included in the Global A list. Out of 118 companies worldwide,

Compared to the previous year, our operating profit increased by 70% and our net profit increased by 360%. Through the successful results of our strategic investments and innovation efforts; our net profits reached 856 million TL, and we also increased our operational efficiency.

CEO's Message

In the light of our vision of "Inspired, we Reinforce Life", we are contributing to to sustainability in every step we take.

Kordsa is one of the 3 companies in Turkey that achieved this rating.

In the 2021 CDP Climate Change Program, we once more were awarded with an "A-" score. We were also awarded an "A" score in the CDP Supplier Engagement Rating, which is designed to evaluate corporate supply chain engagement in the fight against climate change.

We won a Sustainable Business Award, in the Cooperation category with "Cookon", our environmentally friendly dipping technology which our R&D department developed in cooperation with Continental. With this exemplary position, we are proud to lead the industry with sustainable technologies, and our sustainability performance is improving every year.

Our colleagues are vital in our journey to reinforce life. Hence, employee satisfaction is essential for Kordsa. We create inclusive work environments where individual differences are respected and valued, and we support the personal development of our employees.

We believe that diversity generates new ideas by triggering creativity and performance. In 2021, our production facility in Brazil was once again included in Brazil's "The Most Amazing Place to Work" list, while also winning the title of being the best textile company to work for in the country. We are delighted to be included on this list three years in a row.

As the world is digitizing at a rapid pace, we embrace "Digital Transformation and Industry 4.0" as a corporate culture. We are undertaking the digital transformation of all products, processes and methods across our home markets. We are focusing on automation, data collection, data security and sensor technologies. In all our facilities and processes, we have established next-gen technologies; and integrated data collection systems that enable us to make smarter decisions with data analytics. Third-party institutes regularly evaluate our Digital Maturity and Cyber Security levels. We focus on new technology and development opportunities with short-term 3-year strategic plans.

The scope of our work and our influence is continually growing. In construction reinforcement, we added Kratos Rebound Minimizer, a shotcrete additive that reduces rebound in tunneling and mining applications; and in 2020, we added Kratos Pool Fiber used in pool plaster applications in our product range.

In 2021, we added carbon fiber reinforced polymer-based products and structural reinforcement products consisting of distinctive adhesives to our Kratos product line.

In addition to investments in existing business lines, our efforts for new business lines continue. Our Nanosis-1004 project, which we started in 2019 on our "Thin Films and Flexible Electronics" R&D platform, focuses on flexible electronics applications and the effects of these applications on various vehicle, health and textile industries. Sustainable chemicals, bio-based polymers, polymer recycling technologies are also in our agenda.

Our goal is to maintain our global leadership in tire reinforcement technologies; to strengthen our position in construction reinforcement technologies; and to become one of the world's leading advanced materials companies with our expanded portfolio that includes recent composite investments.

I am convinced that even better days are ahead of us. I would like to thank all our Reinforcer colleagues, who work dedicatedly to reinforce life; our business partners; customers; and our shareholders for their valuable support.

Together we will create a better future!

ALİ ÇALIŞKAN
CEO

Our goal is to maintain our global leadership in tire reinforcement technologies, to strengthen our position in construction reinforcement technologies, and to become one of the world's leading advanced materials companies with our product portfolio that we have expanded with composite investments.

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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
Chief Operating Officer, Europe, Middle East, Africa (EMEA)

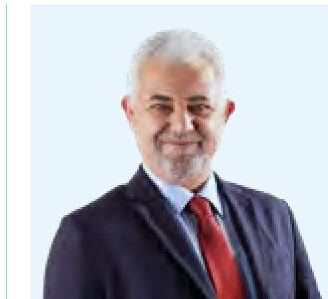
Volkan Özkan graduated from Istanbul Technical University, Department of Business Engineering. He started his professional career at JICA in 2001, as Project Assistant. He joined Kordsa in 2003 and served as Financial Affairs Specialist between 2003-2009. He worked as the Finance Manager between 2009-2011 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).

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.

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.

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.

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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 fromMiddle 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.

DENİZ KORKMAZ
Chief Technology Officer

Deniz Korkmaz graduated from Middle East Technical University Department of Chemistry in 1996 and received her MSc. and Ph.D. degrees from the same department 1998 and 2006, respectively. She started her professional career at Middle East Technical University as Research Assistant in 1996. She worked as Postdoctoral Research Fellow at City University of New York between 2004 - 2006. She joined Kordsa as R&D Laboratory Leader in 2008. She worked as Platform Leader, Research & Labs between 2011 - 2013. She was assigned as Platform Leader, Composite Reinforcement between 2013-2018. Ms. Korkmaz assumed the position of Composite Technologies Director, EMEA in 2018 and continued this duty until September 2021. As of September 1, 2021, she was appointed as Chief Technology Officer.

MEHMET İLKER ÇALIŞKAN
Chief Strategy and Business Development Officer

Graduated from Marmara University Faculty of Business Administration, Department of Accounting and Finance, İlker Çalışkan started his professional career at Deloitte as an accountant in 1993 and after several positions in İstanbul and London Office was assigned as Senior Audit Manager assuming his role until 2003. He worked at Family Financial Institution as Financial Controller between 2003 and 2005. İlker Çalışkan joined NETAŞ Telecommunication in 2005 as Finance Director. He continued his career as Chief Financial Officer between 2008 and 2019. In addition to this role he assumed Deputy Chairman of the Executive Board role as double hatted in 2019 and represented Netaş as a Board Member in Netaş subsidiaries. He is a Certified Public Accountant. İlker Çalışkan joined Kordsa as of 4th of October 2021 as "Chief Strategy and Business Development Officer".

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Kordsa in Brief

Tire Reinforcement Technologies

SINGLE-END CORD

AUTOMOTIVES INDUSTRY

MECHANICAL RUBBER GOODS

CORD FABRIC

PASSENGER VEHICLES

CONSTRUCTION EQUIPMENT

AVIATION

HEAVY-DUTY VEHICLES

LIGHT COMMERCIAL VEHICLES

AGRICULTURAL EQUIPMENT

INDUSTRIAL FABRICS

MECHANICAL RUBBER GOODS

Composite Technologies

FABRICS AND PREPREGS*

AEROSPACE AND AVIATION

AUTOMOTIVE

INDUSTRIAL APPLICATIONS

MARITIME

SPORTS EQUIPMENT

* Resin impregnated fabric

Construction Reinforcement Technologies

SYNTHETIC FIBER REINFORCEMENT

INFRASTRUCTURES

SUPERSTRUCTURES

MINES

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Global Footprint

4
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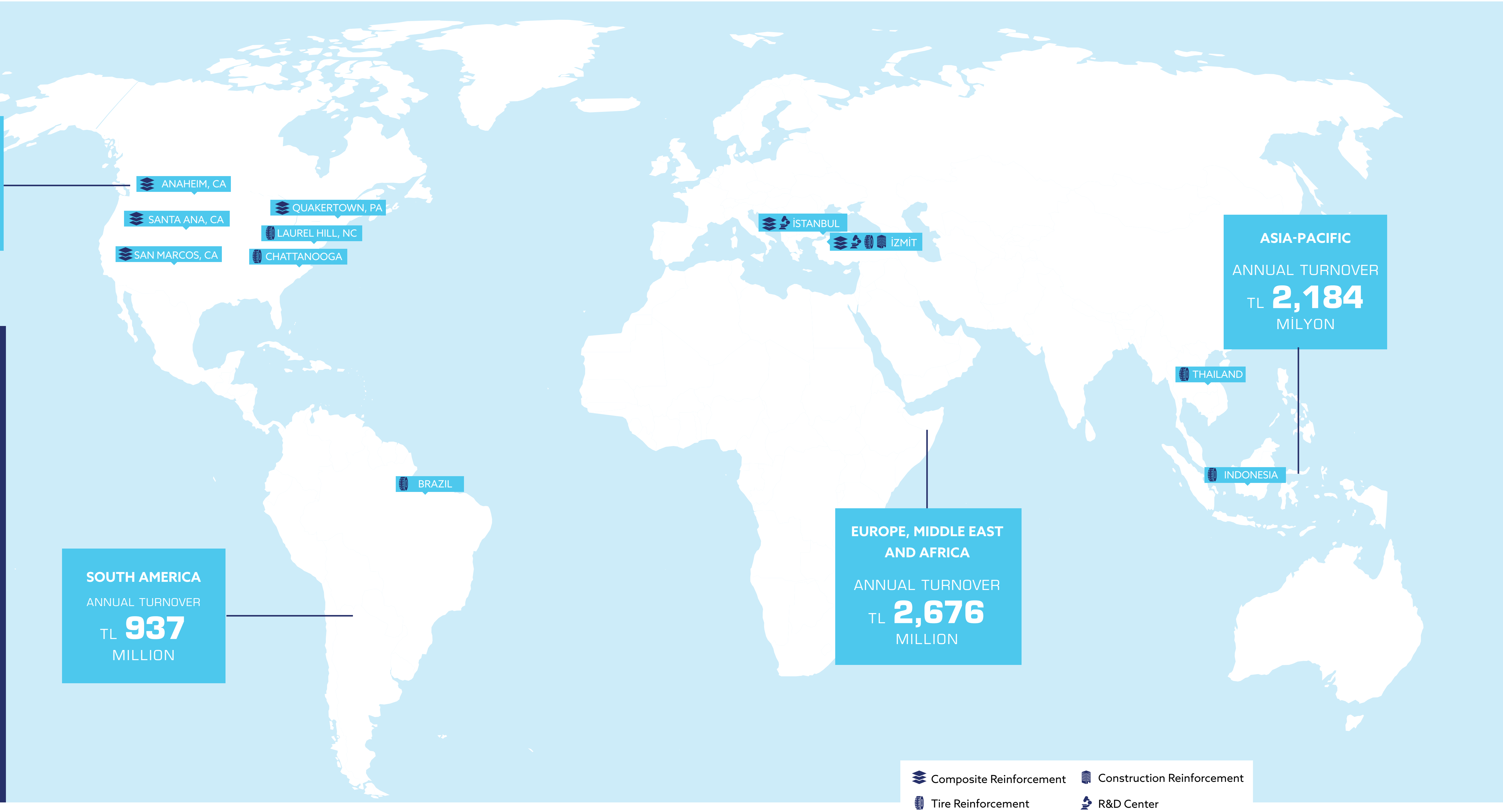
12
FACTORIES

2
R&D CENTERS

4,844
EMPLOYEES



NORTH AMERICA
ANNUAL TURNOVER
TL **2,095**
MILLION

SOUTH AMERICA
ANNUAL TURNOVER
TL **937**
MILLION

EUROPE, MIDDLE EAST AND AFRICA
ANNUAL TURNOVER
TL **2,676**
MILLION

ASIA-PACIFIC
ANNUAL TURNOVER
TL **2,184**
MİLYON

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Kordsa in 2021

AT KORDSA, WE DEVELOP ADVANCED MATERIAL TECHNOLOGIES FOR THE FUTURE WITH OUR PASSION FOR INNOVATION, AND WE REMOVE BOUNDARIES BY DIGITALIZING PRODUCTION PROCESSES AND ROUTINES.

We are inspired to reinforce life

Please scan the QR code to read the articles of Kordsa at Medium.

Kordsa in 2021

JANUARY

Kordsa earns two Awards at the TUSIAD SD2 Program
The 'Limited Space and Personal Protective Equipment Control for OHS' project, carried out in cooperation with Intenseye as part of the TUSIAD Industrial Digital Transformation Program, earned an award in the International Competitiveness category. Vodafone, the Gold Sponsor of TUSIAD SD2 this year, also gave Kordsa an award in the Vodafone category, out of the nine projects participating.

Kordsa Receives Another Certificate of Domestic Goods
Last year, the Istanbul Chamber of Commerce awarded the carbon prepreg products Kordsa uses in its composite technologies with a "Domestic Goods Certificate". It received another Domestic Goods Certificate for its Aramid products, which are resin-coated woven fabrics. These certificates will give Kordsa's composite technologies many advantages in domestic promotion and sales.

İSTANBUL SANAYİ ODASI YERLİ MALI BELGESİ TOBB

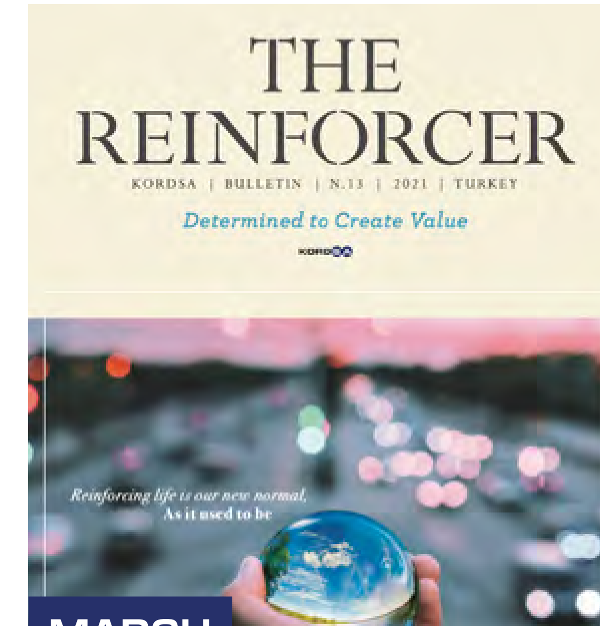
Certificate of Safe Production for Kordsa Izmit and the Composite Technologies Excellence Center
Following the COVID-19 outbreak, Kordsa prioritized improving the health of its employees, stakeholders, and society. Our Izmit plant and the Composite Technologies Excellence Center, where we took all the measures necessary, earned the "TSE COVID-19 Safe Production Certificate".

Axiom Materials awarded a Carbon Neutrality Certificate
Axiom Materials earned a Carbon Neutrality Certificate in 2019, demonstrating its commitment to corporate social responsibility and contributing to a sustainable future.

FEBRUARY

Axiom Materials introduced its new CerFaceTM AX-8810 product
Axiom Materials announced its newest product line of Oxide-Oxide CMC surface coating films called CerFace. The first product was CerFaceTM AX-8810, a surface coating film designed to improve the outer surface of ultra-high temperature CMC components to reduce production costs and improve the product's life cycle.

Kordsa earns an award from Ford Otosan
Kordsa and Ford Otosan cooperated to design the new Composite Spring technology to lighten truck chassis systems. This project won the "Engineering Achievement" award at Ford Otosan's Product Development Awards of the Year. In addition to reducing the weight, the Composite Spring technology provides the instant tracking and monitoring needed to optimize business processes.



MARCH

The 13th edition of The Reinforcer issue came out!
Sektör profesyonelleri ve akademisyenlerin lastik The 13th edition of The Reinforcer was published, featuring articles by industry professionals and academics about the latest developments in the field of tire and construction reinforcement and composite technologies.

Kordsa in 2021

APRIL

Boosters ran for the 'Laughter Heals Association'
In 2021, Kordsa Boosters ran the Istanbul Half Marathon for children undergoing cancer treatment, collecting donations for the 'Laughter Heals Association', who build hygienic play centers for children.

Sustainability Summit: A Value-Oriented Approach Event
Kordsa's CEO Ali Caliskan attended the Harvard Business Review Summit to take part in discussions on the value-oriented sustainability approaches that became a priority as the pandemic wore on.

JUNE

Kordsa made two presentations at JEC Composites Connect!
Kordsa attended JEC Composites Connect, which brings composite developers from all over the world together, and made two presentations. Market Growth Manager Elif Erdoğan made a speech on ceramic matrix composites for high temperature applications and Head Engineer of Axiom Materials R&D Wylie Simpson talked about 'Next Generation Solutions in the Composite Market'.

Kordsa participated in the World Environment Day Conference
The World Environment Day Conference organized by the Sustainability Academy took place on June 4th. Kordsa's CEO Ali Caliskan attended the conference and talked about the company's approach to sustainability and its actions in this field.

Kordsa starts a TR Instagram account
Developments in many Kordsa areas, from composites to construction and tire reinforcement technologies, from sustainability to innovation, were posted on the @kordsatr instagram account.

Kordsa reduces battery weight for electric vehicles
Making advancements through new investments in the field of composites every day, the leading reinforcement industry actor Kordsa supplied British company, TRB Lightweight Structures with carbon fiber fabric for their mass production of battery cases for electric vehicles.

MAY

Digital launch of Kratos Structural Reinforcement products!
Providing practical, high-performance solutions, Kratos Structural Reinforcement Products were presented at the digital launch event.

AUGUST

Kordsa's 2019 Sustainability Report earns an award
The 2019 report earned a Silver medal for 'Asia's Best Strategic Prioritization Reporting' at the Asian Sustainability Reporting Awards held annually to recognize good practices in sustainability reporting.

The 2019 Sustainability Report also won a gold medal at the ARC Awards!

Kordsa went to Ceramics Expo 2021
In 2018 and 2019, Kordsa acquired American-based Fabric Development Inc. (FDI), Textile Products Inc. (TPI) and Axiom Materials and in 2021, it went to Ceramics Expo 2021 with these companies, displaying their expertise and solutions in the fields of aviation, space, and the defense industry with expo participants.

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Kordsa in 2021

SEPTEMBER

Türkiye Döngüsel Ekonomi Platformu

Kordsa became a member of the Turkish Circular Economy Platform

Kordsa became a member of the Turkish Circular Economy Platform to get better results in its sustainability efforts and to ensure that all its operations adopt a circular economy approach.

The digital duo of Brisa and Kordsa take a brand new step in digitalization in Turkey

Türkiye'de dijital dönüşüme katkı sağlayan şirketlerden olan, iki Sabancı Topluluğu Brisa and Kordsa, two Sabancı Group companies that contribute greatly to Turkey's digital transformation, initiated a digital project that places companies' purchasing and ordering operations into the hands of artificial intelligence. To do this, data flowed between Robi, Brisa's artificial intelligence teammate, and Jojo, Kordsa's digital assistant, automating pre-order operations. This project increased the efficiency of the purchasing and sales operations teams and reduced the risk of errors, while keeping the stock of raw materials at an optimum level resulting in financial contribution.

Kordsa issued its 2020 Sustainability Report!

Kordsa shared its managerial, social, economic, and environmental performance developments set out according to the motto, 'Our passion is to empower life'.

Kordsa continues to empower our teachers raising future generations

As part of its cooperation with the Teacher Academy Foundation (ORAV), Kordsa contributed to the "Interactive Course Design in Online Education" program, training 70 teachers in December 2020 in Izmit, where its main factory is located, at the Teacher Academy Foundation. By the end of the year, the company had supported 200 more teachers to take this training.

ÖĞRETMEN AKADEMİSİ VAKFI

Kordsa broadcasts "The Future of Work & New Business Life" live on YouTube

Researcher, author, and leader of Universum Turkey, Evrim Kuran and Kordsa Global Human Resources Group Manager Elif Gul met on a live broadcast of Kordsa's YouTube channel to talk about the future of business.

NOVEMBER

Kordsa declared the Best R&D Center in Turkey for the 3rd time in a row

Leading in the composite technologies industry and producing more efficient, environmentally friendly technologies, Kordsa won the first prize at the 8th Summit of Technology Development Regions and R&D Centers held by the Ministry of Industry and Technology. With 12 plants in 5 countries working in the field of tire and construction reinforcement and composite technologies, Kordsa was selected as the best R&D Center in Turkey in the category evaluating R&D centers with 76 to 250 personnel.

Kordsa won the "inter-enterprise cooperation" award for its Cokoon technology at the Sustainable Business Awards

Istanbul hosted the 8th edition of the Sustainable Business Awards this year, and Kordsa won the award for inter-enterprise cooperation category with its eco-friendly technology Cokoon, which is available free of charge for use by the sector.

DECEMBER

CDP DISCLOSURE INSIGHT ACTION
A LIST 2021
WATER

Kordsa is 1 of the 3 Turkish companies to have a place on the "A" List of the Carbon Transparency Project (CDP) Water Program Valuation

Kordsa has participated in the CDP Climate Change and Water Programs valuation since 2016, and it increased its rating in the water program in 2021 to be included on the A-list, which is the most prestigious level. This made it 1 of the 118 high performance companies out of 12,000 evaluated worldwide taking effective, transparent, and measurable steps to protect water resources.

Tire Reinforcement Technologies

Kordsa manufactures cord cloth and single cord products that serve the needs of the tire reinforcement industry by processing nylon 6.6, HMLS, polyester, rayon and aramid yarns in its high-tech plants to provide vehicle tires with flexibility and strength. Kordsa's years of experience has resulted in strategic business partnerships with the largest tire manufacturers thanks to its know-how, reinforcement technologies, R&D efforts, and innovative approach.

Kordsa reinforces 2 out of every 3 aircraft tires and 1 out of every 3 automobile tires.

Reinforcing one out of every three automobile tires and two out of every three aircraft tires around the world, Kordsa is recognized as a "Booster" worldwide thanks to its strong global footprint, technology leadership, and experience in reinforcement technologies. Kordsa is the market leader in the production of nylon cord cloth and polyester cord cloth in the Europe-Middle East-Africa region. In the Asia-Pacific region, Kordsa is the second largest manufacturer of nylon and polyester cord cloth. In addition to being the only polyester and cord cloth manufacturer in South America, Kordsa is also the leading nylon cord cloth manufacturer in North America.

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, heavy-duty 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.

Tire Reinforcement Technologies

It operates in a wide geography ranging from the Americas to the Asia Pacific.

Kordsa has been working on an environmentally friendly adhesive formula free of resorcinol and formaldehyde since 2008 with the mission of developing better, more sustainable products for future generations in the field of tire reinforcement technologies. As one of the biggest supporters of open innovation, Kordsa combined its deep knowledge and expertise in this field with Continental, an important player in the tire industry. Working together, Kordsa is developing the chemical structure of the formula used in the rubber cord cloth bath, and Continental is developing application-related technologies. The resulting formula is environmentally friendly and is an alternative to the resorcinol and formaldehyde-based formula used for 80 years. To make this invention the new standard of the entire industry, Kordsa and Continental have freely licensed its model around the world.

Kordsa's extensive knowledge in reinforcement technologies, intensive R&D studies, open innovation culture, and strategic approach to tire reinforcement has made it the technology leader in the industry. With operations across a wide region extending from America to Asia Pacific, Kordsa aims to create sustainable values for its customers, employees, stakeholders, and communities by offering innovative reinforcement solutions.

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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 tire manufacturing processes without the need for additional investment, Kordsa's strategic focus is on local tire-manufacturers in developing and growing markets such as those of India and China where considerable progress has already been made in positioning and commercializing the product.

TWIXTRA®

Hybrid Cord Solutions

Cords that are made from twisting two or more different fibers together are known as "hybrid cords." Twixtra®, a registered Kordsa trademark, is the name under which a group of hybrid cord products are commercially marketed to industrial users. While steady growth in the worldwide demand for high-speed performance tires has been nourishing interest in and demand for Twixtra® products, Kordsa has also begun supplying these products to developing-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.

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Composite Technologies

A one-stop solution partner, Kordsa develops and manufactures customer specific sandwich panels made of fabric, resin impregnated fabric (prepreg), adhesive films, surface films, honeycomb structures, and honeycomb sandwich panels.

Kordsa develops innovative and unique composite technology products and applications for various industries including aerospace and automotive, sports, marine, rail systems, and construction. A one-stop solution partner, Kordsa develops and manufactures customer specific sandwich panels made of fabric, resin impregnated fabric (prepreg), adhesive films, surface films, honeycomb structures and honeycomb sandwich panels.

Thanks to its state-of-the-art equipment, competent staff, and experience in weaving and coating technologies, Kordsa serves the composite industry with short delivery times and high-quality products.

An Open Innovation Center in the Europe-Middle East-Africa (EMEA) Region

Kordsa's production plants in the EMEA region are the Izmit Cloth Weaving Plant and the Composite Technologies Excellence Center, run in cooperation with Sabancı University. Producing thermosetting prepreg, honeycomb structures, and/or finished sandwich panels made of various materials needed by customers in the aerospace, automotive, sporting goods, marine, rail systems, and construction industries, Kordsa's flexible manufacturing capabilities set it apart from its competitors and its expertise in weaving offers a wider range of fabrics. Kordsa's production plant at the Composite Technologies Excellence Center and Sabancı University laboratories are certified AS9100D.

The Composite Technologies Excellence Center serves as an open innovation base and houses Kordsa's second R&D center, bringing designers, engineers, production process managers, doctoral students, postdoctoral researchers, faculty members, and entrepreneurs under the same roof. Our center is an excellent candidate for the TUBITAK 2244 Industrial Doctorate Program, with a staff of 12 faculty members, 48 doctoral students, 26 graduate students, 53 researchers, engineers and technicians, and 8 postdoctoral researchers. Thanks to its collaborative ecosystem, Kordsa offers its customers special services from basic research to prototype production and serial production of intermediary products, including all stakeholders in all phases of research and development, and moving Kordsa beyond customary production models.

The Kordsa Composite Technologies Excellence Center is one of the few test and prototype production centers in the world, developing thermoplastic prepreg that can replace metal materials with advantages such as lightness, durability, longevity, and recyclability. The first prototype part was produced together with a project partner from the automotive industry. The addition of this material to the portfolio has made it possible to produce composite parts in cycle times, meeting the expectations of the automotive industry. Extensive work at the R&D center resulted in a new resin system designed specifically for heavy commercial vehicle leaf springs, which were a big hit with the composite industry at JEC World 2019, considered the largest composite exhibition in the world. With their high mechanical performance and long fatigue life, prepregs developed for the automotive industry have made a difference.

Kordsa is involved in a European Union-supported project with Sabancı University within the Composite Technologies Excellence Center, working to develop systems, software, and materials to produce composite materials using 3-D printer technology. The project includes 16 project partners from 11 countries as part of the Horizon 2020 program.

The Composite Technologies Excellence Center serves as an open innovation base and houses Kordsa's second R&D center, bringing designers, engineers, production process managers, doctoral students, postdoctoral researchers, faculty members, and entrepreneurs under the same roof.

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Composite Technologies

With brand new investments, Kordsa has reached a new level that will make the Company a global player in the field of commercial aviation.

Kordsa and 7 other partners, including 2 universities and 5 German and Turkish industrial companies, are involved in another project supported by the European Union to produce composite repair materials with nano-material additives for the aviation sector. Project outputs will be tested and approved by Turkey's leading aviation repair and maintenance company before being used.

A Global Player in the Field of Commercial Aviation

With brand new investments, Kordsa has reached a new level that will make the company a global player in commercial aviation. In parallel with its strategy to increase its global market share and expand its product range, in 2018 Kordsa incorporated the companies of Fabric Development, Textile Products, Advanced Honeycomb Technologies, all of whom are major players who provide advanced composite materials to the aerospace industry.

In 2019, Kordsa acquired Axiom Materials, which develops prepregs, adhesive films, and surface films made of different fabric technologies for the space and aviation industries, as well as for the next generation of transportation vehicles. The high-tech materials produced by Axiom Materials are used in many next-generation applications in different industries as well as aircraft engines. Thanks to Axiom Materials, Kordsa has completed its high-tech composite intermediate product range, making it the leading player in high temperature resistant oxide-oxide ceramic prepreg used in aircraft engines market. At the same time, Axiom Materials has started a new cooperation, signing a license deal with the Japanese Science and Technology Agency and Japan NITE (Nano-Infiltration and Transient Eutectic-phase) company to develop a composite intermediate product resistant to temperatures up to 1400°C (carbon/SiC and SiC/SiC) and add it to our product range.

Textile Products is an industry leader in the development of various weaving techniques, including fabric production techniques with fragile, hard-to-touch yarns. Manufacturing over 2,000 types of fabric in various width, thickness, and styles, Fabric Development has many years of experience in working with high performance fibers, creating multi-dimensional and complex shapes, understanding sophisticated figures, and producing high performance fiber systems.

Fabric Development and Textile Products provide advanced composite fabric products to the aerospace industry in the United States, while Advanced Honeycomb Technologies mainly produces a wide range of Nomex® Paper and Kraft™ Honeycomb Paper.

With these new investments, Kordsa has taken a big step towards strengthening its position in North America. Reinforcing 2 out of every 3 aircraft tires and 1 out of every 3 automobile tires, Kordsa is now reinforcing the wings, engines, bodies, and interiors of aircrafts thanks to these company acquisitions in the United States.

In addition to its existing capabilities, Kordsa can now also produce wide slit tape materials used in civil aviation and automatic fiber/tape placement equipment, replacing manual series in the civil aviation composite industry. Moreover, Kordsa is continuing to develop resin systems suitable for non-autoclave curing, which will make a difference in the industry.

Fabrics produced by impregnating flame retardant epoxy formulations produced at both Axiom Materials and Kordsa's Istanbul enterprises are used in aviation, rail transportation, and all other industries needing flame-retardants.

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Construction Reinforcement Technologies

Kordsa's durable and practical reinforcement solutions for both infrastructure and superstructure projects in the construction industry affect every aspect of life. Its goal is to create sustainable high added value for customers, employees, stakeholders, and society according to its vision, "Our passion is to empower life".

As a pioneering company leading the industry, Kordsa has made revolutionary innovations in the tire reinforcement and composite technology fields. The company continues to work on innovative construction reinforcement technologies that increase efficiency and are environmentally friendly. Since 2014, Kordsa's Kratos macro and micro synthetic fiber equipment have influenced the construction market, with the ease of use, fast applicability, less labor, increased equipment and energy efficiency, high concrete toughness, long-term durability, and low carbon emissions needed in infrastructure and superstructure projects and concrete reinforcement applications. Innovative Kratos concrete reinforcement synthetic fiber equipment is preferred in many prestigious projects because it's fast, efficient, and easy to use, with higher performance requiring less manpower than conventional methods.

In addition to high performance, labor and cost advantages, Kratos Macro's corrosion-resistant properties and polymer structure also contribute to the long-term strength of concrete, and its non-electrical conductivity means Kratos Macro provides long-term safety and high strength in areas where electromagnetic systems are involved in special projects requiring high efficiency. Kratos Micro, on the other hand, offers effective solutions with its unique, easy-to-use, high performance products that are mixable, allowing uniform distribution in concrete as well as smooth crack bridging properties.

All these easy-to-use properties and performance advantages make Kratos macro and micro the preferred product in the construction industry, in areas ranging from industrial field concrete to screed concrete, from special under-rail concretes to runway and port concretes, from shot-crete to tunnel linings and precast building elements. Besides providing sustainability and performance advantages, Kratos Macro and Micro have serious references in infrastructure and superstructure projects due to their effective dosage and cost advantage.

Our construction reinforcement department is developing innovative products for Kratos. The innovative concrete synthetic fiber reinforcement offered in this field is CE Quality Certified. As an environmentally friendly product with low carbon emissions, Kratos stands out from its competitors due to its high bearing capacity, flexible construction properties, and crack prevention. Kratos added Rebound Minimizer and Pool Fiber synthetic fiber equipment to its product range at the end of 2020, offering them alongside Kratos Macro and Micro. The technical performance of Kratos Fiber products differs from other manufacturers in the industry, especially because of its before and after sales services. For both concrete design and proper field application, an expert staff provides engineering services.

Working with the vision, "Our passion is to empower life", Kordsa has recently added construction reinforcement products to its Kratos product range. R&D studies have continued for some time on these products that are important for our country.

Construction Reinforcement Technologies

Kratos Rebound Minimizer, which reduces segregation in tunneling and mining, is Kordsa's new shot-crete additive. Kratos Rebound Minimizer can reduce the rebound (back tab) up to 3 times by filling the gaps between cement and aggregates. Kratos Pool Fiber is produced from a special polymer raw material and is used to reduce plastic shrinkage cracks, which is perfect for pool plaster applications.

According to its vision, "Our passion is to empower life", Kordsa has recently added construction reinforcement products to its Kratos product range. R&D studies have continued for some time on these products that are important for our country. Structural Reinforcement products are also very important in terms of sustainability. Using Kratos Structural Reinforcement products saves both time and money compared to demolishing and rebuilding, so these products are environmentally friendly, sustainable solutions. As for technical proficiency, the advantage of carbon fabric reinforcement applications as compared to steel or reinforced concrete sheathing is that they minimize space loss.

The Kratos Structural Reinforcement product range mainly consists of 4 types of products whose lightweight makes them convenient to work with. Since composite products made of high-strength carbon yarns have a low density, they add no load to the surface. The first

The Turkish market leader, Kratos continues to be an active player in the Brazilian, Israeli, Indonesian, US, UK, and Italian markets.

Kratos Structural Reinforcement product is Kratos C-Fabric, a carbon fabric woven in one direction at Kordsa Izmit Plant with high tensile strength carbon yarns. The second product is Kratos Prime Resin, which is used to ensure rigidity and create a composite material together with Kratos C-Fabric. The third product in the range is Kratos C-Plate with a high elasticity module obtained by laminating carbon fibers extending in one direction with polymer-based epoxy resin. The final product is Kratos Adhesive, which allows you to glue the Kratos C-Plate to surfaces.

Firm Steps in Export Markets

Besides significantly increasing its market share in Turkey, Kordsa has consolidated its leading position through effective market development activities since 2019 in Brazil, Asia Pacific, Italy and Israel - the main target export markets. Taking advantage of both its experience and its global infrastructure, Kratos has accelerated its work in the North American and UK markets to achieve the results it wanted in 2022. The Turkish market leader, Kratos continues to be an active player in the Brazilian, Israeli, Indonesian, US, UK, and Italian markets.

Kordsa has received many prestigious national and international awards for its innovative technologies. Today, Kordsa is proud of its "empowering" position, and it continues to work with the vision of making everyday life more livable, easier, and safer for both our loved ones and us.

Occupational Health, Safety, and the Environment

The common goal of all Kordsa employees and departments related to occupational health, safety, and the environment is zero work accidents, zero occupational diseases, and zero waste.

OUR OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT APPROACH

The health and safety of employees is one of Kordsa's strategic priorities. The common goal of all Kordsa employees and departments related to occupational health and safety is zero work accidents and zero occupational diseases. Our Global Occupational Health and Safety Policies and Procedures and certain rules prevent occupational diseases and injuries at work. There were no fines for non-compliance in 2021.

Center of Empowerment

In order to protect and improve business excellence, Kordsa conducts training and awareness-raising activities over online platforms through the Center of Empowerment to improve the occupational health and safety of all stakeholders. The Center of Empowerment provides employees with opportunities to see and experience possible work accidents using visual and physical models so they can learn by experience. The center also offers a "Skill Development Workshop" to increase 5S, TPM, quality awareness, and process expertise using Perception Development Class scenarios and modeling machines to change perspective. Since 2018, our Turkish plant has had the ISO 45001-2018 Occupational Health and Safety Management System certificate.

OUR ENVIRONMENTAL MANAGEMENT APPROACH

Reflecting its mission to "empower the future" Kordsa manufactures innovative products and services resulting from its R&D work based on its understanding of responsibility and caring about people and nature in the markets where it operates. Kordsa has set short- and long-term goals in the fields of water, energy, materials, and waste management, and operates according to these goals, as described in the chapter, 'Our Sustainability Understanding'.

Our Policies, Management Systems, and Compliance

Kordsa's Occupational Health, Safety, and Environment (OHS –Environment) Policy is available on our website.

Our plants in Turkey, Indonesia, Thailand, Brazil, and Chattanooga, United States have all earned ISO 14001 environmental management certificates, and the Turkey plant has had the ISO 50001-2011 energy management certificate since 2015. Kordsa complies with all environmental laws and other relevant regulations and received no environmental penalties in 2020.

Our Environmental Priorities and Environmental Management Incentives

Our annual sustainability reports detail the progress Kordsa has made towards its performance and targets for material and energy efficiency, emissions, waste and water management. Incentives offered to help manage environmental issues include the employee recommendation system and rewards, and a new target for senior management rewards were added to the October 2021 targets. The Board of Directors is the highest body responsibility for environmental and climate change issues. Relevant committees and their tasks are included in the 'Our Sustainability Understanding' chapter of the report.

Position on Carbon Markets

No carbon pricing exists between Kordsa's plants or Sabancı Holding's industrial companies. Kordsa is not included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax). Therefore, no carbon credits were accumulated or purchased during the reporting period.

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Human Resources

Cultural diversity and distinctions are the most basic features of Kordsa's corporate culture.

Kordsa considers its human resources spread over 4 continents to be an integral part of achieving its strategic goals and the company's Global Human Resources Department strategizes accordingly. While managing recruitment and selection, salary and benefits, performance management, organization, human resources review with backup plans, employee and leader development, international assignments, organizational climate, etc. Global Human Resources always operates with Kordsa's sustainability and business goals in mind.

The Global Human Resources Mission

• Lead the recruitment and retention of talented employees in the Company,
• Help create a positive organizational climate,
• Support the delegation and development of employees,
• Develop, implement, and support programs that satisfy stakeholders.

The fundamental contributions of Global Human Resources make it a "center of expertise", operating to support the company's global strategies. However, local organizations are responsible for implementing the human resources policies at the operational level.

The main responsibilities of Global Human Resources are to:

• develop and spread human resources policies, systems, and processes that support company strategies and business needs,
• create and implement global strategies based on the Company's sustainability activities,
• design and manage structured development programs at different levels (such as young talent, middle management, and senior management development programs) that will support the Company's corporate growth goals together with regional and local human resources departments,
• train the best professionals at all levels by offering different experience opportunities that reflect the expectations of the Company and employees.

Education Levels of Office Employees (%)

16.2% High school and below

17.1% Post Graduate

52.5% Graduate

12.4% Associate

1.8% Doctorate

41.9
AVERAGE TRAINING HOURS IN 2021

4,844
REINFORCERS (TOTAL NUMBER OF EMPLOYEES)

Development Programs

Cultural diversity and distinctions are the most basic features of Kordsa's corporate culture. Global Human Resources units in Thailand, Indonesia, Brazil, the United States, and Turkey develop applications and systems that touch the lives of more than 4,800 employees on 4 continents and combine both local and global trends with the Kordsa perspective. In 2021, Global Human Resources initiated a 3-year development program for all managers and senior leaders including experts, engineers, and all other managerial target groups. These programs aim to create a common language across all our plants around the world, offering all employees the opportunity for personal and expertise-based development. In order to spread the coaching and mentoring culture in our company, we support the development of both managers and employees through global and local mentoring practices. In addition, we offer reverse mentoring programs that bridge current and future generations.

OFFICE EMPLOYEES

228
FEMALE

375
MALE

FIELD EMPLOYEES

374
FEMALE

3,373
MALE

Internal Audit

As global and local risks change rapidly and priorities and expectations differ per region, our Internal Auditing Department operates according to a dynamic audit plan based on numerical data and professional experience. In addition to the risks identified by the company's Risk Committee, the Internal Audit Committee used its expertise to define national and other risks using financial indicators to create the 2021 audit plan. The Internal Auditing Department conducts internal audits according to annual audit plans, which, under the leadership of the Audit Committee, can be revised within the year based on changing conditions and the needs of the Company's senior management.

Development

In 2021, the Internal Auditing Department continued its digitalization efforts, expanding the knowledge and experience gained in previous years in the belief that the way to add more value to Kordsa is to gain high level technical know-how and expertise through data analytical tools. Based on this understanding, 2 members of the Internal Audit Department participated in the Advanced Data Analytics Academy program held by Sabancı University, lasting 8 months and providing theoretical training on statistics, data discovery, data interpretation, machine learning, data visualization, and project management in data science with practical case studies. Both members successfully completed the program and became permanent members of the data analytics DnA platform, operating under Sabancı Group to share good practices. We will continue to take initiatives to improve our data analytics performance with value-added projects in 2022.

In 2021, the Internal Audit Department expanded its data analytics expertise to increase employees' technical knowledge with advanced data analytics trainings.

In addition, we closely follow the compliance and development status of internal auditors who started working in the Internal Auditing Department. Analytical tools used in data analytics audits are now available to all internal auditors working in the Internal Audit Department, including new members, who have improved themselves through online training and field experience since taking office in 2021, and are now able to conduct data analytics audits on their own.

CERTIFICATES

Our Internal Auditing Department consists of 3 members certified CIA (Certified Internal Auditor), an internationally recognized sign of excellence in internal auditing awarded to people with the experience and technical expertise required by the International Internal Auditing Institute.

CIA
CCSA
CRMA
CPA

Data analytic audits periodically implemented in 2020 were made automatic and continuous in 2021 using virtual robots.

Robotic Applications

Data analytics audits are carried out periodically on the purchasing and payment processes of Kordsa Turkey's business. In 2020 and 2021, this audit was made automatic through robotic process automation (RPA) whose technical preparation was completed at the end of 2021, and was live tested in December. A virtual robot will run inquiries and analyses depending on risk levels at certain intervals (daily, weekly, monthly, quarterly, semiannually, annually), and the query results will be shared by the same virtual robot with the Internal Auditing Department and the relevant Kordsa managers.

Starting from a single process, this robotic application will be extended to other processes and operations in 2022.

Awareness-Raising Activity

In order to increase internal awareness about the structure and work of the Internal Auditing Department, we held an awareness-raising event in 2021 called 'Did You Know?' In addition to the basic characteristics of internal auditing such as independence and objectivity, Kordsa informed its employees about internal auditing activities and 23 concepts that reveal the relationship of internal auditing with corporate governance through internal communication channels.

- Assurance Services
- Consulting Services
- How to Decide on Engagements
- Joint Projects with Reinforcers
- Quality Assessment
- The Institute of Internal Auditors (IIA)
- Internal Audit in Partnership with Management
- Value of Independent Audit Committee
- Certified Internal Auditor (CIA)
- Continuing Professional Education (CPE)
- National & International Conferences
- History of Internal Audit:The Ancient Audit
- History of Internal Audit:1900s - 1960s
- History of Internal Audit:1900s - 1990s
- Internal Audit: Adding Value Across the Boards
- The Differences Internal Audit & External Audit
- History of Internal Audit: 1990s-Present
- Internal Control: Meaning and Purpose
- Why are Internal Controls Important?
- Management Responsibilities for Internal Control
- Internal Control: Responsibilities of All Individuals
- Internal Audit in a Changing World
- Internal Audit Awareness Month

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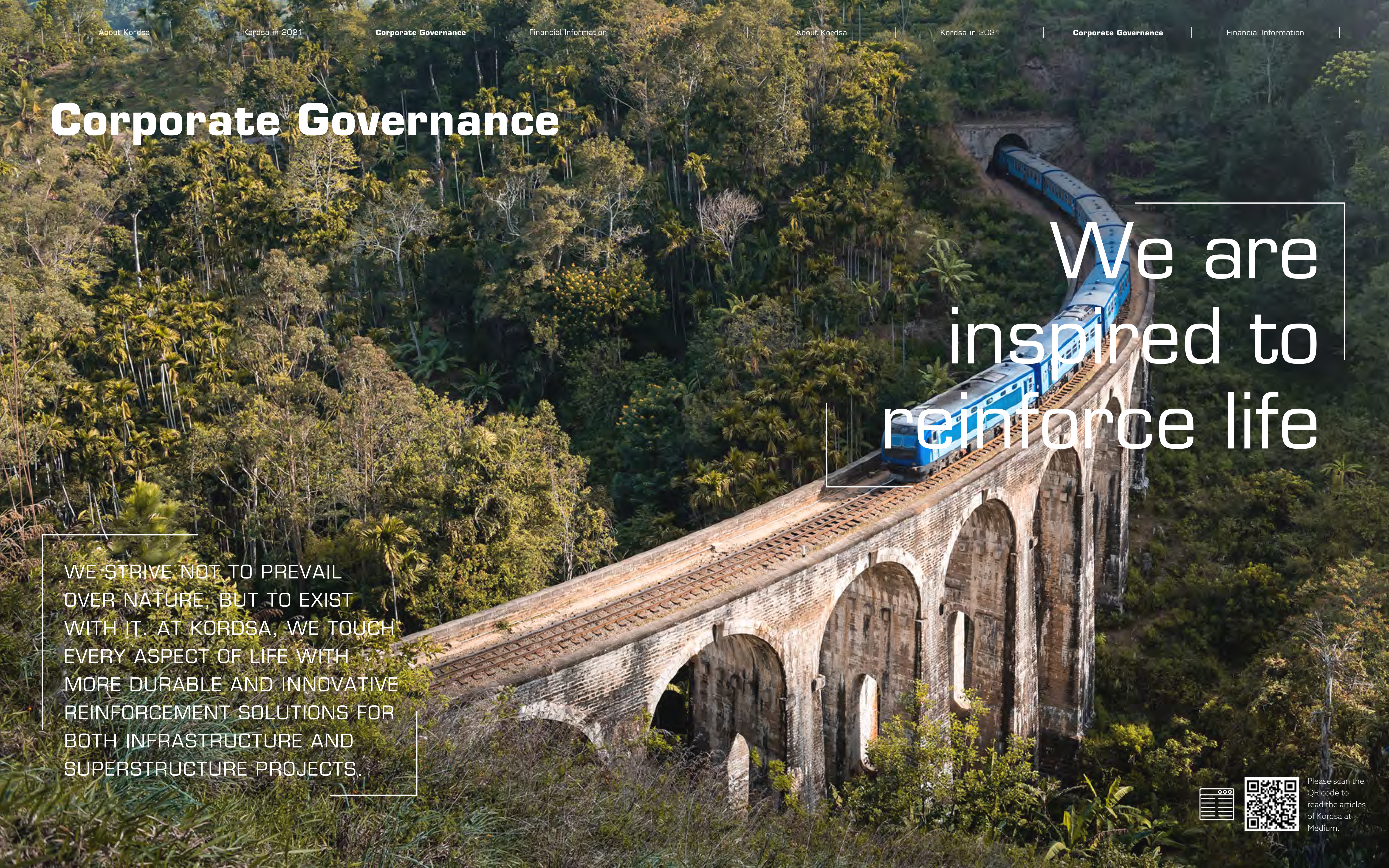

Corporate Governance

We are inspired to reinforce life

WE STRIVE NOT TO PREVAIL OVER NATURE, BUT TO EXIST WITH IT. AT KORDSA, WE TOUCH EVERY ASPECT OF LIFE WITH MORE DURABLE AND INNOVATIVE REINFORCEMENT SOLUTIONS FOR BOTH INFRASTRUCTURE AND SUPERSTRUCTURE PROJECTS.

Please scan the QR code to read the articles of Kordsa at Medium.

Annual Report of The Board of Directors For The Accounting Year of 1 January 2021 - 31 December 2021

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:

a) 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.

b) 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 2021 - 31 December 2021

1. GENERAL INFORMATION:

Trade Name: Kordsa Teknik Tekstil A.Ş.
Trade Registry Office: Kocaeli
Trade Registry Number: 26907
Central Registration System No: 0577005356400013
Tax Authority: Large Taxpayers
Tax Number: 5770053564
Headquarters Address: Alikahya Fatih Mahallesi Sanayici Caddesi No:90 IZMIT 41310 / KOCAELI - TURKEY
Website: www.kordsa.com

a) Area of Activity

Kordsa Teknik Tekstil A.S., established in 1973, operates in the fields of tire, and composite and construction reinforcement. Today, Kordsa reinforces 1 out of every 3 automobile tires and 2 out of every 3 aircraft tires in the world thanks to its cutting edge technologies. It develops environmentally friendly products that reduce fuel use, provide better traction in the tire industry with technological innovations that do not compromise on safety, and develops sustainable technologies in the composite industry to make vehicles lighter, while ensuring that they perform with less fuel and lower carbon emissions. In the construction reinforcement field, it aims to touch every aspect of life with more durable and more practical reinforcement solutions for infrastructure and superstructure projects.

Kordsa's headquarters are located at the address of Alikahya Mahallesi Sanayici Caddesi No: 90 Izmit 41310 Kocaeli, Turkey. Kordsa's trade registry number is 26907 and its website address is www.kordsa.com. As of December 31, 2021, its number of employees is 4,844. (December 31, 2020: 4,499)

b) Capital and Partnership Structure

Founded in 1973, Kordsa Teknik Tekstil A.S. ("the Company" or "Kordsa") operates as a subsidiary of Hacı Ömer Sabancı Holding A.S. ("Sabancı Holding").

Kordsa Teknik Tekstil A.S. has adopted the registered capital system in accordance with the Capital Market Legislation, and the issued capital of the Company is TL 194,529,076 with an upper limit of registered capital of TL 500,000,000. This capital consists of a total of 19,452,907,600 (December 31, 2020: 19,452,907,600) registered shares, each with a nominal value of 1 Kr.

There is no real person or ultimate controlling shareholder in the Company. All company shares are registered. Company's shares have been traded on Borsa Istanbul A.S. (BIST) since 1986. The Company is unable to track the share transfers of shareholders representing 28.89% of its publicly traded capital. The Company is officially only aware of the sole shareholder who holds shares/dividends representing 71.11% of the rest of the Company's capital.

As of December 31, 2021 and December 31, 2020, the issued capital of the Company and the distribution of this capital among shareholders were as follows:

Distribution of Shareholders as of December 31, 2021

Shareholder	Number of Shares	Capital Ratio (%)	Share Type	Share Amount Nominal (TL) (1 Share of 1 Kr)
Hacı Ömer Sabancı Holding A.Ş.	13.832.761,401	71.11%	in the name	138.327.614,01
Diğer	5.620.146,199	28.89%	in the name	56.201.461,99
Toplam	**19.452.907,600**	**100.00%**		**194.529.076,00**

Distribution of Shareholders as of December 31, 2020

Shareholder	Number of Shares	Capital Ratio (%)	Share Type	Share Amount Nominal (TL) (1 Share of 1 Kr)
Hacı Ömer Sabancı Holding A.Ş.	13.832.761,401	71.11%	in the name	138.327.614,01
Diğer	5.620.146,199	28.89%	in the name	56.201.461,99
Toplam	**19.452.907,600**	**100.00%**		**194.529.076,00**

c) The Board of Directors and Senior Managers

Our Board of Directors is organized according to the principles set out by the CMB.

Name and Surname	Duty	Board of Directors Start of Membership	Start Date	End Date
Ahmed Cevdet ALEMDAR	Chairman	06.04.2020	24.03.2021	MARCH 2024
Mehmet YILDIZ	Deputy Chairman	27.03.2017	24.03.2021	MARCH 2024
Gökhan EYİGÜN	Member Member of the Corporate Governance Committee	12.05.2021	12.05.2021	MARCH 2024
Nusret Orhun KÖSTEM	Member Member of the Early Detection of Risk Committee	12.05.2021	12.05.2021	MARCH 2024
Mehmet SAMİ	Independent Member Chairman of the Audit Committee Chairman of the Corporate Governance Committee Member of the Early Detection of Risk Committee	26.03.2018	24.03.2021	MARCH 2024
Güngör KAYMAK	Independent Member Chairman of the Early Detection of Risk Committee Member of the Audit Committee Member of the Corporate Governance Committee	24.03.2021	24.03.2021	MARCH 2024

Annual Report of The Board of Directors For The Accounting Year of 1 January 2021 - 31 December 2021

The Company Board of Directors monitors compliance with legislation, the articles of association, internal regulations and policies, and takes into account the risks, growth, and revenues of the Company when making strategic decisions. It also manages and represents the Company, considering its long-term interests.

In accordance with the Turkish Commercial Code provisions and the articles of association, the company Board of Directors consists of six members who serve until the 2023 Ordinary General Assembly in 2024 based on an Ordinary General Assembly resolution on March 24, 2021.

There is no Company policy regarding the proportion of female members on the Board of Directors. As of December 31, 2021, there were no female members on the Board of Directors.

There were changes on the Board of Directors in 2021.

• Board Member Tamer SAKA resigned on May 11, 2021 and Gokhan EYIGUN was appointed on May 12, 2021.
• Board Member Burak Turgut ORHUN resigned on May 11, 2021 and Nusret Orhun KOSTEM was appointed on May 12, 2021.
The resumes of Board of Directors members and other details are available for shareholders and stakeholders at http://www.kordsa.com in Turkish.

Declarations of Independence of the Independent Members of the Board of Directors are published for shareholders and stakeholders at https://www.kap.org.tr/tr/Bildirim/911282.

The Board of Directors convenes as often as possible to perform its duties effectively, operates in a transparent, accountable, fair, and responsible manner, and takes the long-term interests of the Company into account. The Board of Directors are required to meet at least four times a year or as needed. Board of Directors' decisions are made in Turkish and English. In 2021, 29 Board of Directors resolutions were adopted by the Company.

According to resolution no. 2021/10 of the Board of Directors adopted at the March 26, 2021 meeting, and as a result of the Partner's Ordinary General Assembly Meeting on March 24, 2021, the duties of the Board of Director Committees are distributed as stipulated in the articles of association.

Although we are careful to comply with article 4.5.5. of the Corporate Governance Communiqué regulating that "one board member cannot serve on more than one committee", a board member may be a member of more than one committee if their expertise is required.

Name and Surname	Duty
Ali ÇALIŞKAN	(Chief Executive Officer)
Fatma Arzu ERGENE	Deputy General Manager, Member of the Finance and Supply Chain and Corporate Governance Committees
Levent AKPULAT	Deputy General Manager, Global Sales and Market Growth and Construction Business Unit Leader
Eray KARADUMAN	Deputy General Manager, Human Resources and Legal Department
Deniz KORKMAZ	Deputy General Manager, Technology Department
Mehmet İlker ÇALIŞKAN	Deputy General Manager, Strategy and Business Development
Volkan ÖZKAN	Deputy General Manager, Europe, Middle East, Africa (EMEA)
İbrahim Özgür YILDIRIM	Deputy General Manager, Asia Pacific (APAC)
Abdülkadir TOPLU	Deputy General Manager, North and South America
Murat Oğuz ARCAN	Deputy General Manager, Composite

2. FINANCIAL RIGHTS GRANTED TO MEMBERS OF THE GOVERNING BODY AND SENIOR MANAGERS

In accordance with article 4.6.5. of the Corporate Governance Principles, the fees paid to members of the Board of Directors and senior managers and all other benefits provided are disclosed to the public in interim and annual reports. However, the disclosure does not contain names.

The breakdown of benefits the Company provides to senior managers during the periods ending in 2020 and December 31, 2021 is as follows:

	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Short-term employee benefits	31.595.945	24.838.299
Benefits after employment termination	157,340	322,544
Benefits after employment termination	**31,753,285**	**25,160,843**

Stock options or payment plans based on the company's performance make up no part of independent board members' remuneration.

At the 2020 Ordinary General Assembly of Shareholders Meeting held on March 24, 2021, it was decided that a

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Annual Report of The Board of Directors For The Accounting Year of 1 January 2021 - 31 December 2021

monthly gross fee of TL 16,000 was to be paid to Members of the Board of Directors during their term of office.

3. RESEARCH AND DEVELOPMENT ACTIVITIES

a) Innovation - Technology

Kordsa has adopted the concepts of "innovation" and "excellence" as company culture and continues to work on industrializing the new products, processes, and methods developed at its 2 R&D centers, one in Kocaeli, Turkey and the other in Istanbul Techno-park, both of which are Ministry of Industry and Technology approved.

As per law no. 5746, Kordsa sends annual reports covering both R&D Centers to the Ministry of Industry and Technology. To date, we have successfully passed all annual audits by reviewers and the commission appointed by the Ministry, who have decided to continue their subsidies. As of the end of December 2021, 63 projects by Kordsa R&D Center (Izmit) have been evaluated as R&D projects and the 12. annual report was approved by the Ministry of Industry and Technology in December 2021.

At the 8th R&D and Design Centers and Technology Development Regions Summit Award Ceremony, organized by the Ministry of Industry and Technology, our Izmit R&D Center won first place in the "D Group R&D Centers (76-250 R&D Personnel Employment) category. It ranked the second at Inovalig 2020, in the Innovation Sources category.

Kordsa's second R&D center has operated under the same roof as Sabancı University at the Composite Technologies Excellence Center at Techno-park Istanbul since 2016. Since September 2021, the Kordsa R&D Center (Istanbul), has implemented 12 projects, and the 4th report was approved by the Ministry of Industry and Technology in December 2021.

b) R&D Work

Kordsa's corporate culture is based on the concepts of "innovation" and "excellence", and the company strives to create the most efficient production environments possible for research and development regarding materials, processes, and equipment in order to offer our customers more competitive and innovative products.

Kordsa established its first R&D center in 2008, and it now has two R&D centers operating in the fields of tire reinforcement, thin film and flexible electronic technologies, composite technologies, compounding, and construction reinforcement. Through its research and development activities at the center in Izmit, Kordsa develops new products, processes, and technologies for industry, related sectors, and potential markets.
Kordsa's Izmit R&D center serves both the Turkish and the global market as an innovation kitchen for tire and construction reinforcement technologies. Kordsa's second R&D center, focused in the field of composite technologies, is located at the Composite Technologies Excellence Center, jointly founded by Kordsa and Sabancı University to bring production, innovation, and R&D under the same roof. In this center, researchers, designers, production engineers, production process managers, employees, doctoral students, postdoctoral researchers, faculty members, and incubation company entrepreneurs work together in the same ecosystem. Kordsa is an important supporter of open innovation in our country, and is a pioneering force leading university and industrial cooperation.

As part of this, Kordsa cooperates with many universities and organizations in Turkey and abroad in R&D and carries out joint projects in qualified specialties taught at universities. In 2019, Kordsa expanded its open innovation model in the field of composite technologies one-step further and started to cooperate with the University of Sheffield in the UK together with Sabancı University, bringing the aerospace industry together with project partners with the goal of creating new ideas and opportunities that will contribute to the growth of the company.

Kordsa has been working on an environmentally friendly adhesive formula with no resorcinol or formaldehyde called "Booster" since 2008. With the mission to develop better, more sustainable products for future generations in the field of tire strengthening technologies, Kordsa aims to make this environmentally friendly formula developed with an open innovation approach the new standard for adhesives in the industry, licensing it free of charge.

Kordsa also has a project supported by EUREKA called "COMACH (Clean, Precise, and Defect-Free Composite Parts Machining Robotic System)". This project will design cost-effective, flexible robotic manufacturing solutions for processing composite parts, a system that will absorb the composite dust released during milling from the spindle, and a cloud-based monitoring system with improved accuracy and continuous process monitoring to ensure proper production the first time.
In addition to projects supported by external funding programs, Kordsa also has 1 project underway with the TUBITAK TEYDEB (Technology and Innovation Funding Programs Directorate) 1501 - Industrial R&D Projects Support Program, and 1 project underway with the 1509 International Industrial R&D projects Support Program.

Since December 2021, Kordsa's team of about 114 people has been developing future empowerment technologies in its two R&D centers. As of 2021, Kordsa has reached a total of 890 patent applications. Thanks to Kordsa's new products and more than 685 international patent applications, it has consolidated its leadership in intellectual property, tire, and construction reinforcement and composite technologies.
While considering changing market conditions and customer demands when making R&D investment decisions, Kordsa aims to consolidate its leading position in R&D and innovation, which is one of the cornerstones of its corporate culture, and to maintain its leadership in all its sectors.

Annual Report of The Board of Directors For The Accounting Year of 1 January 2021 - 31 December 2021

4. ACTIVITIES AND IMPORTANT DEVELOPMENTS

a) Subsidiaries

After December 31, 2021, the industrial divisions of our consolidated subsidiaries, which are based on the subsidiaries' operating field and the purpose of their consolidated financial statements, are as follows:

Subsidiary's	Country	Area of Activity	Geographical Division	Share (%)
Kordsa Inc.	The US	End. İplik ve Kord Bezi Üretimi ve Tic.	North America	100
Fabric Development, Inc. (*)	The US	Production of Advanced Composite Materials for the Civil Aviation Industry	North America	100
Textile Products Inc. (*)	The US	Production of Advanced Composite Materials for the Civil Aviation Industry	North America	100
Advanced Honeycomb Technologies Corporation (*)	The US	Production of Advanced Composite Materials for the Civil Aviation Industry	North America	100
Axiom Materials Acquisition LLC (*)	The US	Production of Advanced Composite Materials for the Civil Aviation Industry	North America	100
Kordsa Brasil S.A.	Brazil	Industrial Yarn and Cord Cloth Production and Trade	South America	97,31
PT Indo Kordsa Tbk	Indonesia	Industrial Yarn and Cord Cloth Production and Trade	Asia	61,58
PT Indo Kordsa Polyester (*)	Indonesia	Industrial Yarn Production and Trade	Asia	99,97
Thai Indo Kordsa Co. Ltd. (*)	Thailand	Cord Cloth Production and Trade	Asia	64,19
NileKordsa Company SAE (**)	Egypt	Cord Cloth Production and Trade	Europe, Middle East and Africa	51

(*) Indirect subsidiaries of the Company.
(**) Based on Group Board of Directors Resolution No. 2015/29 dated December 31, 2015, the Company decided to categorize Nile Kordsa Company for Industrial Fabrics S.A.E. (the company owns 51% of the shares) financial statements as "Held-for-Sale Asset" on the balance sheet.

b) Investment Expenditures

The company invested TL 253.4 million ($28.5 million) in 2021.

c) Significant Developments in the Period

• Company CEO Ali Caliskan participated on a panel on the future of sustainable supply chains at the "Green Economy Development: Strengthening Supply Chains for a Sustainable Future" event held by the Turkey-USA Business Council.

•Company CEO Ali Caliskan discussed "Future Transportation" with Hakan Guldag, Chairman of the Board of Directors of Dunya Newspaper, in a session titled "Future Regenerative Strategies".

• A participant in the CDP Climate Change and Water Programs valuation since 2016, Kordsa raised its water program rating during the 2021 reporting period and was included on the A-list, the most prestigious level. This placed it among only 118 companies exhibiting the same high performance from the 12,000 companies evaluated worldwide in another demonstration of its effective, transparent, and measurable steps to protect water resources.

•Istanbul hosted the 8th edition of the Sustainable Business Awards in 2021, and Kordsa's eco-friendly Cokoon technology, available for use by the sector license-free, won first place in the inter-enterprise cooperation category.

•Kordsa became a member of the Turkish Circular Economy Platform to get better results in its sustainability efforts and to ensure that all its operations adopt a circular economy approach.

•The 2019 report won the Silver award at the Asian Sustainability Reporting Awards held every year in 'Asia's Best Strategic Prioritization Reporting' category, recognizing Kordsa's good practices in sustainability reporting.

•Kordsa's 2019 Sustainability Report won a gold award at the ARC awards.

•In cooperation with the Teacher Academy Foundation ("ORAV"), Kordsa contributed to the training of 70 teachers in Izmit, where its main factory is located, through the "Interactive Course Design in Online Education" program.

•Kordsa's vision is 'Our passion is to empower life', and in its 2020 Sustainability Report shared the managerial, social, economic, and environmental performance developments taken to achieve it.

•Kordsa's leadership in the field of composite technologies and the way it makes life easier and produces more efficient, environmentally friendly technologies was recognized at the 8th Technology Development Regions and R&D Centers Summit held by the Ministry of Industry and Technology, where it was awarded the first prize. Kordsa was selected as the best R&D Center in Turkey in the category evaluating R&D centers with 76 to 250 personnel, from which it provides services in tire and construction reinforcement and composite technologies through its 12 production plants in 5 countries.

• Our subsidiaries, Fabric Development Inc., Textile Products Inc., and Axiom Materials Inc. participated in Ceramics Expo 2021, sharing their expertise and solutions in the fields of aviation, space, and the defense industry with expo participants.

•Researcher, author, and leader of Universum Turkey, Evrim Kuran and Kordsa Global Human Resources Group Manager Elif Gul met on Kordsa's YouTube channel to talk about the future of business on a live broadcast.

• US-based subsidiary Kordsa Inc. owned 95.86% of Axiom Materials Acquisition LLC shares, and later acquired the remaining 4.14% shares for US$6,533,413, giving Kordsa Inc. 100% ownership of Axiom Materials Acquisition LLC.

•On August 25, 2021, a small fire broke out at IndoKordsa, Kordsa's subsidiary in Indonesia, and production of Nylon 66 yarn was interrupted. Following 1 month of dedicated work by our teams, the Nylon 66 yarn production line successfully restarted with no disruption to our customers.

•Expectations for 2021 were revised on the Public Disclosure Platform on May 5, 2021 following our 3rd quarter results to show our investors how strong demand in the tire reinforcement industry affected our financials. 2021 forecast and realized growth figures for our Company are summarized below, compared to 2020.

TL-Based Growth Prospects	Expectation	Realized
Sales	50-55% Growth	74% Growth
EBITDA	85-95% Growth	112% Growth

USD-Based Growth Prospects	Expectation	Realized
Sales	30-35% Growth	37% Growth
EBITDA	65-70% Growth	67% Growth

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d) Information on Personnel and the Collective Bargaining Agreement

As of December 31, 2021, the Company employs 4,844 people.

Country	Number of Personnel (Including subcontractors)
Turkey	1,876
The US	787
Brazil	413
Thailand	429
Indonesia	1.338
China	1
Total	**4,844**

Our company applies the provisions of the 36-month XXV. Period Group Collective Bargaining Agreement signed between the Turkish Textile, Knitting, Clothing, and Leather Industry Workers Union/TEKSIF (of which our unionized employees are members) and the Turkish Textile Employers' Association (of which our Company is a member) on September 7, 2019, which came into effect on April 1, 2019.

5. FINANCIAL POSITION

a) Financial Indicators

The consolidated financial indicators of Kordsa are as follows:

Gross Profit	01.01.2021-31.12.2021	01.01.2020-31.12.2020	Change %
Sales Revenues	7.891	4.536	74.0%
Gross Profit	1.732	803	115.7%
Gross Profit Margin (%)	21.9%	17.7%	
Real Operating Profit	1.326	384	245.5%
Real Operating Profit Margin (%)	16.8%	8.5%	
Profit Before Tax	944	180	424.6%
Taxes (-)	-80	-22	
Discontinued Operations Profit (Loss) for the Period	-8	-7	
Net Profit for the Period	856	150	469.0%
Shares of the Parent Company	769	153	
Non-controlling Shares	87	-3	
Net Profit for the Period (%)	10.8%	3.3%	

b) Evaluations of Period Operations

Kordsa's position as a global player meant its high capacity tire reinforcement usage rate and effective cost management left it largely unaffected by the crises and problems in the automotive industry supply chain, posting financial results above expectations in both TL and US dollars, which it shared with its investors on November 8, 2021. Kordsa increased its operational profitability by about 2 times and its net profit by 5 times, compared to the previous year. In addition to its net profit of TL 855 million (US$96 million), the company also increased its operational efficiency, resulting from successful strategic investments and innovation efforts, and its EBITDA reached TL 1.2 billion (US$137 million).

• Tire Reinforcement:

With recovery starting at the end of 2020 and continuing strongly in 2021, the sector grew by 10% and the company surpassed that, illustrating a 30% growth.

Sales volumes in all regions except North America exceeded both 2020 and 2019, the last year before the pandemic. High demand in Asia-Pacific significantly supported sales volume growth, while demand in EMEA and South America also accelerated overall growth.

Commodity price increases in the second half of 2021 led to significant increases in NY66 and PET HMLS raw materials. Effective cost management and our pricing policy maintained a sustainable profit margin.

Freight cost increases became an important risk factor for the whole industry.

• Composite Reinforcement:

Industry recovery was slow to start following the Covid-19 pandemic, as the segment's USD 87 million turnover for 2021 indicates. In 2020, this figure was 96 million USD.

• Construction Reinforcement:

Increased domestic demand and exports increased turnover by about 2 times compared to 2020, amounting to USD 9 million.

c) Profit Distribution Policy

There are no privileges regarding the participation in the Company's profit, and there is a written Profit Distribution Policy.

The Profit Distribution Policy was determined in accordance with the relevant provisions of the Turkish Commercial Code, the Capital Markets Legislation, and other relevant legislation, as well as the relevant article of our Articles of Association on profit distribution. The General Assembly decides on the dividend to be distributed. The Company has adopted a principle of distributing the entire profit in the form of cash and/or bonus shares. The General Assembly decides on profit distribution as well as large-sum fixed asset investment subsidiaries, subsidiary acquisition, and limitations that may result from existing debts, taking into account the Company's medium and long-term strategies and national and global economic conditions. Kordsa Global applies no dividend advance distribution.

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Dividends are distributed equally to all shareholders as soon as possible, regardless of their issuance and acquisition dates, on the date determined by the General Assembly following approval, within specified legal periods. The General Assembly may transfer part or all of the net profit to the extraordinary reserve fund. If the Kordsa Board of Directors proposes to the General Assembly that the profit should not be distributed, shareholders will be informed of the reasons at the General Assembly Meeting as well as the way the non-distributed profit is to be used. This information is also included in the annual report and on the website and shared with the public. The dividend distribution policy is presented for approval by the shareholders at the General Assembly Meeting. The Board of Directors reviews this policy annually, depending on the status of projects and funds on the agenda, or to any negativity in national or global economic conditions. Amendments to this policy are submitted for approval by shareholders at the first general assembly meeting following the amendment's proposal and are disclosed to the public on the website.

The Board of Directors decision of March 16, 2015 revised the Company's Profit Distribution Policy to accord with recent amendments to the Capital Markets Law and presented this to shareholders and stakeholders on http://www.kordsa.com. The revision was approved at the 2015 Ordinary General Assembly meeting held on March 23, 2016.

Amounts and Ratios of Gross Dividends Distributed over the Past Three Years:

Year	2020	2019	2018
Amount (TL)	-	48.632.269,00	68.085.176,60
Ratio (%)	-	25	35
Date of Distribution	-	26.03.2020	25.03.2019

6. EVALUATION OF MANAGEMENT COMMITTEES AND BODIES

a) Early Detection of Risk Committee

Kordsa's risks are managed at every level of the Company. All Kordsa employees are responsible for risk management.

Corporate Risk Management is the culture, expertise, and practices that organizations integrate into their corporate strategies to manage the risks they may face when creating, maintaining, or earning value. Kordsa created a Risk Management Company Standard (CFN.007) related to Corporate Risk Management and published it on 01.07.2012 which is reviewed by the Kordsa Executive Committee every year. The company standard describes and secures company practices on the following topics:

- Kordsa's Risk Management approach and positioning.
- Governing risk management process and designing tasks and responsibilities.
- Identifying risks.
- Assessing risks and prioritizing measures to take against these risks.
- Drafting risk management action plans.
- Establishing systems for early detection of risks.
- Monitoring and reporting on risks.
- Creating a culture of risk awareness and risk communication.

All Kordsa risk, financial or non-financial (operational, nominal, legal, environmental, or personnel-related), are defined based on all the countries and plants where the company operates, and CFN.007 Risk Management is prioritized in accordance with the company standard. We have created action plans to manage high and moderate risks, and we have created Key Risk Indicator reports to detect significant risks early that Kordsa may be exposed to and to take any measures and actions necessary.

The Early Detection of Risk Committee convened 6 times in 2021 on the following dates: March 9, 2021, April 21, 2021, June 8, 2021, September 6, 2021, November 8, 2021 and December 6, 2021.

b) Corporate Governance Committee

The Corporate Governance Committee consists of Board of Directors members with and without direct executive functions, and independent members who have knowledge and experience in Corporate Governance issues, as well as other senior managers. The Corporate Governance Committee has also assumed the duties of the Nomination Committee and the Remuneration Committee.

The Corporate Governance Committee determines whether the Company is applying corporate governance principles, and, if they are not applied, it investigates the reasons as well as conflicts of interest arising from failure to fully comply with these principles. In addition, it advises the Board of Directors on how to improve corporate governance practices. The Committee convened 6 times in 2021: twice on February 19, 2021, and once on March 9, June 8, September 6 and December 6, 2021.

c) The Audit Committee

The Audit Committee informs the Board of Directors about the Company's accounting system, financial reporting, publicly disclosed financial information, internal audit department operations, independent auditing, and the

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functioning and effectiveness of the internal control system. In addition, it is responsible for supporting and supervising the Company regarding compliance with the Legislation of the Capital Markets Board, relevant laws and regulations, Corporate Governance Principles, and the corporate code of ethics. Its members consist of people who do not directly perform executive functions but who have sufficient knowledge and experience in financial matters, and who act as independent members on the Board of Directors.

The Audit Committee convened 4 times in 2021 on February 19, May 4, August 10, and November 1, 2021 to review and approve the audit reports.

7. DIGITALIZATION

• Having adopted the "Digital Transformation and Industry 4.0" concepts into its corporate culture, Kordsa continues to digitalize the new products, processes, and methods it develops for all the countries it operates in around the world.
• Kordsa has transformed the data collection systems in its plants around the world into a structure that allows centralized reporting. In addition, it has launched systems that integrate analytic intelligence and new generation technologies to allow smarter decision-making.
• Approaching digital transformation as a journey, not a project, Kordsa started the transformation process in 2018 using a measurement and evaluation methodology. As a result of these analyses, expert sector advisors from different countries examined many of our business processes in detail, determined areas of improvement, and prepared a 3-year digital transformation roadmap. We implemented all the projects on the roadmap in 3 years, creating value for digital outputs and productivity, quality, and customer satisfaction for all stakeholders.
• Kordsa repeated its digital maturity level measurements in all its plants around the world in 2021, and determined new strategies, setting 2-year targets and identifying main focus areas.
• Kordsa has international independent organizations periodically conduct digital maturity and cyber security level tests and continuously monitors development opportunities to set future strategies and focal points.
• Data analytics audits are carried out periodically on the purchasing and payment operations of Kordsa Turkey’s business. In 2020 and 2021, this audit was made continuous through robotic process automation (RPA). The technical preparation of the RPA project was completed at the end of 2021, and live tests starred in December. A virtual robot will run inquiries and analyses depending on risk levels at certain intervals (daily, weekly, monthly, quarterly, semiannually, annually), with query results shared directly with the Internal Auditing Department and relevant Kordsa managers. Starting from a single process, this robotic application will be extended to other processes and businesses in 2022.

• The new digital roadmap created in 2021 groups Kordsa’s digital transformation journey under four main headings:

a) Connected Operations

• Kordsa has created a new digital application infrastructure that enables more effective and more flexible process management to facilitate daily work. Our approach adapts developing technologies and prioritizes products and solutions that benefit our customers while continuously keeping the life cycle of digital products under control.
• Kordsa has implemented a big data platform that centralizes all production data and provides the fastest end-to-end traceability to prevent quality errors in a timely manner with advanced sensor systems and image processing technologies. In addition, the company has made its supply chain and planning management more effective and flexible with optimizations and intelligent systems, as well as implementing projects that aid in the transition to the new digital infrastructure where each tool communicates with each other to facilitate daily work.
• In the coming period, we plan to focus on improving the infrastructure of our primary systems. Work on corporate resource planning and central procurement in EMEA and Asia Pacific started in 2022.
• In addition, Kordsa's information systems have remained unaffected by the global crises, which further revealed the importance of digital systems. The company’s infrastructure provided standard remote working and secure connection services to all its employees, and it ensures that all stakeholders are able to use the company's digital media with no interruptions to business.

b) Autonomous Technologies

• One of Kordsa’s priorities in the field of digital applications is robotic process automation. Its investments and implementation of many innovative technologies, such as image processing, mobile technologies, and machine learning help spread them around the world.
• As part of this, in 2021, Kordsa transformed a total of 65 business processes to run completely digitally with no human intervention, and it plans to increase the number of digitalized processes to 100 in 2022 by transforming them with robotic automation.
• In 2021, Kordsa developed its own robotic sensor system and installed them in its production plants around the world to actively monitor its production according to its understanding of quality products and services. Kordsa has also used image-processing technologies during the pandemic and started digitizing occupational health and safety processes for our employees. In addition, our investments into augmented reality that started during the remote working period continue.
• Our 2022 targets include the implementation of augmented reality, artificial intelligence, big data analysis, image processing, mobile technologies, 5G/LTE-A private online network structuring, machine learning, and the Internet of Things, all of which we consider to be the building blocks of our digital journey.
• In this regard, Kordsa prioritizes business partnerships with start-up companies, projects under the TUSIAD (Turkish Industry and Business Association) SD2 Program for Industrial Digital Transformation, university-industry cooperation, joint projects with Sabancı Holding companies and IoT (Internet of Things) projects run with Sabancı Dx to achieve its goals of quality, occupational safety, and efficiency.

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c) Cyber Security and Infrastructure

• Kordsa has earned the ISO 27001: 2013 Information Security Certificate, and completed an audit in 2021 with 99% success. We have decided to renew our certificate and implement these standards globally.
• Kordsa considers its work on cyber security to be part of its digital transformation and regularly conducts vulnerability-screening tests, phishing tests, and provides disaster recovery solutions. Kordsa's Security Operations Center is active in all the countries where it operates, in addition to other systems that are ready to take measures against any threat all over the world.
• In addition to prioritizing business continuity according to its cyber security roadmap, Kordsa also regularly calculates risks, and makes strategic decisions through joint evaluations by the Board Members and the Early Detection of Risks Committee in accordance with the principle of transparency.

d) Digital Workforce

• Kordsa considers the training of its employees in different fields during the digital transformation process to be very important, so it cooperates with Sabancı University, Sabancı Dx and many international consulting companies to achieve this.
• It also invests in digital work environments for its employees and customers and continues to use its communication channels effectively so that stakeholders can do their work in the most efficient and secure way possible.
• Project teams consisting of different business units and various human resources have developed advanced technologies by combining analytical approaches with their expertise to bring innovative solutions to customers.
• With the aim of increasing the digital literacy of all its employees in 2022, Kordsa also closely monitors and contributes to the ecosystem of companies in the industry.
• Kordsa sets a sustainable digital transformation strategy each year, starting from the top management. With competent management and expert teams, we invest in the right areas and take firm steps towards becoming the "Digital Company of the Future", rising to the top of the industry and standing out from our competition.

8. OTHER CONSIDERATIONS

a) Donations and Charity Works During the Period

The Company's Donation and Charities Policy complies with the CMB's Corporate Governance Principles and is available at the Company's corporate website at http://www.kordsa.com.

NAME	AMOUNT
Antalya Manavgat District Guzelyali Neighborhood Renovation	295.000,00
Cumhuriyet Kocaeli Mobilization	203.752,96
Izmit Scholarship Association	74.000,00
Republic of Turkey Izmit Municipality	40.000,00
The Ministry of Health	26.463,00
Economic Management of the Teacher Academy Foundation	20.000,00
Laughter Heals Association	19.000,00
TUSIAD - Turkish Industrialists' and Businessmen's Association	17.500,00
Kartepe Kubilay Secondary School	15.757,62
Republic of Turkey Milas Municipality	12.318,40
Sabancı University	10.000,00
TEMA, Turkish Foundation for Combating Erosion, Deforestation, and Protecting Natural Assets	7.217,00
TEV - Turkish Education Foundation	1.100,00
Wildlife Conservation Foundation	460.00
TOTAL	742.568,98

Occupational Health, Safety, and the Environment

The health and safety of employees is one of Kordsa's strategic priorities. The common goal of all Kordsa employees and departments related to occupational health and safety is zero work accidents and zero occupational diseases. Our Global Occupational Health and Safety Policies and Procedures and certain rules prevent occupational diseases and injuries at work. There were no fines for non-compliance in 2021.

Kordsa has set short- and long-term goals in the fields of water, energy, materials, and waste management, and operates accordingly, as described in the chapter, 'Our Sustainability Understanding'.

Our plants in Turkey, Indonesia, Thailand, Brazil, and Chattanooga, United States have all earned ISO 14001 environmental management certificates, and the Turkey plant has had the ISO 50001-2011 energy management certificate since 2015. Kordsa complies with all environmental laws and other relevant regulations and received no environmental penalties in 2020.

Our annual sustainability reports detail the progress Kordsa has made towards its performance and targets for material and energy efficiency, emissions, waste and water management. Incentives offered to help manage environmental issues include the employee recommendation system and rewards, and a new target for senior management rewards in October 2021. The Board of Directors is the highest body which is responsible for environmental and climate change issues. Relevant committees and their tasks are included in the 'Our Sustainability Understanding' chapter of the report.

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No carbon pricing exists between Kordsa's plants or Sabancı Holding's industrial companies. Kordsa is not included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax). Therefore, no carbon credits were accumulated or purchased during the reporting period. Although Kordsa does not use or produce and renewable energy as of 2021, renewable energy use is one of our targets for the next five-year period.

9. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Kordsa Teknik Tekstil A.Ş. complied with all obligatory Corporate Governance Principles annexed to Corporate Governance Communiqué (the Communiqué) no. II-17.1 published by the CMB during the January 1 - December 31, 2021 financial year.

The Corporate Governance Principles Compliance Report for the 2021 financial year was published on the Public Disclosure Platform (KAP) on February 21, 2022. Additional developments related to the corporate governance compliance status of the Company during the period can be found on the KAP update notifications.

https://www.kap.org.tr/tr/Bildirim/1003252
https://www.kap.org.tr/tr/Bildirim/1003255

In order to fully comply with the non-mandatory articles of the Corporate Governance Principles, our company took action in 2021, informing shareholders and stakeholders at the web addresses of www.kap.gov.tr and http://www.kordsa.com.

As part of this:
• In accordance with principle No. 4.2.8, we drafted a Policy of Responsibility regulating any misconduct by Members of the Board of Directors and Managers that may cause any damage to the Company.
• In accordance with principle No. 1.6, the Company's profit distribution policy was submitted to be approved by shareholders at the 2015 Ordinary General Assembly Meeting on March 23, 2016 and published on the Company's web address at www.kap.gov.tr.
• In accordance with principle No. 1.3.10, the Company donation limit for 2021, except for donations it is required to make in accordance with the Articles of Association, was set at 1,000,000 TL (One Million Turkish Liras), which was approved by the Ordinary General Assembly of 2020 held on March 24, 2021.

For principles with no obligation to comply with, full compliance has not been achieved due to challenges in practice, ongoing debates both in our country and in the international field, or because some principles do not fully overlap with the Company's existing organization. The principles in question and the reasons for non-compliance are summarized below:

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• Since the Turkish Commercial Code is considered sufficient for issues regarding principles 1.2.1, 1.5.1 and 1.5.2, no further regulation has been made in the Company's articles of association.
• Although full compliance with principle 2.1.4 is intended, such information is still available on data distribution organizations such as Reuters, Forex, etc. Efforts are underway to provide this information on the website in English as well.
• There is no Company policy regarding principle no. 4.3.9. There are currently no female Board Members.
• Although due care is taken to comply with principle no. 4.5.5, a Board Member may serve on more than one committee if their business expertise is needed by the relevant committee.
• Statements provided as per principle no. 4.6.5 do not share personal names.
• In accordance with principle no. 3, there is no model or mechanism for stakeholders to participate in management. Independent Board Members may represent shareholders or stakeholders in the management of the Company.

10. DECLARATION AND REPORT ON COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

The Capital Markets Board made an amendment to the Corporate Governance Communiqué on 02.10.2020, preparing a Sustainability Principles Compliance Framework. With the goal of complying with this framework 100%, Kordsa is included on the BIST Sustainability Index, since it largely complies with these principles thanks to its recent activities with Sabancı Holding and the Group companies. Kordsa's efforts to improve its compliance with these mandatory principles continue in 2022, taking into account the interests of all stakeholders and shareholders.

As it is the first year of application, we have not yet achieved full compliance with all the principles. On the other hand, there is no principle with which we completely fail to comply. This clearly demonstrates Kordsa's sustainability approach in environmental, social, and governance issues. In order to ensure 100% compliance with these principles throughout the entire Sabancı Community, we will continue our efforts in 2022.
In accordance with the Capital Market Board's amendment to the Corporate Governance Communiqué no. II-17.1 on 02/10/2020, and its Communiqué on the Principles of Financial Reporting in the Capital Markets and Sustainability Principles Compliance Reporting regulations no. II-14.1,

With resolution no. 2022/4 on February 21, 2022, our company decided to accept the Sustainability Principles Compliance Reporting practices with the goal of disclosing its reports. We prepared the 2021 Sustainability Principles Compliance Report using the template on the Central Securities Depository (MKK) and the Public Disclosure Platform (KAP) on February 21, 2022. This issue is detailed in the 2021 Sustainability Principles Compliance Report available at https://www.kap.org.tr/tr/Bildirim/1003256

In addition, Kordsa's 2021 Sustainability Principles Compliance Report demonstrating the company's compliance status with the principles contained in the Capital Markets Board's Sustainability Principles Compliance Framework is available at http://www.kordsa.com

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Independence Declarations of Independent Members of the Board of Directors

STATEMENT OF INDEPENDENCE

I hereby declare that I am a candidate to serve as an "independent member" on the Board of Directors of **Kordsa Teknik Tekstil Anonim Şirketi** ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Corporate Governance Principles as set forth by the Capital Markets Board ("CMB")'s Communiqué on Corporate Governance.
In this regard, I declare and confirm that:

a) In the last five years, I myself, my spouse or my up to the second degree blood or affinity relatives are not or have not been; employed by as a key management personnel with significant duties and responsibilities; have not had ordinary or privileged shareholding exceeding 5% either jointly or solely by myself; or have not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders with management control of the Company or having material effect over the Company and all entities controlled by those shareholders,
b) In the last five years, I have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or have not been a shareholder (with 5% stake or more) of an entity which has had a contractual relationship with the Company for purchase or sale of goods or services such as audit (including tax audit, legal audit, and internal audit) credit rating or consulting services during the terms in which the goods or services were provided,
c) I have relevant skills, knowledge and expertise in order to duly fulfill my duties as an independent board member,
d) I do not work/will not be working full-time at public institutions and organisations, except for the faculty membership provided that it is in compliance with the relevant legislation,
e) I am residing in Turkey in accordance with the Income Tax Law No. 193 dated 31/12/1960,
f) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,
h) I have not served as a member of the Board of the Company for more than six years within last ten years,
i) I am not registered in the name of any legal entity elected as a Board member,
j) am not/will not be an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders, and in more than five corporations listed on Borsa İstanbul in total.

I hereby acknowledge to the General Assembly, the Board of the Directors, the shareholders and all other stakeholders of the Company that the above statements are true and correct to the best of my knowledge.

Name/Surname: Güngör KAYMAK

GÜNGÖR KAYMAK
15/02/2021

STATEMENT OF INDEPENDENCE

I hereby declare that I am a candidate to serve as an "independent member" on the Board of Directors of **Kordsa Teknik Tekstil Anonim Şirketi** ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Corporate Governance Principles as set forth by the Capital Markets Board ("CMB")'s Communiqué on Corporate Governance.
In this regard, I declare and confirm that:

a) In the last five years, I myself, my spouse or my up to the second degree blood or affinity relatives are not or have not been; employed by as a key management personnel with significant duties and responsibilities; have not had ordinary or privileged shareholding exceeding 5% either jointly or solely by myself; or have not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders with management control of the Company or having material effect over the Company and all entities controlled by those shareholders,
b) In the last five years, I have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or have not been a shareholder (with 5% stake or more) of an entity which has had a contractual relationship with the Company for purchase or sale of goods or services such as audit (including tax audit, legal audit, and internal audit) credit rating or consulting services during the terms in which the goods or services were provided,
c) I have relevant skills, knowledge and expertise in order to duly fulfill my duties as an independent board member,
d) I do not work/will not be working full-time at public institutions and organisations, except for the faculty membership provided that it is in compliance with the relevant legislation,
e) I am residing in Turkey in accordance with the Income Tax Law No. 193 dated 31/12/1960,
f) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,
h) I have not served as a member of the Board of the Company for more than six years within last ten years,
i) I am not registered in the name of any legal entity elected as a Board member,
j) I am not/will not be an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders, and in more than five corporations listed on Borsa İstanbul in total.

I hereby acknowledge to the General Assembly, the Board of the Directors, the shareholders and all other stakeholders of the Company that the above statements are true and correct to the best of my knowledge.

Name/Surname: Mehmet SAMİ

MEHMET SAMİ

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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,

We have audited the Early Identification of Risks System and Committee established by Kordsa Teknik Tekstil Anonim Şirketi ("the Company").

Responsibility of the Board of Directors

Pursuant to the first paragraph of Article 378 of Turkish Commercial Code ("TCC") no. 6102; in order to early identify the risks that would endanger the existence, growth and continuity of the entity and in order to take measures and manage those risks; Board of Directors is responsible for the establishment of a qualified committee and for the operation and improvement of the system.

Auditor's Responsibility

Our responsibility is to express an opinion on the Early Identification of Risks System and Committee based on our audit. We conducted our audit in accordance with TCC, "Principles Regarding the Auditors' Report on Early Identification of Risks System and Committee" published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and ethical requirements. Those Principles require us to determine whether the Company has established the Early Identification of Risks System and Committee and if so, to evaluate whether the system and the committee are operating in accordance with the Article 378 of TCC. The audit of the Early Identification of Risks System and Committee does not include the assessment of whether the procedures introduced or carried out by subordinate decision makers to manage risk or whether their waiver of such procedures were appropriate or economically sound.

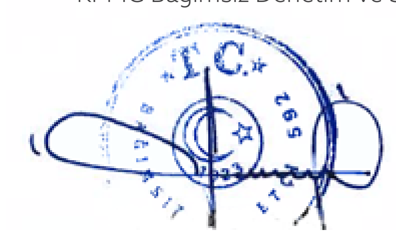
Information about Early Identification of Risks System and Committee

The main purpose of System and Committee of Early Identification of Risks (''the Committee'') is early identification of risks which endanger the existence, growth and continuance of the Company, taking measures about the identified risks and management of risks in consideration of risk projects performed at the corporate level. The Committee is composed of 3 members including one chairman. The Committee has assembled meetings six times during 2021 on 9 March 2021, 21 April 2021, 8 June 2021, 6 September 2021, 8 November 2021 and 6 December 2021 and the results have been reported to the Board of Directors.

Conclusion

Based on our audit, we concluded that, in all material respects, Early Identification of Risks System and Committee of Kordsa Teknik Tekstil Anonim Şirketi is sufficient pursuant to the Article 378 of TCC.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.



Hakan Ölekli, SMMM
21 February 2021
İstanbul, TURKEY

About Kordsa | Kordsa in 2021 | **Corporate Governance** | Financial Information

2021 Proposed Profit Distribution

With the Resolution of Board of Directors dated 22 February, 2022, no: 2022/6,
According to our financial statements for the period of 01.01.2021-31.12.2021 which are prepared in compliance with the Turkish Accounting Standards pursuant to the "Communiqué About Guidelines For Financial Reporting in Capital Market" Serial No II, Article No 14.1 of Capital Market Board, and are audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., **₺ 944.057.474,00** consolidated profit has been obtained.

At the end of the negotiations, the approval of the profit distribution table for 2021 as attached,

It has been resolved that; the net distributable profit of **₺ 768.560.878,00,** reached after deducting the reserves stipulated in CMB communiqués and in article 35 of our Articles of Association, is decided to be distributed according to the profit distribution plan stated below

1st Dividend : 9.726.453,80 ₺
2nd Dividend : 150.273.546,20 ₺
Total Gross Dividend Distributed : 160.000.000,00 ₺
General Reserves : 15.027.354,62 ₺
Extraordinary Reserves : 593.533.523,38 ₺

Regarding to the table above and according to our legal records in compliance with Tax Procedure Law;

- **₺ 160,000,000.00** of the gross profit which will be distributed to shareholders; is to be covered by the net distributable profit,
- **₺ 173,801,618.98** is to be classified as Extraordinary Reserves

Depending on the legal status of the shareholders, representing TL 194.529.076,00 capital, it is decided to distribute gross **82.25%** dividend, net **74.02%** amounting to **₺ 160.000.000,00** to shareholders starting on **March 24th, 2022** and to suggest this issue to 2021 Ordinary General Meeting Assembly which will be held on **March 22nd, 2022**.

KORDSA TEKNİK TEKSTİL A.Ş.
DIVIDEND RATES TABLE FOR THE YEAR 2021

	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND PER SHARE OF TRY 1 NOMINAL VALUE	
	CASH ( )	SHARE ( )	RATIO (%)	AMOUNT ( )	RATIO (%)
GROSS	160,000,000,00	-	20.8181	0,82250	82.25
NET	144,000,000,00	-	187363	0,74025	74.02

* If distributed gross dividend amounting to 160,000,000 TL is distributed to the taxpayers (unlimited liable taxpayer person, limited liable taxpayer person, limited liable taxpayer institutions except the institutions which are obtaining commercial earnings through establishment or permanent representative in Turkey), %10 withholding tax on gross amount will apply (double taxation agreements must be observed)

22 February 2022

About Kordsa | Kordsa in 2021 | **Corporate Governance** | Financial Information

Conclusion Section of the 2021 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 21 February 2022, 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 2021 through 31 December 2021, 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 2021 operating year have been addressed in the form of a report.

In this report prepared by Kordsa Board of Directors and dated 21 February 2022, it has been observed that, in all transactions Kordsa carried out with its controlling company and the affiliated companies thereof during 2021 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.

The Agenda of the 2021 Ordinary General Meeting of Shareholders to be Held on March 22nd, 2022

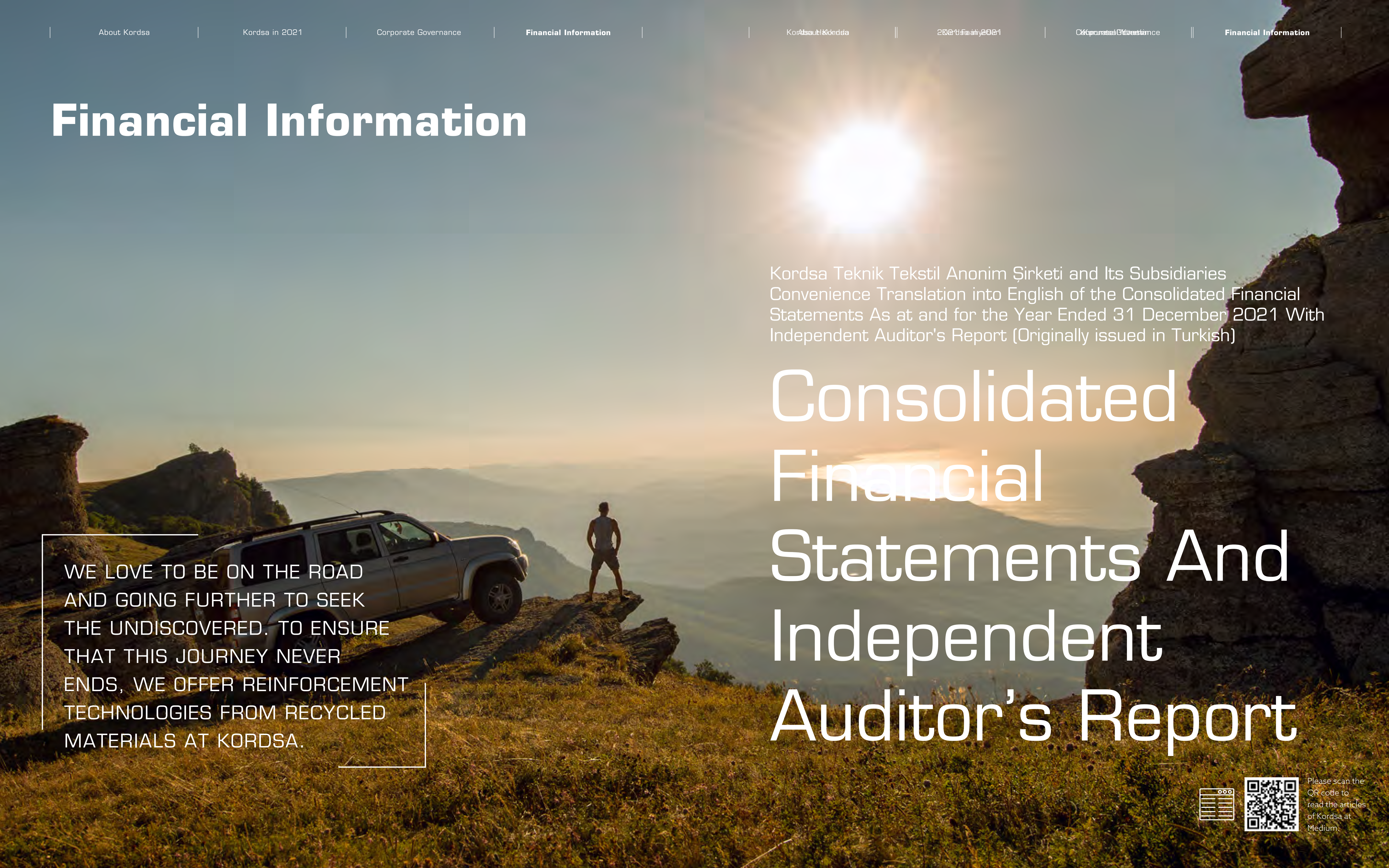
AGENDA

1. Opening and organization of the Executive Board,
2. Reading and discussion of the Board of Directors Annual Report concerning the year 2021,
3. Reading of Auditors' Reports concerning the year 2021,
4. Reading, discussion and approval of the financial statements concerning the year 2021,
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 2021, to the approval of General Assembly,
6. Absolution of the Board Members regarding to activities of 2021,
7. Determining the use of profit, amount of dividend and ratios for dividend shares concerning the year 2021
8. Determination of the salaries and benefits such as attendance fees, bonuses and premiums for the Board Members,
9. Selection of the auditor,
10. Informing the General Meeting about donations and contributions made in 2021 and approval of donations and contributions,
11. Determination of the donation limits for the year 2022,
12. Granting permission to the Chairman and the Members of the Board to make the transactions specified in Articles No. 395 and No. 396 of the Turkish Commercial Code,
13. Wishes and Expectations.

Meeting Date : March 22nd, 2022 Tuesday
Time : 14:00
Location : Sabancı Center, Sadıka Ana 1 Conference Hall
34330 4. Levent, Beşiktaş - ISTANBUL

Kordsa | 2021 Kordsa in 2021 | Corporate Governance | **Financial Information**

Financial Information



WE LOVE TO BE ON THE ROAD AND GOING FURTHER TO SEEK THE UNDISCOVERED. TO ENSURE THAT THIS JOURNEY NEVER ENDS, WE OFFER REINFORCEMENT TECHNOLOGIES FROM RECYCLED MATERIALS AT KORDSA.

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 2021 With Independent Auditor's Report (Originally issued in Turkish)

Consolidated Financial Statements And Independent Auditor's Report

Please scan the QR code to read the articles of Kordsa at Medium.

Independent Auditor's Report

KPMG

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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders 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 consolidated statement of financial position as at 31 December 2021, the consolidated statements 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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by 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 (including Independence Standards) ("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.

KPMG

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	How the matter was addressed in our audit
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 transfered 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 for export sales has been identified as one of key audit matters as the amount and timing revenue requires significant management jugdement.	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 • 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 15 and disclosure requirements.

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.

Independent Auditor's Report

KPMG

The key audit matter	**How the matter was adressed in our audit**
As at 31 December 2021 goodwill is amounting to TL 1.639.505.779 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.	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 regard-ing to assumptions used in sensitivity of market conditions • Analyzing of key inputs used in assumptions such as sales volume and long term growth rates • Evaluation of the disclosures in accordance with the impairment included principal assumptions, judgments and 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 2021 and 31 December 2020 for the consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2021 and 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.

KPMG

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 TFRS, 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 financial reporting process.

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

Responsibilities of 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.

- 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

Independent Auditor's Report

KPMG

consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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 Requırements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 21 February 2022.

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 between 1 January 2021 and 31 December 2021, 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
21 February 2022
İstanbul, Turkey

Index

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statement of Financial Position as at 31 December 2021

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

	Notes	31 December 2021 USD (*)	31 December 2020 USD (*)	Audited 31 December 2021	Audited 31 December 2020
Assets					
Current assets					
Cash and cash equivalents	4	14.615.147	61.289.120	194.805.294	449.892.785
Financial investments		13	13	171	94
Trade receivables	7	192.524.993	148.642.754	2.566.165.635	1.091.112.135
Due from related parties	*27*	*11.848.744*	*8.745.952*	*157.931.907*	*64.199.658*
Due from third parties		*180.676.249*	*139.896.802*	*2.408.233.728*	*1.026.912.477*
Other receivables	8	13.691.307	3.394.503	182.491.436	24.917.348
Due from third parties		*13.691.307*	*3.394.503*	*182.491.436*	*24.917.348*
Derivatives	30	-	10.944	-	80.336
Derivative financial assets		-	*10.944*	-	*80.336*
Inventories	9	224.231.394	166.924.950	2.988.780.250	1.225.312.596
Prepayments	10	7.551.557	6.521.338	100.654.705	47.869.885
Prepayments to third parties		*7.551.557*	*6.521.338*	*100.654.705*	*47.869.885*
Current tax assets	25	-	625.605	-	4.592.257
Other current assets	18	11.132.860	5.836.645	148.389.891	42.843.890
Other current assets from third parties		*11.132.860*	*5.836.645*	*148.389.891*	*42.843.890*
Subtotal		**463.747.272**	**393.245.872**	**6.181.287.382**	**2.886.621.326**
Assets held for sale	31	310.754	398.584	4.142.037	2.925.808
Total current assets		**464.058.025**	**393.644.457**	**6.185.429.419**	**2.889.547.134**
Non-current assets					
Financial investments	5	65.650	87.847	875.043	644.844
Other receivables	8	3.028.478	3.675.972	40.366.579	26.983.471
Due from third parties		*3.028.478*	*3.675.972*	*40.366.579*	*26.983.471*
Investment properties	14	23.985.281	23.841.039	319.699.817	175.005.149
Property, plant and equipment	11	283.986.587	336.760.436	3.785.257.215	2.471.989.980
Right of use assets	13	17.480.692	13.063.091	233.000.146	95.889.622
Intangible assets		231.958.072	244.505.986	3.091.769.137	1.794.796.193
Goodwill	15	*123.002.909*	*125.793.613*	*1.639.505.779*	*923.388.013*
Other intangible assets	12	*108.955.162*	*118.712.374*	*1.452.263.358*	*871.408.180*
Prepayments	10	466.960	702.440	6.224.109	5.156.261
Prepayments to third parties		*466.960*	*702.440*	*6.224.109*	*5.156.261*
Deferred tax assets	25	15.072.683	9.873.591	200.903.794	72.477.097
Other non-current assets	18	11.033.417	9.834.319	147.064.409	72.188.816
Total non-current assets		**587.077.819**	**642.344.722**	**7.825.160.249**	**4.715.131.433**
Total assets		**1.051.135.844**	**1.035.989.179**	**14.010.589.668**	**7.604.678.567**

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 2021

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

	Notes	31 December 2021 USD (*)	31 December 2020 USD (*)	Audited 31 December 2021	Audited 31 December 2020
Liabilities					
Short term liabilities					
Short term borrowings	6	164.139.877	164.093.925	2.187.820.419	1.204.531.453
Short term portion of long term borrowings	6	54.350.994	63.059.403	724.444.403	462.887.549
Short term lease liabilities	6	1.283.841	1.232.382	17.112.312	9.046.298
Trade payables	*7*	144.600.806	90.496.060	1.927.384.146	664.286.332
Due to related parties	*27*	*2.683.555*	*2.862.890*	*35.769.109*	*21.015.047*
Due to third parties		*141.917.251*	*87.633.170*	*1.891.615.037*	*643.271.285*
Payables related to employee benefits	*17*	1.563.986	2.035.889	20.846.373	14.944.441
Other payables	*8*	4.763.091	5.007.400	63.487.242	36.756.822
Due to third parties		*4.763.091*	*5.007.400*	*63.487.242*	*36.756.822*
Deferred revenue		1.410.308	2.167.555	18.797.992	15.910.941
Deferred revenue from third parties	*10*	*1.410.308*	*2.167.555*	*18.797.992*	*15.910.941*
Current Tax Liabilities		1.388.308	-	18.504.653	-
Short term provisions		12.118.539	7.286.265	161.528.003	53.484.873
Short term employee benefits	*17*	*9.432.195*	*4.198.510*	*125.721.726*	*30.819.162*
Other Short term provisions		*2.686.344*	*3.087.761*	*35.806.277*	*22.665.711*
Other short term liabilities	*18*	11.064.093	8.503.918	147.473.289	62.423.027
Other short term liablilities to third parties	*30*	*11.064.093*	*8.503.920*	*147.473.289*	*62.423.027*
Derivative financial instruments		**16.614.995**	**1.061.022**	**221.461.266**	**7.788.431**
Subtotal		**413.298.829**	**344.943.828**	**5.508.860.098**	**2.532.060.167**
Liability directly associated with the assets held for sale	*31*	310.754	548.584	4.142.037	4.026.883
Total short term liabilities		**413.609.583**	**345.492.412**	**5.513.002.135**	**2.536.087.050**
Long term liabilities					
Long term borrowings	6	94.998.642	164.938.173	1.266.236.904	1.210.728.658
Long term lease liabilities	6	17.894.085	12.542.146	238.510.264	92.065.626
Other payables	8	478.174	1.162.038	6.373.587	8.529.941
Due to third parties		*478.174*	*1.162.038*	*6.373.587*	*8.529.941*
Long term provisions		*12.411.095*	15.796.263	165.427.483	115.952.470
Long term employee benefits	*17*	*11.540.010*	*14.572.905*	*153.816.787*	*106.972.412*
Other long term provisions		*871.085*	*1.223.358*	*11.610.696*	*8.980.058*
Deferred tax liabilities	25	25.317.908	43.491.690	337.462.399	319.250.750
Other long term liabilities		-	5.986.201	-	43.941.705
Total long term liabilities		**151.099.905**	**243.916.511**	**2.014.010.637**	**1.790.469.150**
Total liabilities		**564.709.488**	**589.408.923**	**7.527.012.772**	**4.326.556.200**
Shareholder's equity					
Equity attributable to owners of the Company		**393.578.547**	**351.627.955**	**5.246.008.448**	**2.581.125.002**
Share capital	19	14.594.424	26.500.794	194.529.076	194.529.076
Share premium	19	4.655.477	8.453.492	62.052.856	62.052.856
Put option valuation fund on non-controlling interest		-	(4.489.650)	-	(32.956.277)
Other comprehensive income or expenses that will not be reclassified to profit or loss	19	2.593.781	4.775.094	34.572.510	35.051.577
Revaluation and remeasurement gain /(loss)		*(409.227)*	*(677.818)*	*(5.454.587)*	*(4.975.520)*
Defined benefit plans remeasurement fund		*(409.227)*	*(677.818)*	*(5.454.587)*	*(4.975.520)*
Revaluation and reclassification gain /(loss)		*3.003.008*	*5.452.912*	*40.027.097*	*40.027.097*
Other revaluation and reclassification gain/(loss)		*3.003.008*	*5.452.912*	*40.027.097*	*40.027.097*
Other comprehensive income or expenses that will be reclassified to profit or loss		188.531.320	132.609.029	2.897.296.363	980.651.525
Currency translation difference		*259.992.269*	*133.317.229*	*3.849.799.350*	*1.446.673.823*
Gain/loss on hedge reserve		*(71.440.681)*	*(671.398)*	*(952.232.836)*	*(465.752.147)*
Investment hedging losses related to foreign operation		*(71.583.422)*	*(62.778.256)*	*(954.135.431)*	*(460.823.751)*
Cash flow hedge gains/loss		*142.741*	*(671.398)*	*1.902.595*	*(4.928.395)*
Revaluation and reclassification gain /(loss)		*(20.268)*	*(36.803)*	*(270.151)*	*(270.151)*
Other revaluation and reclassification gain/(loss)		*(20.268)*	*(36.803)*	*(270.151)*	*(270.151)*
Restricted reserves	19	12.894.170	23.413.445	171.866.392	171.866.392
Retained earnings	19	83.812.017	138.540.870	1.117.130.373	1.016.959.255
Profit for the period		86.497.358	21.824.882	768.560.878	152.970.598
Total non-controlling interests	**19**	**92.847.809**	**94.952.301**	**1.237.568.448**	**696.997.365**
Total equity		**486.426.356**	**446.580.256**	**6.483.576.896**	**3.278.122.367**
Total equity and liabilities		**1.051.135.844**	**1.035.989.179**	**14.010.589.668**	**7.604.678.567**

The accompanying notes form an integral part of these consolidated 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 2021

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

Profit or loss	Notes	1 January-31 December 2021 USD (*)	1 January-31 December 2020 USD (*)	Audited 1 January-31 December 2021	Audited 1 January-31 December 2020
Revenue	20	888.095.386	647.215.928	7.891.054.563	4.536.336.439
Cost of sales	20	(693.171.903)	(532.631.112)	(6.159.087.633)	(3.733.211.464)
Gross profit		**194.923.483**	**114.584.816**	**1.731.966.930**	**803.124.975**
General and administrative expenses	21	(45.621.861)	(39.813.839)	(405.367.033)	(279.055.195)
Selling. marketing and distribution expenses	21	(47.063.176)	(30.015.332)	(418.173.650)	(210.377.462)
Research and development expenses	21	(4.599.495)	(3.488.312)	(40.868.206)	(24.449.577)
Other income from operating activities	22	62.056.316	24.832.923	551.393.225	174.053.959
Other expense from operating activities	22	(10.420.925)	(11.331.645)	(92.593.754)	(79.423.497)
Operating profit		**149.274.343**	**54.768.612**	**1.326.357.512**	**383.873.203**
Income from investing activities	23	1.084.559	2.751.127	9.636.704	19.282.650
Expense from investing activities	23	(676.936)	(75.862)	(6.014.827)	(531.715)
Operating profit before finance costs		**149.681.966**	**57.443.878**	**1.329.979.389**	**402.624.138**
Finance income	24	17.843.292	18.568.488	158.544.223	130.146.531
Finance expense	24	(61.276.710)	(50.341.079)	(544.466.138)	(352.840.625)
Profit before tax from continuing operations		**106.248.548**	**25.671.286**	**944.057.474**	**179.930.044**
Tax (expense)/benefit from continuning operations		(9.048.339)	(3.199.751)	(80.397.822)	(22.427.057)
Current tax expense	25	*(12.486.303)*	*(1.135.171)*	*(110.945.399)*	*(7.956.412)*
Deferred tax expense	25	*3.437.964*	*(2.064.581)*	*30.547.577*	*(14.470.645)*
Profit for the year from continuing operations		**97.200.209**	**22.471.535**	**863.659.652**	**157.502.987**
Net profit/(loss) for the year from discontinued operations	31	**(893.828)**	**(1.014.267)**	**(7.941.990)**	**(7.108.996)**
Profit for the year		**96.306.381**	**21.457.268**	**855.717.662**	**150.393.991**
Profit/(Loss) Attributable to:					
- Non-Controlling Interests		9.809.023	(367.614)	87.156.784	(2.576.607)
- Owners of the Company		86.497.358	21.824.882	768.560.878	152.970.598
Earnings (Loss) per share; (thousand of shares TL))	26				
Earnings/(losses) per share from continuing operations		*3.06*	*1.15*	*39,72*	*8,05*
Earnings/ (losses) per share from discontinuing operations		*(0.02)*	*(0.03)*	*(0,21)*	*(0,19)*
Earnings / (losses) per diluted shares from operations		3.04	1.12	39,51	7,86

(*) USD amounts presented above have been translated from TL for convenience purposes only. at the offical USD average CBRT bid rates for the year ended 31 December 2021.

and therefore do not form part of these consolidated financial statements.

The accompanying notes form an integral part of these consolidated 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 2021

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

	Notes	1 January-31 December 2021 USD (*)	1 January-31 December 2020 USD (*)	Audited 1 January-31 December 2021	Audited 1 January-31 December 2020
Profit for the year		**96.306.381**	**21.457.268**	**855.717.662**	**150.393.991**
Other comprehensive income					
Items that will not be reclassified to profit or loss		(132.577)	103.462	(1.177.996)	725.162
Defined benefit plans remeasurement fund	25	(165.940)	125.247	(1.474.434)	877.853
Deferred tax expense		*33.362*	*(21.785)*	*296.438*	*(152.691)*
Items that are or may be reclassified subsequently to profit or loss		277.139.649	55.607.630	2.462.487.843	389.753.876
Foreign currency translation differences. before tax		*331.890.412*	*79.047.867*	*2.948.968.534*	*554.046.495*
Hedging gains/losses on investment risk related to foreign operation		*(69.399.442)*	*(28.421.842)*	*(616.639.600)*	*(199.208.689)*
Other comprehensive income related to investment hedging of foreign operation. tax effect		*13.879.888*	*5.684.368*	*123.327.920*	*39.841.738*
Hedging reserve gain/(loss)		*985.657*	*(914.481)*	*8.757.929*	*(6.409.598)*
Tax (expense) related to other comprehensive income items		*(216.867)*	*211.718*	*(1.926.940)*	*1.483.930*
Deferred tax (expense) benefit	25	*(216.867)*	*211.718*	*(1.926.940)*	*1.483.930*
Total other comprehensive income		**277.007.072**	**55.711.091**	**2.461.309.847**	**390.479.038**
Total comprehensive income		**373.313.453**	**77.168.359**	**3.317.027.509**	**540.873.029**
Total comprehensive income attributable to:					
Owners of the company		302.151.421	55.719.289	2.684.726.649	390.536.499
Non-controlling interests		71.162.032	21.449.070	632.300.860	150.336.530

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statements of Changes in Equity for the Year Ended 31 December 2021

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statements of Changes in Equity for the Year Ended 31 December 2021

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

				Other comprehensive income or expenses that will not be reclassfied to profit or loss		Other comprehensive income or expenses that will be reclassified to profit or loss				Retained earnings				
				Revaluation and reclassification gain/(loss)			Gain/(loss) on hedge reserve							
	Share capital	Share premium	Put option valuation fund on non-controlling interest	Defined benefit plans remeasurement fund	Other revaluation and reclassification gain/(loss)	Currency translation differences	Cash flow hedge gains / (losess))	Other revaluation and reclassification gain/(loss)	Restricted reserves	Retained earnings	Net profit for the year	Equity attributable to owners of the Company	Total non-controlling interests	Total equity
Balance at 1 January 2020	**194.529.076**	**62.052.856**	**(25.260.958)**	**(3.907.502)**	**40.027.097**	**1.043.747.285**	**(301.459.528)**	**(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)	-	402.926.538	(164.292.619)	-	-	-	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**	**1.446.673.823**	**(465.752.147)**	**(270.151)**	**171.866.392**	**1.016.959.255**	**152.970.598**	**2.581.125.002**	**696.997.365**	**3.278.122.367**
Balance at 1 January 2021	**194.529.076**	**62.052.856**	**(32.956.277)**	**(4.975.520)**	**40.027.097**	**1.446.673.823**	**(465.752.147)**	**(270.151)**	**171.866.392**	**1.016.959.255**	**152.970.598**	**2.581.125.002**	**696.997.365**	**3.278.122.367**
Transfer	-	-	-	-	-	-	-	-	-	152.970.598	(152.970.598)	-	-	-
Total comprehensive income	-	-	-	(479.067)	-	2.403.125.527	(486.480.691)	-	-	-	768.560.878	2.684.726.649	632.300.860	3.317.027.509
Increase / (decrease) due to other changes (***)	-	-	32.956.277	-	-	-	-	-	-	(52.799.480)	-	(19.843.203)	-	(19.843.203)
Dividend paid (*)	-	-	-	-	-	-	-	-	-	-	-	-	(91.729.777)	(91.729.777)
Balance at 31 December 2021	**194.529.076**	**62.052.856**	**-**	**(5.454.587)**	**40.027.097**	**3.849.799.350**	**(952.232.836)**	**(270.151)**	**171.866.392**	**1.117.130.373**	**768.560.878**	**5.246.008.448**	**1.237.568.448**	**6.483.576.896**

(*) 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.
(**) At the 2020 Ordinary General Assembly Meeting held on 24 March 2021, the remaining TL 152.970.598,00 which was computed over the consolidated net profit prepared in accordance with the CMB Legislation after deducting legal liabilities and non-controlling interests in accordance with CMB communique and article 35 of the articles of association has been decided to be held as extraordinary reserves in order to further increase the financial flexibility of the Company within the framework of the global economic conditions..
(***) The increase (decrease) due to other changes consists of the put option liability valuation fund of the non-controlling interests of Axiom Materials Acquistion LLC, a subsidiary of the Group, and the share purchase effect on 2 August 2021.

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statements of Changes in Equity for the Year Ended 31 December 2021

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

	Notes	1 January-31 December 2021 USD (*)	1 January-31 December 2020 USD (*)	Audited 1 January-31 December 2021	Audited 1 January-31 December 2020
A.CASH FLOWS FROM (USED IN) / OPERATING ACTIVITIES		**54.670.936**	**128.714.878**	**485.771.396**	**902.162.580**
Profit for the period		96.306.381	21.457.268	855.717.662	150.393.991
Profit/(loss) for the period from continuing operations		*97.200.209*	*22.471.535*	*863.659.652*	*157.502.987*
Profit/(loss) from discontinuing operations		*(893.828)*	*(1.014.267)*	*(7.941.990)*	*(7.108.996)*
Adjustments to reconcile profit/(loss) for the period		**216.996.359**	**117.387.650**	**1.928.092.562**	**822.770.036**
Adjustments related to depreciation and amortisation	11, 12, 13	39.391.956	40.616.998	350.012.038	284.684.540
Adjustments related to provisions for (reversal) of impairment		1.739.421	824.524	15.455.397	5.779.089
Adjustments related to provision for (reversal) of doubtful receivables	7	*992.930*	*137.185*	*8.822.547*	*961.531*
Adjustments related to provision for (reversal) of inventory allowances	9	*583.831*	*687.339*	*5.187.552*	*4.817.558*
Adjustments for impairment loss of property. plant and equipment		*162.660*	-	*1.445.298*	-
Adjustments related to provisions		10.716.265	3.437.213	95.217.964	24.091.428
Adjustments related to interest (income)/expense		15.185.090	21.369.804	134.925.117	149.780.959
Adjustments related to interest income	23	*(702.450)*	*(1.988.001)*	*(6.241.528)*	*(13.933.897)*
Adjustments related to interest expense	24	*14.971.976*	*22.834.733*	*133.031.524*	*160.048.641*
Adjustments related to unrealized finance expenses on credit purchases	7	*(-929.112(*	*(309.282)*	*(8.255.502)*	*(2.167.761)*
Adjustments related to unrealized finance income on credit sales	7	*1.844.676*	*832.355*	*16.390.623*	*5.833.976*
Adjustments related to unrealized currency translation difference		115.473.972	39.928.224	1.026.028.764	279.856.924
Adjustments related to fair value changes		24.649.225	7.002.771	219.017.440	49.082.421
Adjustments related to fair value losses /(gains) of investment properties	23	*(144.242)*	*(622.700)*	*(1.281.645)*	*(4.364.502)*
Adjustments related to fair value losses /(gains) of derivatives	24	*24.793.467*	*7.625.471*	*220.299.085*	*53.446.923*
Adjustments related to tax (benefit)/expense	25	9.048.339	3.199.751	80.397.822	22.427.057
Adjustments related to losses /(gains) on disposal of non-current assets		439.070	(64.565)	3.901.296	(452.536)
Adjustments related to gains on disposal of tangible assets		*439.070*	*(64.565)*	*3.901.296*	*(452.536)*
Provisions for discontinued operations		353.021	1.072.928	3.136.724	7.520.153
Changes in working capital		**(258.631.804)**	**(10.130.040)**	**(2.298.038.828)**	**(71.001.447)**
(Increase)/decrease in trade receivables		(169.441.830)	(18.430.893)	(1.505.553.062)	(129.182.126)
(Increase)/decrease in other receivables		(19.135.405)	2.968.645	(170.025.123)	20.807.232
(Increase)/decrease in inventories		(201.617.240)	(376.558)	(1.791.443.430)	(2.639.296)
(Increase) in prepaid expenses		(5.991.177)	(350.804)	(53.233.815)	(2.458.786)
Increase/(decrease) in trade payables		143.060.136	6.517.972	1.271.141.990	45.684.469
Increase(decrease) in retirement pay and employee benefit obligation		7.305.240	(1.384.434)	64.909.748	(9.703.501)
Increase/(decrease) in other payables		2.684.562	(2.723.187)	23.853.319	(19.086.816)
Decrease in deferred income		324.922	894.548	2.887.051	6.269.886
Other increase/(decrease) in working capital		(8.985.213)	6.873.001	(79.836.927)	48.172.866
Decrease/(increase) in other assets from operating activities		*(20.332.122)*	*2.037.094*	*(180.658.391)*	*14.277.989*
Increase/(decrease) in other liabilities from operating activities		*11.346.909*	*4.835.908*	*100.821.464*	*33.894.877*
Payments related to provision of employee benefits		(1.404.426)	(1.037.301)	(12.478.843)	(7.270.441)
Income tax returns/(payments)		(9.886.871)	(1.175.100)	(87.848.489)	(8.236.279)
Net cash flows related from discontinued operations		4.455.499	(1.905.929)	39.588.753	(13.358.655)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(30.871.584)**	**(29.686.493)**	**(274.305.390)**	**(208.072.628)**
Proceeds from sales of property. plant and equipment		2.854.004	2.723.509	25.358.874	19.089.077
Acquisition of sales of property. plant and equipment and intangible assets	11,12	(28.519.776)	(34.398.003)	(253.408.715)	(241.095.602)
Acquisition of subsidiary and/or associates or cash outflow for capital increase of subsidiaries		(5.908.261)	-	(52.497.077)	-
Interest received	23	702.450	1.988.001	6.241.528	13.933.897
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(63.005.089)**	**(143.935.440)**	**(559.823.418)**	**(1.008.843.496)**
Proceeds from borrowings	6	253.808.822	203.035.055	2.255.184.854	1.423.072.698
Cash inflows /(outflows) from borrowing transactions	6	(290.713.752)	(302.228.317)	(2.583.098.747)	(2.118.318.275)
Cash outflows for financial lease liabilities	6	(2.175.009)	(2.470.187)	-(19.325.754)	(17.313.543)
Dividend paid		-	(6.938.546)	-	(48.632.269)
Interest paid		13.601.461	(23.052.572)	120.853.994	(161.575.478)
Cash inflows from derivatives (net)		-	(8.573.969)		(60.094.948)
Cash outflow for dividend paid to non-controlling interest and other financial instruments		(10.323.689)	(3.706.903)	(91.729.777)	(25.981.681)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(39.205.737)**	**(44.907.054)**	**-348.357.412**	**(314.753.544)**
IMPACT OF THE CURRENCY TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENT		**10.497.024**	**4.994.971**	**93.269.921**	**35.009.753**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**50.632.992**	**104.099.954**	**449.892.785**	**729.636.576**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	**21.924.279**	**104.099.954**	**64.187.871**	**194.805.294**	**449.892.785**

The accompanying notes form an integral part of these consolidated 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 2021

(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 Registery of Commerce of Kocaeli on 10 April 2017.

Kordsa is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded in Borsa Istanbul ("BIST") since 1986. As of 31 December 2021, 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 2021	31 December 2020
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 Sabacı Holding A.Ş.

Average number of employees within the Group is 4.844. (31 December 2020: 4.499).

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 2021

(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 2021 and 31 December 2020 in accordance with the operating country and segment reporting purpose are as follows:

31 December 2021

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 Brasil	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 manufacture and trade
Thai Indo Kordsa Co., Ltd.	Thailand	Asia	Cord fabric manufacture and trade

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 Brasil S.A.	United States of America	South Brasil	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 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.

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

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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 21 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.

Pursuant to the announcement made by the POA on 20 January 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index ("CPI") is 74.41%, it was stated that the companies apply TFRS would not need to make any adjustments within the scope of the TAS 29 In High Inflation Economies for the 2021 financial statements. Therefore, while preparing the consolidated financial statements as of 31 December 2021, no inflation adjustment was made according to TAS 29.

Comparative Information and Adjustment of Prior Period Financial Statements

The consolidated financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of the financial position and performance trends. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when deemed necessary and significant differences are disclosed.

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

2.1 Basis of Presentation (continued)

Comparative Information and Adjustment of Prior Period Financial Statements (continued)

TL 460.823.751, which was presented in foreign currency translation differences in the consolidated financial statements of the Group as of 31 December 2020, has been reclassified as investment hedging losses related to foreign operations in hedging gains (losses) in comparative consolidated financial statements. Due to the mentioned change, 159.366.951 TL, which was shown as gains/(losses) on foreign currency translation differences in the other comprehensive income statement, has been reclassified as investment hedge gain/(losses) related to the foreign operation. TL 22.665.711 shown in other short-term liabilities in the consolidated financial statement of the Group as of 31 December 2020 has been reclassified as other short-term provisions.

Basis of Consolidation

The table below sets out all Subsidiaries and shows their shareholding rates as at 31 December 2021:

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(*)	100,00	100,00
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

(*) Kordsa Inc., 95,86% owned by Kordsa Inc., which is a 100% subsidiary of our company, purchased the 4,14% minority shares of Axiom Materials Acquisition LLC for 6.533.413 (six million five hundred thirty three thousand four hundred thirteen) US Dollars. It was completed on August 2, 2021. With this transaction, Kordsa Inc has become the sole partner of Axiom Materials Acquisition LLC with its 100% shareholding.

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

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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.

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 accordace with TAS/TFRS has been translated from TL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 December 2021 of TL 13,3290 = 1 USD (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 coprehensive 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 th CBRT for the year ended 31 December 2021 of TL 8,8854 U 1 USD (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 2021.

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 2021

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.

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 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. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

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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 2021 (continued)

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

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

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. IASB developed amendments to TAS 37 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. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

Initial Application of TFRS 17 and TFRS 9—Comparative Information (Amendment to TFRS 17)

In December 2021, IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17). Related changes were published by POA as Amendments to TFRS 17 on 31 December 2021.

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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 2021 (continued)

Initial Application of TFRS 17 and TFRS 9—Comparative Information (Amendments to TFRS 17) (continued)

The amendment is a transition option relating to comparative information about financial assets presented on initial application of TFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. TFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Group does not expect that application of these amendments to TFRS 17 will have significant impact on its consolidated financial statements.

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.

The amendments include:

(a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;

(b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;

(c) Clarifying how lending conditions affect classification; and

(d) 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 on 15 January 2021.

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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 2021 (continued)

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes

In May 2021 IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 12.

Definition of Accounting Estimates (Amendments to TAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

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 2021 (continued)

Definition of Accounting Estimates (Amendments to TAS 8) (continued)

Developing an accounting estimate includes both:

• selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
• choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

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

Disclosure of Accounting Policies (Amendments to TAS 1)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

• requiring companies to disclose their material accounting policies rather than their significant accounting policies;
• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

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

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

2.4 New and Revised Turkish Accounting Standards (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 TFRS Standards 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 2021

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

1) Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases

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 contacts 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 performan obligations as a performans 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 variables 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.

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

2.5 Summary of Significant Accounting Policies (continued)

a) 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.

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
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.

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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 cutomer 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	14-22
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.

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.

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

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.

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 divident 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.

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial insturements (continued)

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.Gaıns and losses arising from the derecognition of these liabilities are recognized ın profit or loss. For derivatives defined as hedging instruments, see section (v) below.

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 derecogning 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.

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 instuterements 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 mets 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)

2.6 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 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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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)

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

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of 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.

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 cluded as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments 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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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.

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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

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

2.5 Summary of Significant Accounting Policies (continued)

m) 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.

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

2.5 Summary of Significant Accounting Policies (continued)

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

2.5 Summary of Significant Accounting Policies (continued)

m) Leases transactions (continued)

The Group – as a lessee (continued)

Short term leases and low value leases

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.

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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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.

Deferred tax assets and liabilities is nett off when there is a legal right to set off current tax assets and current tax liabilities, or if such assets and liabilities are associated with income tax collected by the same tax authority, or if the Group intends to settle its current tax assets and liabilities on a net basis.

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.

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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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 af 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).

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

2.6 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.

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).

If a land or building is changed to investment property while its owner is using it, that property is remeasured at fair value and classified as investment property. Gains on fair value remeasurement are recognised in profit or loss up to a pre-existing impairment on a particular property; the remainder is recognized in other comprehensive income and presented as a revaluation reserve in equity. Losses are recognized directly in profit or loss.

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 opearation 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

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

2.6 Critical accounting estimates and assumptionsı

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 2.5%, 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 8.9%.

As at 31 December 2021, 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.

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

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.söz konusu olduğundan emindir. Bu durum Grup yönetimi tarafından yakından takip edilmektedir ve yönetim gelecekteki piyasa faaliyetlerinin düzeltme yapılmasını gerektirdiği durumlarda söz konusu düzeltmeleri yapacaktır.

(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 by COVID Supreme Board established with in the Company. According to this; in order to minimize the effects of the epidemic and to ensure business continuity, quarantine and social distance rules are followed uncompromisingly at all facilities, the vaccination rate of employees is encouraged and monitored, stocks and receivables management are focused on to increase liquidity and operational efficiency, and investment expenditures are regularly followed up.

While preparing its consolidated financial statements dated 31 December 2021, the Group evaluated the possible effects of the COVID-19 pandemic on the consolidated 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 2021 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 2021	1 January- 31 December 2020
Europe, Middle East and Africa	2.675.683.476	1.458.651.377
North America	2.094.654.533	1.462.192.631
South America	937.086.357	547.097.343
Asia	2.183.630.197	1.068.395.088
	7.891.054.563	**4.536.336.439**

b) Segment assets	31 December 2021	31 December 2020
Europe, Middle East and Africa	3.220.669.958	1.791.454.511
Asia	3.889.855.795	1.972.275.862
South America	965.937.786	468.150.019
North America	5.856.678.803	3.083.333.493
Segment assets (*)	**13.933.142.342**	**7.315.213.885**
Unallocated assets	461.682.300	405.375.006
Less: Intersegment elimination	(384.234.973)	(115.910.324)
Total assets per consolidated financial statements	**14.010.589.669**	**7.604.678.567**

NOTE 3 - SEGMENT REPORTING (CONTINUED)

c) Segment liabilities	31 December 2021	31 December 2020
Europe, Middle East and Africa	3.466.190.314	1.944.113.453
North America	2.527.992.873	1.466.175.226
South America	291.971.809	229.650.480
Asia	955.429.500	360.837.570
Segment liabilities (**)	**7.241.584.496**	**4.000.776.729**
Unallocated liabilities	632.946.450	420.362.658
Less: Intersegment elimination	(347.518.174)	(94.583.187)
Total liabilities per consolidated financial statements	**7.527.012.772**	**4.326.556.200**

(*) 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 liabities, other financial liabilities and loans and borrowings have not been associated to segments.

d) Segment analysis for the period 1 January – 31 December 2021

	Europe, Middle East and Africa(**)	North America	South America	Asia	Elimination (*)	Total
External revenue	2.675.683.476	2.094.654.533	937.086.357	2.183.630.197	-	7.891.054.563
Intersegment revenue	203.956.690	1.100.666.739	1.015.404	99.741.510	(1.405.380.343)	-'
Revenue	2.879.640.166	3.195.321.272	938.101.761	2.283.371.707	(1.405.380.343)	7.891.054.563
Segment operating expenses	(1.950.292.814)	(3.146.364.025)	(744.937.700)	(1.995.845.214)	1.272.742.702	(6.564.697.051)
Segment operating results	929.347.352	48.957.247	193.164.061	287.526.493	(132.637.641)	1.326.357.512
Operating profit	**929.347.352**	**48.957.247**	**193.164.061**	**287.526.493**	**(132.637.641)**	**1.326.357.512**

e) 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**

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

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

f) Capital expenditure	1 January – 31 December 2021	1 January – 31 December 2020
Europe, Middle East and Africa	113.150.485	131.752.386
North America	81.419.294	92.113.263
South America	7.929.089	9.939.056
Asia	50.909.847	7.290.897
	253.408.715	**241.095.602**

NOTE 3 - SEGMENT REPORTING (CONTINUED)

g) Depreciation and amortization expense	1 January – 31 December 2021	1 January – 31 December 2020
Europe, Middle East and Africa	70.833.540	62.428.852
North America	155.739.524	127.766.333
South America	17.762.589	14.509.615
Asia	105.676.385	79.979.740
	350.012.038	**284.684.540**

h) Provision for doubtful receivables	1 January – 31 December 2021	1 January – 31 December 2020
South America	34.138	67.972
Europe, Middle East and Africa	4.516.290	(23.379)
North America	4.272.119	916.938
	8.822.547	**961.531**

i) Provision/ (reversal) for inventory obsolescence	1 January – 31 December 2021	1 January – 31 December 2020
Europe, Middle East and Africa	4.429.015	1.313.988
North America	2.587.033	1.464.010
South America	(6.423.680)	4.193.920
Asia	4.595.184	(2.154.360)
	5.187.552	**4.817.558**

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

a) External revenue	1 January – 31 December 2021	1 January – 31 December 2020
Industrial yarn and cord fabric	6.787.247.023	3.791.964.249
Advanced composite materials	773.582.758	674.051.268
Other	330.801.782	70.320.922
	7.891.054.563	**4.536.336.439**

b) Capital expenditures	1 January – 31 December 2021	1 January – 31 December 2020
Indstrial yarn and cord fabric	154.100.666	163.408.557
Advanced composite materials	53.715.426	60.705.235
Other	45.592.623	16.981.810
	253.408.715	**241.095.602**

The decision makers in management of the Company follow their analysis according to the above segments.

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NOTE 4 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2021 and 2020 are as follows

	31 December 2021	31 December 2020
Cash	113.307	70.390
Bank-demand deposits	88.054.505	198.808.627
Bank-time deposits	106.637.482	251.013.768
	194.805.294	**449.892.785**

Time deposits have less than 3 months maturity. Average annual interest rate for time deposits are 0,01% for Euro (31 December 2020: 0,1%). Average annual interest rate for time deposits are 0,05% for US Dollars (31 December 2020: 1,7%).

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 2021 and 2020.

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 2021	31 December 2020
Common Stocks	875.043	644.844
	875.043	**644.844**

Detail of the common stocks are as follows:

	31 December 2021		31 December 2020	
	Percentage of shareholding%	**Amount**	**Percentage of shareholding%**	**Amount**
Investimentos Lei 8200	<0,01	184.730	<0,01	380.484
Desenbanco	<0,01	16.905	<0,01	117.972
Investivos Fiscais Finor	<0,01	15.087	<0,01	10.796
Other	-	658.321	-	135.592
		875.043		**644.844**

NOTE 6 – BORROWINGS

	31 December 2021	31 December 2020
Short-term borrowings	2.187.820.419	1.204.531.453
Short-term portion of long term borrowings	724.444.403	462.887.549
Lease liabilities	17.112.312	9.046.298
Total short-term financial borrowings	**2.929.377.134**	**1.676.465.300**
Long-term borrowings	1.266.236.904	1.210.728.658
Lease liabilities	238.510.264	92.065.626
Total long-term financial borrowings	**1.504.747.168**	**1.302.794.284**
Total borrowings	**4.434.124.302**	**2.979.259.584**

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NOTE 6 – BORROWINGS (CONTINUED)

The details of long and short term borrwoings as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term borrowings				
TL borrowings	16,13	549.499.662	10,45	310.001.250
USD borrowings	1,72	633.408.380	1,60	235.956.696
EUR borrowings	1,06	995.837.781	0,74	658.426.790
Other borrowings(*)	6,5	9.074.596	6,12	146.717
		2.187.820.419		**1.204.531.453**
Short-term portion of long-term borrowings				
USD borrowings	3,39	705.802.773	3,55	432.113.001
Other borrowings(*)	7,15	18.641.630	8,90	30.774.548
		724.444.403		**462.887.549**
Total short-term borrowings		**2.912.264.822**		**1.667.419.002**
Long term borrowings				
USD Borrowing	3,39	1.235.979.821	3,55	1.062.584.497
Euro Borrowing	-	-	2,90	45.039.500
TL Borrowing	-	-	9,50	100.000.000
Other Borrowing (*)	7,15	30.257.083	8,90	3.104.661
Total short-term borrowings		**1.266.236.904**		**1.210.728.658**

(*) Other borrowings comprise borrowings in Indonesian Rupiah and Brazilian Real.

As of 31 December 2021 and 31 December 2020, the redemption schedules of borrowings are summarized below:

	31 December 2021	31 December 2020
1 to 2 years	750.624.419	571.200.310
2 to 3 years	480.769.758	402.731.842
3 to 4 years	17.353.910	236.794.601
4 to 5 years	17.488.817	1.905
Over 5 years	-	-
	1.266.236.904	**1.210.728.658**

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NOTE 6 – BORROWINGS (CONTINUED)

As of 31 December 2021 and 31 December 2020, the redemption schedules of leasing are summarized below:

	31 December 2021	31 December 2020
1 to 2 years	23.373.413	16.945.209
2 to 3 years	19.969.905	7.447.909
3 to 4 years	19.212.173	6.361.988
4 to 5 years	17.610.256	5.919.810
Over 5 years	158.344.517	55.390.710
	238.510.264	**92.065.626**

The financial covenant that he 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:

	2021	2020
1 January	**2.979.259.584**	**3.114.109.574**
Proceed from borrowings	2.255.184.854	1.423.072.698
Repayment of borrowings	(2.583.098.747)	(2.118.318.275)
Interest expense recognized in the statement of profit or loss	133.031.524	160.048.641
Interest accrual	(120.853.994)	(161.575.478)
TFRS 16 additions (Note 13)	66.210.319	9.868.368
Lease liability repayments	(19.325.754)	(17.313.543)
Effects of currency translation	1.723.716.516	569.367.599
31 December	**4.434.124.302**	**2.979.259.584**

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

	31 December 2021	31 December 2020
Trade receivables		
Trade receivables	2.421.306.949	1.026.912.477
Cheques received	22.849.755	11.257.390
Due from related parties (Note 27)	157.931.907	64.199.658
	2.602.088.611	**1.102.369.525**
Less: Provision for doubtful receivables	(19.532.353)	(5.423.414)
Less: Unearned credit finance income	(16.390.623)	(5.833.976)
	2.566.165.635	**1.091.112.135**

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES (CONTINUED)

As of 31 December 2021, annual interest rates for discount of TL, US Dollar and Euro trade receivables and payables are %23,61, %5,75 ve %3,5 respectively (2020: %17, %4,72 and %3,53) The average maturities of the trade receivables as of 31 December 2021 is 72 days and average duration of trade payables is 58 days (31 December 2020: 70 days, 59 days).

As of 31 December 2021, trade receivables amounting to TL 178.952.187 (31 December 2020: TL 93.860.522) were past due but not impaired. The aging of these receivables as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Up to 1 month	90.733.095	60.153.088
1 to 3 months	31.813.553	25.528.942
3 to 12 months	56.405.539	5.479.778
1 to 5 years	-	2.698.714
	178.952.187	**93.860.522**

As of 31 December 2021, trade receivables amounting to 19.532.353 TL (2020: 5.423.414 TL) are past due and provided for, as of 31 December 2021 and 31 December 2020, the aging schedule of the related receivables is as follows:

	31 December 2021	31 December 2020
Up to 1 month	-	-
1 to 3 months	-	-
3 to 12 months	-	-
1 to 5 years	19.532.353	5.423.414
	19.532.353	**5.423.414**

Movement schedules of provision for doubtful receivables for the years ended 2021 and 2020 are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Balance at 1 January	**5.423.414**	**3.976.486**
Additions	8.822.547	961.531
Currency translation differences	5.286.392	485.397
Balance at 31 December	**19.532.353**	**5.423.414**

Trade payables	31 December 2021	31 December 2020
Trade payables	1.899.870.539	645.439.046
Due to related parties (Note 27)	35.769.109	21.015.047
	1.935.639.648	**666.454.093**
Less: Unrealised credit finance expense on purchases	(8.255.502)	(2.167.761)
	1.927.384.146	**664.286.332**

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NOTE 8 – OTHER RECEIVABLES AND OTHER PAYABLES

Other short-term receivables	31 December 2021	31 December 2020
Taxes and other duties (*)	91.917.487	14.215.564
Other	90.573.949	10.701.784
	182.491.436	**24.917.348**

Other long-term receivables	31 December 2021	31 December 2020
Litigation guarantee receivables (**)	38.785.778	21.246.787
Other	1.580.801	5.736.684
	40.366.579	**26.983.471**

(*) Prepaid taxes and other witholding 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.

Other short-term payables	31 December 2021	31 December 2020
Taxes and duties payable	63.487.242	23.007.045
Other	-	13.749.777
	63.487.242	**36.756.822**

Other long-term payables	31 December 2021	31 December 2020
Taxes and duties payable (***)	6.373.587	8.529.941
	6.373.587	**8.529.941**

(***) Taxes and duties payable mainly comprise of the provisions for employee and tax related lawsuits against Kordsa Brazil

NOTE 9 – INVENTORIES

	31 December 2021	31 December 2020
Finished Goods	975.096.958	443.381.693
Raw materials and suppliers	1.458.531.806	523.736.557
Semi-finished goods	262.713.647	122.527.083
Spare parts	117.592.102	74.146.377
Intermediate goods	134.711.314	51.597.235
Other inventories	104.414.189	46.227.642
	3.053.060.016	**1.261.616.587**
Less: Provision for obsolescence	(64.279.766)	(36.303.991)
	2.988.780.250	**1.225.312.596**

The allocation of the impairment of inventories for the years ended 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Finished goods	19.379.222	11.099.818
Spare parts	33.388.599	17.098.453
Semi-finished and intermediate goods	2.038.172	4.704.042
Other inventories	9.326.767	1.572.408
Raw materials and suppliers	147.006	1.829.270
Balance at 31 December	**64.279.766**	**36.303.991**

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NOTE 9 – INVENTORIES (CONTINUED)

Movement schedules for impairment of inventories for the years ended 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Balance at 1 January	36.303.991	27.347.532
Additions	6.269.659	9.392.590
Reversals	(1.082.107)	(4.575.032)
Currency translation differences	22.788.223	4.138.901
Balance at 31 December	**64.279.766**	**36.303.991**

The amount of provision for impairment of inventory charged to cost of goods sold for the year 2021 is TL 5.187.552 (2020: TL 4.817.558).

NOTE 10 – PREPAYMENTS AND DEFERRED INCOME

Short-term prepaid expenses	31 December 2021	31 December 2020
Prepaid expenses	49.294.992	25.786.277
Advance expenses	47.357.207	14.331.188
Other prepaid expenses	4.002.506	7.752.420
	100.654.705	**47.869.885**

Long-term prepaid expenses	31 December 2021	31 December 2020
Advances given	4.843.384	3.704.280
Other prepaid expenses	1.380.725	1.451.981
	6.224.109	**5.156.261**

Deferred revenue	31 December 2021	31 December 2020
Deferred revenue (*)	18.797.992	15.910.941
	18.797.992	**15.910.941**

(*) Deferred revenue comprises advances received from customers.

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended 31 December 2021 is as follows:

	1 January 2021	Additions	Disposals	Transfers	Impairment	Currency translation differences	31 December 2021
Cost:							
Land and land improvements	127.147.176	1.082.335	-	41.500	-	61.218.689	189.489.700
Buildings	793.941.107	2.598.832	(1.590.784)	5.762.938	-	414.100.102	1.214.812.195
Machinery and equipment	4.003.211.704	55.442.262	(191.131.466)	160.591.214	(1.445.298)	2.343.768.905	6.370.437.321
Motor vehicles	3.932.952	-	(434.321)	323.781	-	2.612.922	6.435.334
Furniture and fixtures	146.851.186	972.601	(26.007.672)	14.157.771	-	83.125.312	219.099.198
Construction in progress	146.165.357	191.197.208	-	(206.975.825)	-	41.247.006	171.633.746
	5.221.249.482	**251.293.238**	**(219.164.243)**	**(26.098.621)**	**(1.445.298)**	**2.946.072.936**	**8.171.907.494**
Accumulated depreciation:							
Land improvements	28.036.026	2.891.258	-	-	-	11.239.727	42.167.011
Buildings	376.879.791	23.162.117	(1.187.288)	-	-	187.803.441	586.658.061
Machinery and equipment	2.231.441.316	216.123.236	(163.768.727)	-	-	1.303.081.819	3.586.877.644
Motor vehicles	1.957.256	653.844	(338.655)	76.676	-	258.685	2.607.806
Furniture and fixtures	110.945.113	15.565.551	(25.856.995)		-	67.686.088	168.339.757
	2.749.259.502	**258.396.006**	**(191.151.665)**	**76.676**	**-**	**1.570.069.760**	**4.386.650.279**
Net book value	**2.471.989.980**						**3.785.257.215**

TL 280.106.423 (2020: TL 228.230.766) of current period depreciation and amortisation expenses are included in cost of sales, TL 5.436.721 (2020 : 4.044.451 TL) is included in research and development expenses and TL 64.468.894 (2020: TL 52.409.323) is included in general administrative expenses.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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**

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 12 - INTANGIBLE ASSETS

	1 January 2021	Addition	Disposals	Transfers	Currency translation differences	31 December 2021
Cost:						
Rights	40.353.394	319.713	-	3.355.301	-	44.028.408
Technology licences	120.677.597	639.038	(15.105.126)	-	89.405.845	195.617.354
Capitalized development costs	77.548.464	379.224	(1.278.684)	22.564.646	-	99.213.650
Computer software	51.515.824	777.502	(21.160.173)	178.674	16.766.562	48.078.389
Customer relationships	570.722.711	-	-	-	465.066.910	1.035.789.621
Trademarks	178.426.067	-	-	-	145.555.424	323.981.491
Other intangible assets	33.572.169	-	-	-	23.954.001	57.526.170
	1.072.816.226	**2.115.477**	**(37.543.983)**	**26.098.621**	**740.748.742**	**1.804.235.083**
Accumulated Depreciation						
Technology licences	16.014.867	2.812.571	-	-	-	18.827.438
Capitalized development costs	43.105.110	13.432.315	(15.105.126)	-	37.685.017	79.117.316
Computer software	28.072.965	16.752.186	-	-	-	44.825.151
Customer relationships	55.198.396	4.065.594	(20.426.484)	-	14.338.422	53.175.928
Other intangible assets	52.045.831	16.334.054	-	-	62.170.246	130.550.131
Other intangible assets	6.970.877	16.642.789	-	-	1.862.095	25.475.761
	201.408.046	**70.039.509**	**(35.531.610)**	**-**	**116.055.780**	**351.971.725**
Net book value	**871.408.180**					**1.452.263.358**

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NOTE 12 – INTANGIBLE ASSETS (CONTINUED)

	1 January 2020	Addition	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	54.862.903	-	(3.907.776)	26.593.337	-	77.548.464
Computer software	43.031.106	22.838.102	(458.534)	(25.820.286)	11.925.436	51.515.824
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	16.167.285	13.177.471	-	-	-	29.344.756
Computer software	45.776.104	1.909.285	(4.366.310)	-	10.607.526	53.926.605
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 13 – RIGHT OF USE ASSETS

	1 January 2021	Addition	Disposals	Currency translation differences	31 December 2021
Cost					
Properties	100.171.185	61.277.049	(1.580.369)	110.786.852	270.654.717
Fixtures	252.813	-	-	206.249	459.062
Vehicles	8.888.308	4.317.624	-	2.904.861	16.110.793
Other	12.931.373	615.646	-	1.527.925	15.074.944
	122.243.679	**66.210.319**	**(1.580.369)**	**115.425.887**	**302.299.516**
Accumulated depreciation					
Properties	(15.789.829)	(14.877.111)	1.580.369	(18.478.520)	(47.565.091)
Fixtures	(112.314)	(78.786)	-	(132.518)	(323.618)
Vehicles	(5.385.416)	(4.078.863)	-	(3.474.035)	(12.938.314)
Other	(5.066.498)	(2.541.763)	31.092	(895.178)	(8.472.347)
	(26.354.057)	**(21.576.523)**	**1.611.461**	**(22.980.251)**	**(69.299.370)**
Net book value	**95.889.622**				**233.000.146**

	1 January 2021	Addition	Disposals	Currency translation differences	31 December 2021
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**

NOTE 14 – INVESTMENT PROPERTIES

	31 December 2021	31 December 2020
Balance at 1 January	**175.005.149**	**138.171.192**
Gain / (loss) from fair value adjusments (*)	1.281.645	4.364.502
Currency translation differences	143.413.023	32.469.455
Balance at 31 December	**319.699.817**	**175.005.149**

(*) As of 31 December 2021 and 2020 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 31 December 2021 the fair value hierarchy level of investment properties measured by revaluation method is 2.

NOTE 15 – GOODWILL

The goodwill by amount of TL 1.639.505.779 (2020: TL 923.388.013) as of 31 December 2021 consisted of TL 42.570.007 (2020: 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 (2020: 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 (2020: USD 9.656.000) and USD 19.893.604 (2020: USD 19.893.604) 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 (2020: 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 (2020: 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 2021	31 December 2020
Balance at 1 January	**923.388.013**	**798.034.611**
Currency translation difference	716.117.766	125.353.402
Balance at 31 December	**1.639.505.779**	**923.388.013**

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 1.639.505.779 and TL 923.388.013 for the year ended as of 31 December 2021 and 2020 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 2020: +1%/-1%). As a result of the impairment test, it has been determined that there is no impairment in the cash generating unit value.

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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 2021	31 December 2020
Pledges given to banks (Note 6)	598.989.671	452.613.315
Securities (*)	1.451.380.001	1.084.762.778
Letter of credits	129.824.530	46.553.367
Letter of guarantees	379.037.448	246.228.967
Commitments	648.983	385.634
	2.559.880.633	**1.830.544.061**

(*) Kordsa Teknik Tekstil A.Ş. has participated in Kordsa Inc.'s loans amounting to USD 15.555.556 (TL 207.340.006) as of 13 July 2018 and USD 93.333.333 (TL 1.244.039.996) as of 17 July 2019 as joint guarantor.

b) Guarantees received	31 December 2021	31 December 2020
Letter of guarantees	9.780.586	11.057.837
Cheques and notes received as collateral	31.350	31.350
	9.811.936	**11.089.187**

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NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

31 December 2021	TL Equivalent	TL	USD	EUR	Thai Baht	TL Equivalent
A. Total amount of GPMs given in the name of its own legal entity	1.108.500.632	42.732.408	58.923.297	18.511.135	1.827.200	378.911
B. Total amount of GPMs given on behalf of subsidiaries consolidated in full	1.451.380.001	-	108.888.889	-	-	-
C. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amounf of other GPM	-	-	-	-	-	-
i. Total amount of GPM given on 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	-	-	-	-	-	-
E. Total amount of GPMs given in the name of its own legal entity	-	-	-	-	-	-
F. Total amount of GPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-
G. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
H. Total amounf of other GPM	-	-	-	-	-	-
iv. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-	-
	2.559.880.633	**42.732.408**	**167.812.186**	**18.511.135**	**1.827.200**	**378.911**

31 December 2020	TL Equivalent	TL	USD	EUR	Thai Baht	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 on 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 amounf of other GPM	-	-	-	-	-	-
i. Total amount of GPM given on 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	-	-	-	-	-	-
E. Total amount of GPMs given in the name of its own legal entity	-	-	-	-	-	-
F. Total amount of GPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-
G. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
H. Total amounf of other GPM	-	-	-	-	-	-
iv. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-	-
	1.830.544.061	**42.508.926**	**217.938.016**	**20.003.635**	**1.778.000**	**7.635.887**

(*) Group equity ratio to other GPM given by the Group is 0 % as of 31 December 2021 (31 December 2020: 0%).

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NOTE 17 – EMPLOYEE BENEFITS

Short-term provisions for employee benefits	31 December 2021	31 December 2020
Provision for unused vacation	40.432.271	15.953.189
Provision for bonus accrual	71.735.707	12.727.891
Provision for capital contribution plan (*)	13.553.748	2.138.082
	125.721.726	**30.819.162**

(*) The Group applies a contribution-based (premium pay) profit-sharing programme called "Capital Contribution Plan" for North America region workers, where 5% of the total premiums earned is paid annually to employees' account, which is reimbursible after fulfilling three years of work experience within the Group.
In addition to this benefit, another plan called 401(k) is applied to the employees that work in North America. According to this plan, employees can contribute up to 5% of their salaries to the plan and the Group contributes the same amount as the employees' contribution.

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

	1 January-31 December 2021	1 January-31 December 2020
Balance at 1 January	15.953.189	15.164.895
Increase during the year	4.305.342	20.661.604
Decrease during the year	(1.538.239)	(13.489.369)
Currency translation differences	21.711.979	(6.383.941)
Balance at 31 December	**40.432.271**	**15.953.189**

Long-term provisions for employee benefits	31 December 2021	31 December 2020
Provision for employment termination benefits (*)	85.925.990	63.177.753
Accruals for employee retirement benefit plans (**)	67.890.797	43.794.659
	153.816.787	**106.972.412**

(*) 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 2021 the amount payable consists of one month's salary limited to a maximum of TL 8.284,51 (31 December 2020: TL 7.117,17) for each year of service.

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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:

	2021	2020
Discount rate (%)	3,91	3,91
The probability of retirement (%)	95,86	97,09

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 10.848,59 (1 January 2020: TL 7.117,17), which is effective from 1 January 2022, 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 2021	1 January-31 December 2020
Balance at 1 January	**63.177.753**	**50.392.579**
Increase during the year	26.050.784	14.356.304
Payment during the year	(3.302.547)	(3.592.978)
Actuarial (gain)/loss	-	2.021.848
Balance at 31 December	**85.925.990**	**63.177.753**

(**) 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.

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NOTE 17 – EMPLOYEE BENEFITS (CONTINUED)

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

	1 January-31 December 2021	1 January-31 December 2020
Balance at 1 January	43.794.659	35.724.022
Addition during the year	(169.971)	4.279.459
Payment during the year	(7.638.058)	(3.677.463)
Actuarial (gain)/loss	1.474.434	(1.143.995)
Currency translation differences	30.429.733	8.612.636
Balance at 31 December	**67.890.797**	**43.794.659**

Employee benefit obligations	31 December 2021	31 December 2020
Wage accruals	12.038.926	9.296.180
Due to personnel	8.807.447	5.648.261
	20.846.373	**14.944.441**

Other Short Term Provision	31 December 2021	31 December 2020
Lawsuit provision (*)	35.806.277	22.665.711
	35.806.277	**22.665.711**

(*) The provisions of the Group's Subsidiary in Indonesia regarding the ongoing litigation related to customs codes and other cases.

NOTE 18 – OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2021	31 December 2020
Deferred VAT	30.683.250	10.453.633
Deductible VAT	77.202.491	23.683.982
Other	40.504.150	8.706.275
	148.389.891	**42.843.890**

Other non-current assets	31 December 2021	31 December 2020
Long-term spare parts	137.794.110	67.677.045
Long-term deposits	9.270.299	4.511.771
	147.064.409	**72.188.816**

Other current liabilities	31 December 2021	31 December 2020
Expense accruals	50.809.339	17.098.891
Sales discounts and commision accruals (*)	12.832.563	9.990.420
Other tax accruals (**)	13.402.514	2.896.659
Other personel expense accruals	3.456.827	857.370
Other	66.972.046	31.579.687
	147.473.289	**62.423.027**

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

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

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NOTE 18 – OTHER ASSETS AND LIABILITIES (CONTINUED)

Other long-term liabilities	**31 December 2021**	**31 December 2020**
Other (*)	-	43.941.705
	-	**43.941.705**

(*) Consists of valuation of put option liability of non-controlling interests of Axiom Materials Acquistion LLC, a subsidiary of the Group. Kordsa Inc., which is a 100% subsidiary of our company and residing in the USA, has completed the purchase of 4.14% minority shares of Axiom Materials Acquisition LLC, 95.86% of which is owned, for 6,533,413 (six million five hundred thirty three thousand four hundred and thirteen) US Dollars on 2 August 2021.

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 (2020: 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 202 and 2020 are as follows:

	2021	**Ownership interest %**	**2020**	**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
Paid-in capital total	**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.

Revalution and hedging reserves

	31 December 2021	**31 December 2020**
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	(952.232.836)	(465.752.147)
	(952.502.987)	**(466.022.298)**

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.

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NOTE 19 - EQUITY (CONTINUED)

Movements of Hedging Reserve:

	1 January-31 December 2021	**1 January-31 December 2020**
Balance at 1 January	**(465.752.147)**	**(301.459.528)**
Increases/decreases	(607.881.671)	(205.618.287)
Income tax related to gains /losses recognized	121.400.980	41.325.668
in other comprehensive income	**(952.232.836)**	**(465.752.147)**

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

Reserve s 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 2021 restricted reserves comprised of legal reserves amounting to TL 171.866.392 (31 December 2020: TL 171.866.392).

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 2021, 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 invesment properties.

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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;

	2021	2020
Balance at beginning of the period	40.027.097	40.027.097
Balance at closing of the period	**40.027.097**	**40.027.097**

Defined Benefit Plans Remeasurement Fund

As at 31 December 2021, TL 5.454.587 (31 December 2020: TL 4.975.520) 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 curency translation difference amounting to TL 3.849.799.350 (31 December 2020: TL 1.446.673.823 TL) 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.

Net Profit for the Period

As of 31 December 2021, the Group has a net profit of TL 855.717.662 (2020: TL 150.393.991).

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.

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NOTE 19 - EQUITY (CONTINUED)

Non-controlling Interest (continued)

For the year ended 31 December, the movements of non-controlling interests were as follows:

	2021	2020
Balance at the beginning of the period	**696.997.365**	**572.642.516**
The portion of total comprehensive income attributed to non-controlling interest	632.300.860	150.336.530
Dividend paid to non-controlling insterest	(91.729.777)	(25.981.681)
Closing at the beginning of the period	**1.237.568.448**	**696.997.365**

NOTE 20 - REVENUE AND COST OF SALES

	1 January-31 December 2021	1 January-31 December 2020
Sales income (gross)	8.019.706.304	4.611.790.406
Sales returns (-)	(20.408.722)	(16.300.905)
Sales discounts (-)	(30.022.999)	(30.876.468)
Other sales discounts (-)	(78.220.020)	(28.276.594)
Sales income (net)	**7.891.054.563**	**4.536.336.439**
Cost of sales (-)	(6.159.087.633)	(3.733.211.464)
Gross Profit	**1.731.966.930**	**803.124.975**

NOTE 21 - EXPENSES BY NATURE

	1 January-31 December 2021	1 January-31 December 2020
Raw materials and consumables used	4.142.544.057	2.264.379.814
Personnel expenses	1.045.849.959	687.877.040
Energy expenses	597.690.237	380.656.700
Depreciation and amortization expenses	350.012.038	284.684.540
Idle mill expenses	9.285.928	129.533.921
Distribution expenses	289.236.230	127.188.079
Packaging expenses	153.722.487	92.195.269
Consultancy expenses	90.336.215	60.631.172
Maintenance expenses	8.802.099	6.502.381
Rent expenses	6.843.224	4.936.395
Other	329.174.047	208.508.387
	7.023.496.521	**4.247.093.698**

Fees for Services Obtained from Independent Auditors/Independent Audit Firms

Fees for the services rendered by the independent audit firms, which is prepared pursuant to the Board Decision of the POA published in the Official Gazette on 30 March 2021 and prepared in accordance with the the letter of the POA dated 19 August 2021 are as follows

	2021(*)	2020(*)
Independent audit fee for the reporting period	5.174.239	3.893.496
Fee for other assurance services	62.198	49.063
	5.236.437	**3.942.559**

(*) The fees above have been determined by including the legal audit and other related service fees of all subsidiaries, and the foreign currency fees of foreign subsidiaries and affiliates have been converted into TL using the annual average rates of the relevant years.

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NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange gain/loss on trade receivables/payables - net	237.115.476	71.441.354
Finance income on trade receviables	74.494.461	37.111.554
Domestic production incentive income (*)	65.738.356	36.431.868
Export incentive income	3.747.069	3.297.731
Rent income	1.379.729	1.397.109
Income from insurance claims	-	365.368
Income from lawsuit (**)	92.725.859	-
Other	76.192.275	24.008.975
	551.393.225	**174.053.959**

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

(**) It consists of the revenues related to the positive conclusion of Kordsa Brazil's double taxation lawsuits, which have continued since 2003 and were also collected over the state VAT on the sales by the federal tax office.

Other operating expenses	1 January- 31 December 2021	1 January- 31 December 2020
Finance expense on credit purchases	26.976.610	16.275.743
Taxes and duties	10.672.017	12.697.961
Provision for litigation (*)	16.796.711	37.157.372
Expenses of the customer damages	1.062.942	516.154
Donations	742.569	193.054
Other	36.342.905	12.583.213
	92.593.754	**79.423.497**

(*) 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 2021	1 January- 31 December 2020
Interest income	6.241.528	13.933.897
Interest income from fair value of invesment properties (Note 14)	1.281.645	4.364.502
Gain on sale of property, plant and equipment	2.113.531	984.251
	9.636.704	**19.282.650**

Losses from investing activities	1 January- 31 December 2021	1 January- 31 December 2020
Loss on sale of property, plant and equipment	6.014.827	531.715
	6.014.827	**531.715**

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NOTE 24 - FINANCIAL INCOME AND EXPENSES

Finance income	1 January 31 December 2021	1 January 31 December 2020
Foreign exchange gain	158.544.223	130.146.531
	158.544.223	**130.146.531**

Finance expense	1 January 31 December 2021	1 January 31 December 2020
Interest expenses	133.031.524	160.048.641
Foreign exchange losses	175.748.609	129.319.282
Losses on derivative instruments	220.299.085	53.446.923
Other	15.386.920	10.025.779
	544.466.138	**352.840.625**

NOTE 25 - TAXATION ON INCOME

Corporate Tax

	31 December 2021	31 December 2020
Corporate tax payable	18.504.653	686.008
Less: Prepaid taxes	-	(5.278.265)
Current tax (asset)/ liability, net	**18.504.653**	**(4.592.257)**

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 condesned consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

In Turkey, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations in Turkey and by deducting the exemptions in the tax laws was applied as 20% after 1 January 2021. However, with the Provisional Article 13 added to the Corporate Tax Law no. The rate is set to be 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. This amendment is valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021. Since the tax rate change came into effect as of 22 April 2021, the tax rate was used as 25% in the calculations of the period tax in the consolidated financial statements dated 31 December 2021.

Within the scope of the said amendment, deferred tax assets and liabilities in the consolidated financial statements dated 31 December 2021 are calculated at the rates of 23% and 20%, respectively, for the portions of temporary differences that will have tax effects in 2022 and the following periods.

Tax legislation in Turkey does not allow the Company and its subsidiaries to file consolidated tax returns. Therefore, the tax provision reflected in the financial statements has been calculated on a company-by-company basis.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years and tax accounts can be revised.

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NOTE 25 - TAXATION ON INCOME (CONTINUED)

Corporate Tax (continued)

Dividend payments made to resident joint stock companies in Turkey, to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 15% income tax.

Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

Dividend earnings of corporations from participation in the capital of another fully liable corporation (except for participation certificates of mutual funds and dividends obtained from shares of investment partnerships) are exempt from corporate tax. In addition, 75% of the profits arising from the sale of the participation shares in the assets of the corporations for at least two full years and the founding certificates of the real estates (immovables) owned for the same period of time, the usufruct shares and the preference rights are exempt from corporate tax as of 31 December 2017. However, with the amendment made with Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

In order to benefit from the exemption, the said income must be kept in a passive fund account and not withdrawn from the business for 5 years. The sales price must be collected until the end of the second calendar year following the year of sale.

In Turkey, there is no practice of reaching an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the accounting period. The tax inspection authorities may examine the tax returns and the accounting records underlying them during the five years following the accounting period and make a reassessment as a result of their findings.

Income tax withholding

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments, except those made to non-resident companies that generate income in Turkey through a workplace or their permanent representative, and those residing in Turkey, were subject to a 15% withholding tax until 22 December 2021. However, in accordance with the presidential decree No. 4936, published in the Official Gazette dated 22 December 2021 and numbered 31697, the provisions of the Income Tax Law No. has decreased.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. Adding retained earnings to the capital is not counted as dividend distribution, so it is not subject to withholding tax.

Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué dated 18 November 2007 on disguised profit distribution through transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price or price they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered as an expense that is not legally accepted for corporate tax.

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NOTE 25 - TAXATION ON INCOME (CONTINUED)

Corporate Tax (continued)

The taxes on income reflected to consolidated income statements for the years ended 31 December 2021 and 2020 are summarized as follows:

	1 January-31 December 2021	1 January-31 December 2020
Current period corporate tax expense	(110.945.399)	(7.956.412)
Deferred tax income /(expense)	30.547.577	(14.470.645)
	(80.397.822)	**(22.427.057)**

The reconciliation of tax on the consolidated statement of profit or loss for the years ended 31 December 2021 and 2020 is as follows:

	1 January-31 December 2021	1 January-31 December 2020
Profit before tax in the consolidated financial statements	943.833.474	179.930.044
Tax charge according to parent company's tax rate 22%	(235.958.369)	(39.584.612)
Tax rate differences of subsidiaries	14.692.257	(8.897.293)
Expected tax charge of the Group	**(221.266.112)**	**(48.481.905)**
Disallowable expenses	(11.844.314)	(1.510.615)
Exemption of real estate sales	-	960.190
Lump-sum expense provision	2.466.838	1.257.441
Research and development incentive allowance	34.835.818	-
Use of losses from previous years for which no deferred tax has been calculated	70.338.907	30.517.421
Revaluation effect	46.094.869	-
Other	(1.023.828)	(5.169.589)
Current period tax expense	**(80.397.822)**	**(22.427.057)**

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.

Deferred tax is calculated over the temporary differences between the recorded values of assets and liabilities in the financial statements and the values used in the tax base, excluding the goodwill that is not subject to tax deduction and the first recorded asset and liability differences that are not subject to accounting and taxation.
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 2021	31 December 2020
Turkey	%20-%23	%22
Egypt	%30	%30
United States of America	%25	%25
Brazil	%34	%34
Indonesia	%22	%20-%22
Thailand	%20	%20

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NOTE 25 - TAXATION ON INCOME (CONTINUED)

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 2021 and 31 December 2020 using the enacted tax rates are as follows:

	Deferred tax assets/(liabilities)	
	31 December 2021	31 December 2020
Derivative financial instruments	50.797.420	-
Inventories	45.959.875	13.372.787
Provision for employment termination benefits	29.649.373	18.028.095
Prepaid expenses	10.055.102	10.962.329
Deductible financial losses	-	9.044.629
Finance income	13.228.732	529.295
Other, net	51.213.292	20.539.962
Deferred tax assets	**200.903.794**	**72.477.097**
Property, plant and equipment	(335.783.123)	(301.876.793)
Other, net	(1.679.276)	(17.373.957)
Deferred tax liabilities	**(337.462.399)**	**(319.250.750)**
Net deferred tax liabilities	**(136.558.605)**	**(246.773.653)**

	1 January-31 December 2021	1 January-31 December 2020
Balance at 1 January	**(246.773.653)**	**(248.696.490)**
Current year deferred tax income - net	30.547.577	(14.470.645)
Charges to equity	121.697.418	3.896.346
Currency translation differences	(42.029.947)	12.497.136
Balance at 31 December	**(136.558.605)**	**(246.773.653)**

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NOTE 26 - EARNINGS PER SHARE

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

	1 January-31 December 2021	1 January-31 December 2020
Net income attributable to equity holders of the parent	768.560.878	152.970.598
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	39,51	7,86
Earning per share from continiuning operations		
Net income attributable to equity holders of the parent	772.611.293	156.596.187
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	39,72	8,05
Earning per share from discontinued operations		
Net income/(loss) attributable to equity holders of the parent	(4.050.415)	(3.625.589)
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	(0,21)	(0,19)

Nominal values of ordinary shares for the years ended 31 December 2021 and 2020 are assumed to be Kr 1 each.

NOTE 27 - RELATED PARTY DISCLOSURES

Bank balances:	31 December 2021	31 December 2020
Akbank T.A.Ş. - time deposit	106.420.060	247.820.230
Akbank T.A.Ş. - demand deposit	7.319.653	4.615.874
	113.739.713	**252.436.104**

	31 December 2021	31 December 2020
Akbank T.A.Ş. - bank borrowings	703.485.533	160.001.250
	703.485.533	**160.001.250**

Due from related party:	31 December 2021	31 December 2020
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. ("Brisa")	156.898.224	63.970.889
Akçansa	974.460	-
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	7.498	83.979
Other	51.725	144.790
	157.931.907	**64.199.658**

Due to related party:	31 December 2021	31 December 2020
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	24.736.450	13.467.332
Sabancı Dx	10.594.796	5.120.151
Hacı Ö.Sabancı Holding A.Ş	100.490	2.123.362
Brisa	-	128.790
Aksigorta	-	57.412
Other	337.373	118.000
	35.769.109	**21.015.047**

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NOTE 27 – RELATED PARTY DISCLOSURES (CONTINUED)

Product sales:	**1 January-31 December 2021**	**1 January-31 December 2020**
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	231.196.557	136.690.233
Other	6.116.377	253.336
	237.312.934	**136.943.569**

Product purchase:	**1 January-31 December 2021**	**1 January-31 December 2020**
SabancıDX	-	698.502
	-	**698.502**

Service received:	**1 January-31 December 2021**	**1 January-31 December 2020**
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	139.397.113	78.774.453
SabancıDX	28.672.657	18.227.620
Aksigorta	-	3.742.512
Other	148.981	788.429
	168.218.751	**101.533.014**

Property, plant and equipment purchases:	**1 January-31 December 2021**	**1 January-31 December 2020**
SabancıDX	-	223.815
Other	-	234.881
	-	**458.696**

Interest income:	**1 January-31 December 2021**	**1 January-31 December 2020**
Akbank T.A.Ş.	3.831.132	10.329.462

Interest income:	**1 January-31 December 2021**	**1 January-31 December 2020**
Akbank T.A.Ş.	46.606.965	53.423.707

Foreign exchange gain /(losses), net	**1 January-31 December 2021**	**1 January-31 December 2020**
Akbank T.A.Ş.	15.125.716	(8.516.406)

Rent income	**1 January-31 December 2021**	**1 January-31 December 2020**
SabancıDX	111.101	111.101

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NOTE 27 – RELATED PARTY DISCLOSURES (CONTINUED)

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 renumerations provided which is consist of per diem payment, salary and other additional renumerations by the Group for 2021 and 2020 are as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Short-term employee benefits	31.595.945	24.838.299
Post-employment benefits	157.340	322.544
	31.753.285	**25.160.843**

Security and guarantee letters given:

31 December 2021

None.

31 December 2020

None.

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:

	31 December 2021			
	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
Subsidiaries PT Indo Kordsa Tbk (*)	38,42%	84.524.909	1.240.349.702	91.729.777
Other		2.631.875	(2.781.254)	
Total		**87.156.784**	**1.237.568.448**	

	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
Subsidiaries 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**	

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

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NOTE 28 - INTERESTS IN OTHER ENTITIES (CONTINUED)

The financial information of PT Indo Kordsa Tbk before the Group's consolidation adjustments and eliminations is as follows:

Summary statement of financial position	PT Indo Kordsa Tbk 31 December 2021	31 December 2020
Cash and cash equivalents	23.599.657	84.780.719
Other current assets	1.641.754.436	551.432.973
Non-current assets	2.427.363.517	1.406.908.182
Total assets	**4.092.717.610**	**2.043.121.874**
Short-term borrowings	219.584.292	77.874.290
Other short-term liabilities	618.259.773	186.225.416
Long-term borrowings	65.245.709	54.332.427
Other long-term liabilities	256.100.476	112.118.340
Total liabilities	**1.159.190.250**	**430.550.473**
Total equity	**2.933.527.360**	**1.612.571.401**
Total equity attributable to owners of the Company	**2.749.557.743**	**1.495.332.265**
Non-controlling interest (*)	**183.969.617**	**117.239.136**

Summary statement of profit and loss:	PT Indo Kordsa Tbk 1 January – 31 December 2021	1 January – 31 December 2020
Revenue	2.281.824.149	1.155.508.303
Cost of sales	(1.807.775.212)	(998.903.362)
Depreciation and amortization expense	(93.957.395)	(63.590.336)
Operating income	265.495.072	(14.485.330)
Finance income /(expense), net	15.390.305	(444.171)
Profit before tax	280.885.377	(14.929.501)
Tax expenses	(78.297.666)	6.527.586
Non-controlling interests (*)	(10.865.070)	1.727.761
Profit for the year	191.722.642	(6.674.155)

(*) 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.

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

(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 2021 and 2020 is as follows:

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

31 December 2021	Carrying value	Contractual cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Borrowings	4.178.501.726	4.340.635.442	1.510.998.057	1.679.031.342	1.150.606.043	-
Lease liabilities	255.622.576	255.622.576	-	17.112.312	238.510.264	-
Trade payables	1.927.384.146	1.935.639.648	1.899.651.923	35.987.725	-	-
Other payables	69.860.829	72.559.024	72.559.024	-	-	-
	6.431.369.277	**6.604.456.690**	**3.483.209.004**	**1.732.131.379**	**1.389.116.307**	**-**

Derivative financial liabilities

Unrealized purchase/ sale contracts (net)	221.461.266	221.461.266	24.766	221.436.500	-	-
	221.461.266	**221.461.266**	**24.766**	**221.436.500**	-	

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**	**-**

Derivative financial liabilities

Unrealized purchase/ sale contracts (net)	7.708.095	7.708.095	844.824	6.863.271	-	-

(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.

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Market risk (continued

Interest rate risk (continued)

As at 31 December 2021 and 31 December 2020, the interest rate profile of the Group interest-bearing financial instruments is as follows:

Fixed interest rate financial instruments	**31 December 2021**	**31 December 2020**
Financial Liabilities	2.964.081.732	1.475.296.549
Time Deposits	106.637.482	251.013.768

Variable interest rate financial instruments	**31 December 2021**	**31 December 2020**
Financial liabilities	1.214.419.994	1.402.851.111

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 2021, 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 11.795.389 (2020: TL 6.337.074), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2021, there is no variable interest rate borrowings in EUR (2020: there is no variable interest rate borrowings in EUR).

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 2021 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.

As of 31 December 2021, 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 2021 is TL 381.569 (2020: 4.384.084 TL loss) of loss.

Foreign exchange forward and swap contracts:

Avro buy USD sell	**Average Rate**	**Foreign Currency (Avro)**	**Conract Value (USD)**	**Fair Value (TL)**
Less than 3 months	1,1320	3.000.000	3.395.900	(24.767)
Between 3-6 months	1,1993	3.000.000	3.581.900	(53.785)
Between 6-9 months	1,1388	3.000.000	3.416.400	(22.888)
Between 9-12 months	1,1408	3.000.000	3.422.400	(45.255)
Total				**(146.695)**

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Hedges of net investments in foreign operations (continued):

BRL sell USD buy	**Average Rate**	**Foreign Currency (USD)**	**Conract Value (BRL)**	**Fair Value (TL)**
Between 6-9 months	6,0000	889.721	5.338.326	(757.730)
Between 9-12 months	5,3000	3.536.739	18.744.717	637.299
Total				**(120.431)**

On 22 June 2021, Group has executed a EUR/TL foreign currency swap for the borrowings with principal and interest repayment amounting to TL 104.085.000 and TL 350.700.000 with maturity 12 months and interest rates of 18,75% and 17.25% respectively. In this context, principal repayments to be made on 22 June 2022 and 16 September 2022 are fixed at EUR 10.146.955 and EUR 35.424.319; interest rates are fixed at 1,45% and 1,20% and EUR/TRY rates are fixed at 12,2078 and 11,6267 respectively. The fair value of this transaction is TL (220.858.348) loss as at 31 December 2021.

As of 31 December 2020 Foreign exchange forward and swap contracts:

Euro buy USD sell	**Average Rate**	**Foreign Currency (Euro)**	**Conract 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 buy USD sell	**Average Rate**	**Foreign Currency (USD)**	**Conract 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;

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.

Foreign currency position

Group's assets and liabilities denominated in foreign currencies at 31 December 2021 and 2020 are as follows:

	31 December 2021	**31 December 2020**
Assets	2.229.464.605	1.698.239.189
Liabilities	(2.298.711.905)	(1.568.186.703)
Net foreign currency position	**(69.247.300)**	**130.052.486**

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2021	Total TL equivalent	US Dollars (*)	Euro (*)	Indonesian Rupiah ('000) (*)	Other TL equivalent
Assets:					
Trade receivables	1.182.137.947	23.980.898	43.174.726	226.022.247.822	-
Cash and cash equivalent	106.809.945	777.265	6.236.865	2.468.569.474	50.127
Other monetary receivables and assets	-	-	-	-	-
Other non- monetary receivables and assets	86.857.826	219.493	30.122	89.153.847.613	197.159
Current assets	**1.375.805.718**	**24.977.656**	**49.441.713**	**317.644.664.909**	**247.286**
Non-current asset held for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
Non-current assets	**-**	**-**	**-**	**-**	**-**
Total assets (a)	**1.375.805.718**	**24.977.656**	**49.441.713**	**317.644.664.909**	**247.286**
Liabilities:					
Trade payables	447.559.819	18.777.304	9.290.706	59.030.177.848	1.969.634
Financial liabilities	1.444.458.591	37.570.136	66.029.394	24.572.904.561	-
Other monetary payable and liabilities	106.140.337	-	-	113.625.743.019	-
Current liabilities	**1.998.158.747**	**56.347.440**	**75.320.100**	**197.228.825.428**	**1.969.634**
Financial liabilities	300.553.158	14.444.444	-	34.887.999.851	-
Other monetary receivables and assets	-	-	-	-	-
Non-current liabilities	**300.553.158**	**14.444.444**	**-**	**34.887.999.851**	**-**
Total liabilities (b)	**2.298.711.905**	**70.791.884**	**75.320.100**	**232.116.825.279**	**1.969.634**
Off-balance sheet derivative assets (c)	853.658.887	51.594.657	11.000.000	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
Net foreign currency asset /(liability) position	**(69.247.300)**	**5.780.429**	**(14.878.387)**	**85.527.839.630**	**(1.722.348)**
Fair value of financial instruments used for foreign exchange hedge	(221.461.266)	-	-	-	-
Hedges amount of foreign currency assets	-	-	-	-	
Hedges amount of foreign currency liabilities	853.658.887	51.594.657	11.000.000	-	-

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

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTİNUED)

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**	**381.154**
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**	**84.747.774**	**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**	**10.482.810**	**(21.805.330)**	**(2.713.209)**
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.

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

NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency position (continued)

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

Closing rates	**31 December 2021**	**31 December 2020**
US Dollars	13,3290	7,3405
Euro	15,0867	9,0079
Indonesian Rupiah (1000 units)	0,9341	0,5204
Brezilian Real	2,3885	1,4125
Thai Baht	0,3988	0,2444
Egyptian Pound	0,8499	0,4674

Average rates	**31 December 2021**	**31 December 2020**
US Dollars	8,8854	7,0090
Euro	10,4687	8,0278
Indonesian Rupiah (1000 units)	0,6210	0,4807
Brezilian Real	1,6470	1,3594
Thai Baht	0,2779	0,2240
Egyptian Pound	0,5669	0,4445

Foreign currency position as of 31 December 2021 and 2020 in regard to the 10% changes in foreign currency rates is depicted in the table below:

31 December 2021	**Profit / (Loss)**		**Equity**	
	Appreciation of foreing curreny	**Depreciation of foreing curreny**	**Appreciation of foreing curreny**	**Depreciation of foreing curreny**
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset / liability	7.704.734	7.704.734	7.704.734	7.704.734
2-Hedged portion of US Dollar amounts(-)	-	-	-	-
3-Net effect of US Dollar (1+2)	**7.704.734**	**7.704.734**	**7.704.734**	**7.704.734**
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	(22.446.576)	(22.446.576)	(22.446.576)	(22.446.576)
5-Hedged portion of EUR amounts(-)	-	-	-	-
6-Net effect of EUR (4+5)	**(22.446.576)**	**(22.446.576)**	**(22.446.576)**	**(22.446.576)**
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	7.817.110	7.817.110	7.817.110	7.817.110
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
9-Net effect of other foreign currencies (7+8)	**7.817.110**	**7.817.110**	**7.817.110**	**7.817.110**
TOTAL (3+6+9)	**(6.924.732)**	**(6.924.732)**	**(6.924.732)**	**(6.924.732)**

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2020	**Profit / (Loss)**		**Equity**	
	Appreciation of foreing curreny	**Depreciation of foreing curreny**	**Appreciation of foreing curreny**	**Depreciation of foreing curreny**
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)**

Export and import balances from Turkey as of 31 December 2021 and 2020 is as follows:

	31 December 2021		**31 December 2020**	
	Original Amount	**TL Equivalent**	**Original Amount**	**TL Equivalent**
Euro	118.617.010	1.241.760.266	98.683.551	792.208.285
US Dollars	90.902.882	807.705.587	58.461.067	409.755.380
Total export		**2.049.465.853**		**1.201.963.665**

	1 January - 31 December 2021	**1 January - 31 December 2020**
Total import	1.521.224.199	779.764.304

(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.

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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 2021 and 2020, banks, where the cash and cash equivalents within the financial assets that are neither past due nor impaired are kept; mainly have high credit and parties in the trade receivables comprise of the customers/ related parties that are worked with for a long time and without significant collection problems.

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NOTE 29 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

As of 31 December 2021, the credit risks that the Group is exposed to by types of financial instruments are as follows:

	Trade Receivables		Other Receivables (*)	Derivatives	Bank Deposits	
31 December 2021	**Related Party**	**Third Party**	**Related Party**		**Related Party**	**Other**
As of reporting date, credit risk exposure (A+B+C+D) (**)	**157.607.480**	**1.079.863.973**	**-**		**113.739.713**	**80.952.274**
- The part of maximum risk under guarantee with collateral	**-**	***9.811.936***	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due nor impaired	157.607.480	900.911.786	-	-	113.739.713	80.952.274
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	178.952.187	-	-	-	-
C. Net book value of impaired assets						
- *Past due (gross carrying amount)*	-	19.280.153	-	-	-	-
- *Impairment(-)*	-	(19.280.153)	-	-	-	-
- *The part under guarantee with collateral*	-	-	-	-	-	-

(*) 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)

As of 31 December 2020, the credit risks that the Group is exposed to by types of financial instruments are as follows:

	Trade Receivables		Other Receivables (*)	Derivatives	Bank Deposits	
31 December 2020	**Related party**	**Other**	**Related party**		**Related party**	**Other**
As of reporting date, credit risk exposure (A+B+C+D) (**)	**64.199.658**	**1.021.489.063**	**-**	**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	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- *Past due (gross carrying amount)*	-	5.423.414	-	-	-	-
- *Impairment(-)*	-	(5.423.414)	-	-	-	-
- *The part under guarantee with collateral*	-	-	-	-	-	-

(*) 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 2021	31 December 2020
Less than 1 month	90.733.095	60.153.088
Between 1-3 months	31.813.553	25.528.942
Between 3-12 months	56.405.539	5.479.778
Up to 5 years	-	2.698.714
	178.952.187	**93.860.522**

(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 2021 and 2020 net debt/(equity+net debt+non-controlling interest) ratio is:

	31 December 2021	31 December 2020
Total financial liabilities	4.178.501.726	2.979.259.584
Cash and cash equivalents	(194.805.294)	(449.892.785)
Net debt	**3.983.696.432**	**2.529.366.799**
Equity	5.246.008.448	2.581.125.002
Non-controlling interest	1.237.568.448	696.997.365
Equity+net debt+non-controlling interest	**10.467.273.328**	**5.807.489.166**
Net debt/(Equity+non-controlling interest) ratio	%38	%44

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 2021 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	194.805.294	-	-	-	194.805.294	4
Trade receivables	2.566.165.635	-	-	-	2.566.165.635	7
Receivables from related parties	157.931.907	-	-	-	157.931.907	27
Financial investments	-	875.043	-	-	875.043	5
Financial liabilities						
Borrowings	-	-	4.178.501.726	-	4.178.501.726	6
Lease Liabilities	-	-	255.622.576	-	255.622.576	6
Trade payables	-	-	1.927.384.146	-	1.927.384.146	7
Payables to related parties	-	-	35.769.109	-	35.769.109	27
Other financial liabilities (**)	-	-	63.487.242	-	63.487.242	8
Derivative financial instruments	-	-	-	221.461.266	221.461.266	29

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 investments	-	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	-	-	664.286.332	-	664.286.332	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

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

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

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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 2021	31 December 2020		
Foreign currency forward/ swap contracts	(221.461.266)	(7.708.095)	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.

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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 2021 and 31 December 2020 as assets held for sale (31 December 2021: 4.142.037 TL, 31 December 2020: 2.925.808 TL) and liabilities regarding asset groups held for sale (31 December 2021: 4.142.037 TL, 31 December 2020: 4.026.883 TL).

For the year ended 1 January- 31 December 2021 and 1 January- 31 December 2020, the result of the operating activities shown at below:

NILE KORDSA

	1 January- 31 December 2021	1 January- 31 December 2020
GROSS PROFIT		
Revenue	-	-
Cost of sales	-	-
OPERATING PROFIT	-	-
General and administrative expenses	-	-
Selling, marketing and distribution expenses	-	-
Research and development expenses	-	-
Other income from operating activities	-	-
Other expense from operating activities (*)	(7.941.990)	(7.108.996)
Operating profit before finance costs	**(7.941.990)**	**(7.108.996)**
Gain from investing activities	-	-
Loss from investing activities	-	-
Profit before tax from continuing operations	**(7.941.990)**	**(7.108.996)**
Finance income	-	-
Finance costs	-	-
Tax expense/income from continuning operations	**(7.941.990)**	**(7.108.996)**
Current tax expense	-	-
Deferred tax benefit	-	-
Profit/ (Loss) for the period	**(7.941.990)**	**(7.108.996)**

(*) Refers to provision expenses which are related to impairment of net assets of Nile Kordsa.

NOTE 32 – EVENTS AFTER THE REPORTING PERIOD

None.

Directory

EUROPE, MIDDLE EAST AND AFRICA

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