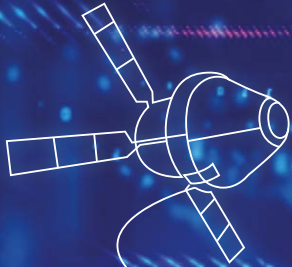
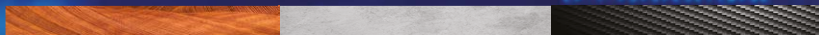


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2022 ANNUAL REPORT





2022

ANNUAL REPORT

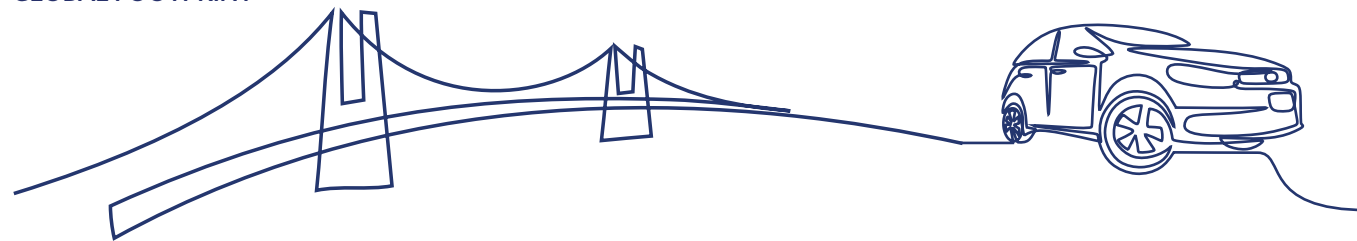
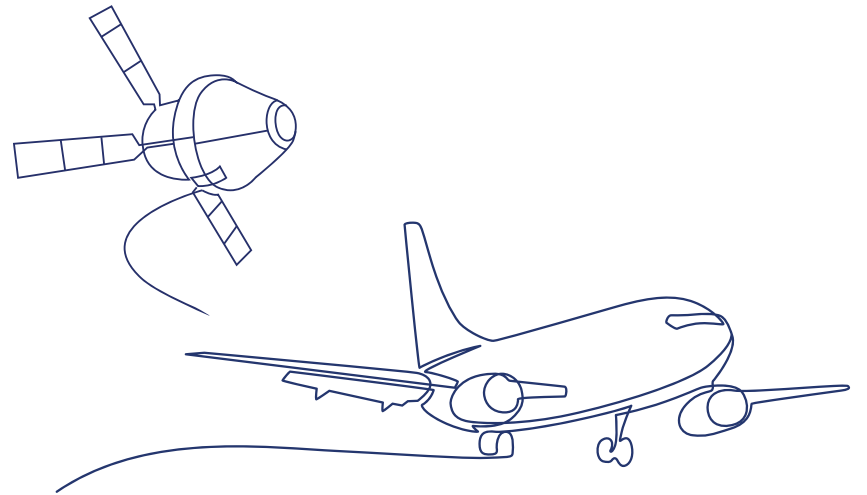
Contents

About Kordsa

- 6 KORDSA AT A GLANCE
- 9 WHY INVEST IN KORDSA?
- 10 STRATEGY HOUSE
- 11 VISION, MISSION, VALUES
- 12 SUSTAINABILITY APPROACH
- 18 DIGITAL TRANSFORMATION
- 22 RESEARCH & DEVELOPMENT
- 26 QUALITY LEADERSHIP
- 28 KEY FINANCIAL HIGHLIGHTS
- 30 SHAREHOLDER STRUCTURE
- 31 SABANCI GROUP IN BRIEF
- 32 CHAIRMAN'S MESSAGE
- 34 BOARD OF DIRECTORS
- 36 CEO'S MESSAGE
- 40 EXECUTIVE MANAGEMENT
- 44 KORDSA IN BRIEF
- 46 GLOBAL FOOTPRINT

Kordsa in 2022

- 50 KORDSA IN 2022
- 56 TIRE REINFORCEMENT TECHNOLOGIES
- 60 COMPOSITE TECHNOLOGIES
- 68 CONSTRUCTION REINFORCEMENT TECHNOLOGIES
- 70 SAFETY, HEALTH & ENVIRONMENT
- 72 HUMAN RESOURCES
- 74 INTERNAL AUDIT
- 76 RISK MANAGEMENT



Corporate Governance

- 82 INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT
- 84 ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE ACCOUNTING YEAR OF 1 JANUARY 2022 - 31 DECEMBER 2022
- 104 INDEPENDENCE DECLARATIONS OF INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS
- 106 THE AUDITOR'S REPORT ON THE EARLY DETECTION SYSTEM AND COMMITTEE
- 108 2022 PROFIT DISTRIBUTION PROPOSAL AND DIVIDEND TABLE
- 110 CONCLUSION SECTION OF THE AFFILIATION REPORT UNDER ARTICLE 199 OF THE TURKISH COMMERCIAL CODE
- 111 AGENDA OF 2022 GENERAL MEETING OF SHAREHOLDERS

Financial Information

- 112 CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
- 214 DIRECTORY



2022
ANNUAL REPORT

About Kordsa

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

**We are
inspired to
reinforce life**

Kordsa at a Glance

OCCUPATIONAL HEALTH AND SAFETY, AND ENVIRONMENT

Financial Capital

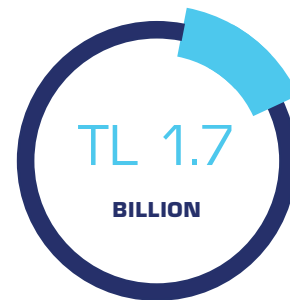
TURNOVER



EBITDA



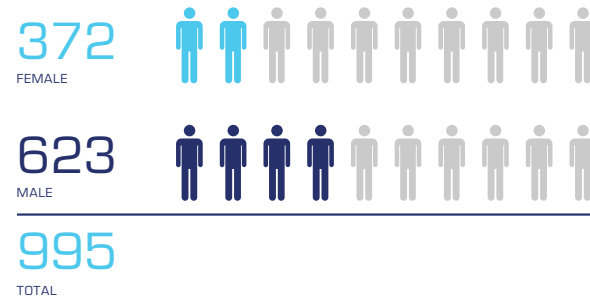
REAL OPERATING PROFIT



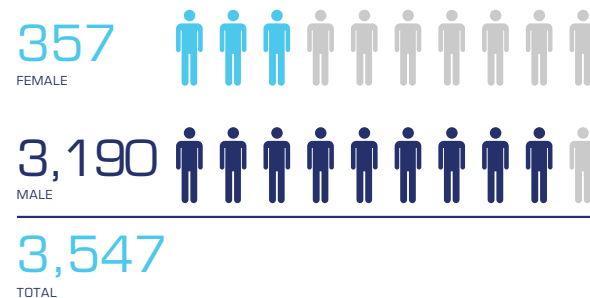
Human Capital



Number of White-Collar Employees



Number of Blue-Collar Employees

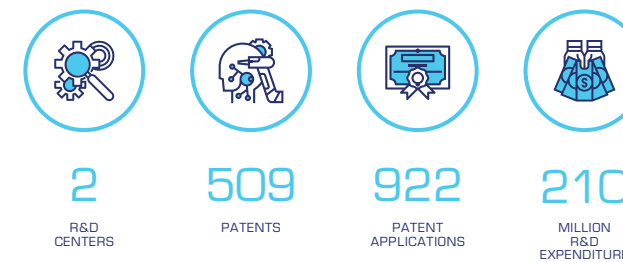


*sub-employers not included

Safety, Health & Environment

- Recertification of one plant for "Global Recycling Standard".
- Recertification of two plants for TSE COVID-19 Safe Production Certificate.
- "OHS Event" events at all plants.
- 48,386 person-hour OHS and Environment trainings with the target of Zero Work Accident.
- Communication of OHS and Environment 12 awareness at all plants.

Intellectual Capital



Social and Relationship Capital

Open Innovation

CoKoon: Eco-friendly open-source adhesive technology developed by Kordsa and Continental available to the industry.

Solar Panel: Under the strategic cooperation agreement with Ohio-based Toledo Solar Inc., a manufacturer of new generation thin film solar panels, all-glass, thin-film, recyclable solar modules with low carbon footprint will be offered as an ideal solution for the roofs of houses, workplaces and factories in Europe.

RFID Tag: As part of the cooperation between Kordsa and SES RFID Solutions, the studies for the development of a small-sized, flexible RFID tag to be placed in vehicle tires prior to the vulcanization process, using SES's patented Radio Frequency Identification (RFID) technology, are ongoing. A joint patent application was filed for the newly-developed RFID technology solution.

Incentive Programs Support

Three EU-Funded Horizon Projects:

PolynSPIRE: Under the Horizon 2020 program, 21 project partners from 11 countries works on the innovative technology development project for efficient and sustainable plastic recycling. Using microwave technology, nylon 66 polymer was successfully converted to its raw materials by hydrolysis method and the laboratory phase of the project was completed.

DiCoMi Project: A system, software and material development project for the production of composite materials with 3D printer technology. The project is carried out with 15 project partners from 11 countries, including Kordsa and Sabanci University, under the Horizon 2020 program. The most valuable aspect of the project is to enable researchers to gain experience through international assignments.

WhiteCycle Project: Carried out under the Horizon Europe program with 16 partners from 5 countries, the WhiteCycle project aims to recycle complex plastic waste with groundbreaking biotechnological methods and to reduce CO2 emissions by approximately 2 million tons.

TÜBİTAK-Supported Projects:

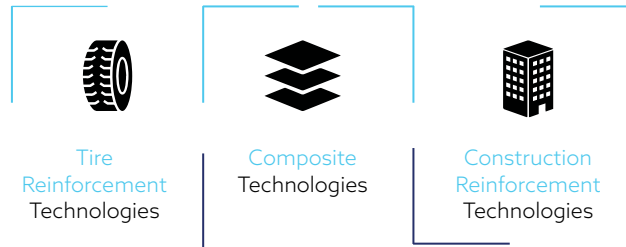
COMACH: In the EUREKA-supported project based on collaborations with international networks, it is aimed to develop robotic systems in order to carry out composite cutting processes without harming human health, to prevent process-related errors, to design a composite milling process and to expand the application of these technologies in the industry.

Technology-Oriented Industrial Action, TEYDEB 1511 Project:

Under the Turkey and European Sustainability Goals, the project was entitled to be supported with the title of "Production of Compounds of Bio-Based Polyamides and Blends of Bio-Based Polyamides with Polyamide 66 for Automotive, Electric & Electronics, White Goods Sectoral Applications".

Kordsa at a Glance

Generated Capital



Natural Capital

2022 ENVIRONMENTAL EXPENDITURES **6.178.383 \$**

ENVIRONMENTAL INVESTMENTS

Emission Management	128.838	2.0 %
Waste Recycling	371.659	6.0 %
Waste Disposal	3.663.714	59.3 %
Consultancy	291.584	4.7 %
Training	23.192	0.4 %
Project Investments	1.704.398	27.6 %

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: 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

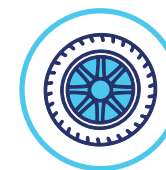
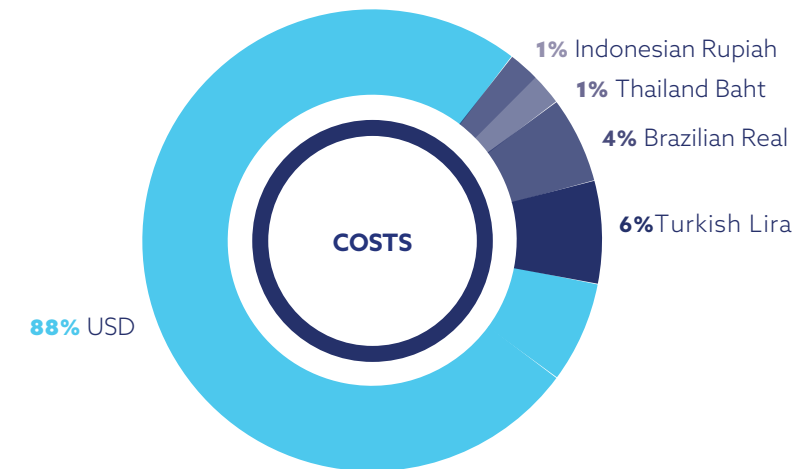
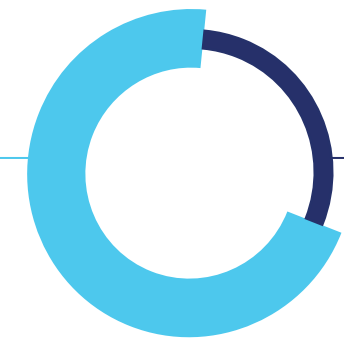


NATURAL HEDGING OPPORTUNITY AGAINST EXCHANGE RATE RISK FOR INVESTORS IN TURKEY

REVENUES

78% USD

22% EURO



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




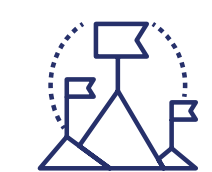

TECHNOLOGY LEADERSHIP

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

Strategy House



Vision, Mission, Values

Vision	Mission	
 <p>We are inspired to reinforce life.</p>	 <p>To deliver high value-added reinforcement solutions, globally.</p>	
 <p>Values</p>	<p>SAFETY, HEALTH AND ENVIRONMENT We work carefully, systematically and in a disciplined manner.</p> <p>ETHICS We work with an honest and transparent approach and comply with Ethical Rules and Policies.</p> <p>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.</p> <p>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.</p>	<p>PASSION We approach every work we do with enthusiasm, excitement and determination by believing wholeheartedly; we prompt our whole environment with our energy.</p> <p>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.</p> <p>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.</p>

Our Approach to Sustainability









At Kordsa, we contribute directly to eight of the United Nations Sustainable Development Goals with our advanced material development strategy and related business model as well as our working principles and technologies.

Our approach to sustainability is based on the following targets: to grow through R&D and technology investments in three main business lines, to support the continuous development of our talented human resources, to ensure the responsible use of natural resources, and to create sustainable value for all our key stakeholders and the society through social development projects. In any region where we operate, we conduct our operations in compliance with

the applicable laws and regulations and our corporate ethical values with a sense of social and environmental responsibility embraced by all our employees.

Thanks to our expertise and innovative approach, we contribute to transforming the world of today and the future into a more sustainable one. We reduce fuel consumption by decreasing the rolling resistance of tires, help manufacture light vehicles with our composite technologies, and develop construction reinforcement technologies for sustainable building projects.

R&D and innovation have been and will always be the epicenter of our sustainable business model.

KORDSA SUSTAINABILITY TARGETS			
RELATED SDG	DESCRIPTION OF TARGET	PERFORMANCE INDICATOR	TARGET & DATE
	Reduce GHG emissions (base year for reduction targets: 2019)	Reduce Scope 1 & 2 emissions (CO ₂ e)	46.2% / 100% (2030 / 2050)
		Reduce Scope 3 Category 3 & Category 10 emissions (CO ₂ e)	22.5% (2030)
		SBTi-compliant targets to be set by suppliers covering 64% of Scope 3 Category 1 emissions	100% (2027)
RELATED SDG	DESCRIPTION OF TARGET	PERFORMANCE INDICATOR	2030 TARGET
	Reducing water withdrawal (base year: 2019)	Water withdrawal per unit sales tonnage (m ³ /ton)	50%
RELATED SDG	DESCRIPTION OF TARGET	PERFORMANCE INDICATOR	2030 TARGET
	Reducing waste (base year: 2018)	Total waste amount per unit sales tonnage (ton/ton)	50%
 	Sustainable Supply Chain Programme	Evaluation rate of suppliers under sustainability evaluation (%)	100%
RELATED SDG	DESCRIPTION OF TARGET	PERFORMANCE INDICATOR	2025 TARGET
	Improving accident ratio in operations	Number of fatal injuries High-consequence injuries Recorded injuries	Zero accident
	Reducing complaints on human rights violations	Number of complaints on human rights violations	Zero complaint
	Continuing employee development trainings	Competencies of Sabancı of New Generation	Continuous development
	Increasing employee satisfaction	Ratio of employee satisfaction (%)	65% and over
RELATED SDG	DESCRIPTION OF TARGET	PERFORMANCE INDICATOR	2025 TARGET
	Increase women employment (office staff)	Ratio of women employees (%)	45%
RELATED SDG	DESCRIPTION OF TARGET	PERFORMANCE INDICATOR	2022 TARGET
	Increasing number of students attending reinforcing future project	Number of students trained annually	1,000

OUR SUSTAINABILITY ROAD MAP AND TARGETS

In 2020, we reviewed our strategic priorities in line with the United Nations (UN) 2030 Sustainable Development Goals and determined and put into action our sustainability goals for 2025-2030 and 2050.

Our targets directly serve to the sub-goals of eight of the Sustainable Development Goals (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, SDG 13: Climate Action, and SDG 17: Partnerships for the Goals). We share our short-, medium- and long-term goals and activities with our stakeholders in our Sustainability Report published in the second quarter of each year.

Our sustainability goals are associated with the individual goals of the entire management team, starting from the CEO, which are also defined in the Kordsa Performance-Based Variable Bonus System.

SUSTAINABILITY MANAGEMENT STRUCTURE

The Board of Directors, Kordsa's highest governing body, embraces our performance on sustainability priorities. The Board of Directors takes into account the environmental, social and economic impacts of the Company's activities and the relevant principles while designing the corporate governance strategy.

Kordsa identifies material sustainability issues at review meetings every two years. Following these meetings, the Kordsa Executive Board, consisting of CEO, Deputy General Managers responsible for the operations of our facilities, and our Directors, determines and renews, when necessary, our targets related to these issues.

Reporting to the Board of Directors, our CEO, together with the Kordsa Executive Board, determines the Company's material environmental, social, governance (ESG) issues as

In any region where we operate, we conduct our operations in compliance with the applicable laws and regulations and our corporate ethical values with a sense of social and environmental responsibility embraced by all our employees.

well as risks and opportunities, and develops the relevant ESG policies. These policies are disclosed to the public on our website upon the approval of the Board of Directors. The Kordsa Sustainability Policy published in 2022 is available [here](#).

Reporting directly to our CEO, the Sustainability Group Manager ensures coordination between departments and senior management for the achievement of targets, and works on the implementation of sustainability-related strategies throughout the Company.

The Sustainability Department, established at the headquarters, reports to our CEO and carries out its activities in cooperation with the Sustainability Working Groups and the Regional Sustainability Teams working in facilities in different countries.

The Regional Sustainability Teams monitor the performance indicators created to achieve the sustainability targets set in line with the Company's strategic plans, and ensure that the projects planned to achieve these targets are implemented by following up with the relevant regional departments.

The Regional Sustainability Teams monitor and report sustainability performance indicators through the Quarterly Sustainability Performance Indicators Tracking Chart for their respective regions. The Sustainability Department prepares quarterly sustainability performance monitoring reports covering monitoring and evaluation works towards targets. Monitoring and evaluation works regarding Kordsa's sustainability targets and road map are performed by the Kordsa Executive Board on a quarterly basis.

Our Approach to Sustainability

KORDSA SUSTAINABILITY MANAGEMENT STRUCTURE



SUSTAINABILITY REPORTING

The sustainability reports prepared since 2015 on the basis of GRI Standards are an important communication tool that discloses Kordsa's transparent and accountable management approach and that is shared with the public on our website. These reports also served as the Global Compact Communication on Progress (UNGC CoP) until the end of 2022. As of 2023, we will prepare a separate report on UNGC's online system.

Our reports verified with data verification studies carried out by independent assurance institutions explain all kinds of developments related to our material issues in an objective and balanced manner. The reports published annually cover our 13 facilities around the world without any limitation.

We will publish our 2022 results on our website and in our Sustainability Report. Our statements on the six capital

elements under the International Integrated Reporting Council (IIRC) reporting framework, which merged with the Sustainability Accounting Standards Board (SASB) in 2022 to form the Value Reporting Foundation, are given under the title of "Kordsa at a Glance" of this report.

COMMUNICATION WITH STAKEHOLDERS

We conduct stakeholder communication in a continuous and transparent manner, and explain how often we communicate with which stakeholder groups, for which purposes and issues as well as our progress in sustainability activities.

As Kordsa, we carry out our activities related to sustainability by taking into account the needs and priorities of all stakeholders (society, suppliers, public institutions and organizations, non-governmental organizations, national and international organizations, universities, trade unions), primarily our key stakeholders (employees, customers,

shareholders and investors). We share the feedback and actions received on sustainability with our key stakeholders in our sustainability reports.

PARTICIPATION IN INTERNATIONAL INITIATIVES AND COMPLIANCE

We strive to play an active role in solving global problems by participating in international standards and initiatives working on sustainability. We have been a signatory to the UN Global Compact (UNGC) since 2014. Since 2016, we have been listed in the BIST Sustainability Index, covering the leading companies in sustainability every year. We were listed in the "BIST Sustainability 25 Index", launched in 2022 by Borsa Istanbul for companies with higher sustainability performance.

Since 2016 we have been reporting to the Carbon Disclosure Project (CDP) Climate Change Program and to the CDP Water Program. We are a member of the EcoVadis valuation platform, one of the leading sustainability rating agencies active in 160 countries and more than 200 sectors. In 2022, we also participated in the S&P Global Corporate Sustainability rating.

We were included in the Global A list for the second time in the 2022 CDP Water Program rating. In 2022 our CDP Climate Change score was B.

In the evaluation carried out by EcoVadis on the topics of Environment, Labor & Human Rights, Ethical and Sustainable Purchasing, Kordsa received Gold Medal in 2022, maintaining the outstanding performance of the previous year.

Within Kordsa's sustainability management structure, all units, especially the Board of Directors, have duties and responsibilities in determining strategies and taking necessary actions to combat climate change.

We share the feedback and actions received on sustainability with our key stakeholders in our sustainability reports.

As Kordsa, we have developed an energy and emission management approach for combating climate change. To help limit global warming to 1.5°C, we aim to reach net zero emissions by 2050. As of 2020, we included Scope 3 emissions in the emission calculations and independent assurance organizations started verification studies. In 2021, we committed to the Science Based Targets Initiative, which is a global initiative. The validation process of our targets at SBTi continues. In 2022, together with the regional teams, we regularly followed up the action plans under our decarbonization road map, which covers all our facilities.

Our Approach to Sustainability

ACHIEVEMENTS

2022 CDP CLIMATE CHANGE PROGRAM



2022 CDP WATER PROGRAM GLOBAL A LIST



2022 CDP WATER PROGRAM GLOBAL A LIST

We monitor the risks related to climate change under the risk analysis studies carried out by the Early Detection of Risk Committee, reporting to the Board of Directors. We systematically address the climate change-related risks and opportunities that may originate from issues such as possible legislative changes during the transition to a low-carbon economy, extreme weather events due to climate change, and possible changes in customer preferences. Detailed analysis of our climate change-related risks and opportunities is available in the CDP Climate Change Program reports.

[The Kordsa CDP Climate Change Report is available on our website.](#)

2022 CDP WATER PROGRAM GLOBAL A LIST

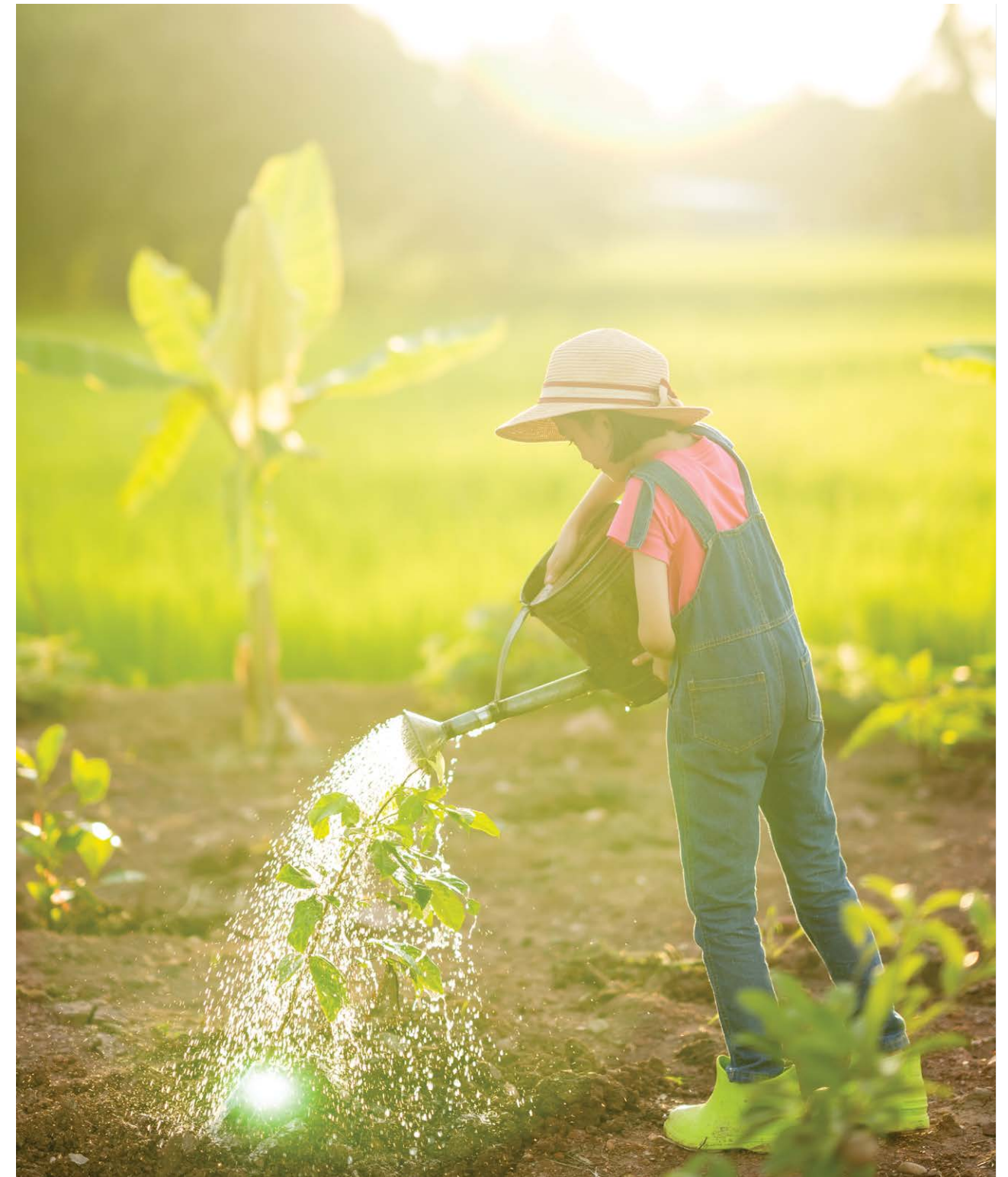
Aware of our responsibility to environment, we have been reporting to the CDP Water Program since 2016. In 2022 we maintained our water program rating and were included in the Global A list covering 107 companies worldwide.

The use of water, the quality of water, accessibility to water and protection of water resources play an important role in terms of business continuity and costs in all production processes of Kordsa. Within Kordsa's sustainability management structure, all units, especially the Board of Directors, have duties and responsibilities in determining strategies and taking necessary actions related to targets under the water management.

We address our water-related risks for all our facilities under the corporate risk management. In the water risk analyses reviewed annually, we evaluate the risks that may arise in and after six years. We use various tools in these assessments such as the WRI (World Resource Institute) Aqueduct water risk map application, the COSO Enterprise Risk Management Framework and the ISO 31000 Risk Management Standard. Detailed analysis of our water management risks and opportunities is available in the CDP Water Program reports.

At the 2022 Sustainable Business Awards, our Izmit facilities received the award in the Water Management category thanks to the water saving projects carried out.

[The Kordsa CDP Water Program Report is available on our website.](#) [The Kordsa Water Policy is available on our website.](#)



Digital Transformation

Under its sustainable digital transformation strategy, Kordsa takes steps towards becoming the “Digital Company of the Future” by supporting its priorities in this field with investments in the right areas.

Embracing the concept of Digital Transformation as part of its corporate culture, Kordsa will continue its R&D and implementation processes in all the countries it operates under the moniker Kordsa 5.0 as of 2023, encompassing its new digital strategies to contribute to company strategies in the areas of growth and sustainability.

With its high level of digital maturity, Kordsa deploys systems that evaluate integrations and new generation technologies together with analytical intelligence to make smarter decisions at the next level.

For Kordsa, digital transformation is not a project, but a journey. During the transformation journey, Kordsa commissions international independent organizations to perform digital maturity level and cyber security maturity level measurements, and accordingly, prepares digital transformation road maps. This way, Kordsa launches new digital products and services and creates outputs as well as productivity, quality and customer satisfaction values for all stakeholders.

The Digital Transformation Journey at Kordsa is basically grouped under four main headings:



1. Connected Operations

Kordsa has created a new digital application infrastructure for more effective and flexible process management to facilitate daily business life. Prioritizing solutions and products that will create benefits for its customers through the adaptation of emerging technologies, Kordsa embraces an approach that keeps the digital product lifecycle under control.

Enterprise resource planning projects to be carried out in EMEA, South America and Asia Pacific regions have become one of the most important focus areas of the upcoming period.

In addition, Kordsa continues its digital investments to create more value for its customers with digital technologies developed in the field of Commercial Excellence.

Thanks to its technological prowess, Kordsa has not been affected by the global and local crises, where the importance of digital systems is felt the most. Kordsa provides remote working and secure connection services to all its employees as standard with its strong infrastructure. Moreover, the Company enables all its stakeholders to benefit from its digital environments effectively to prevent any business interruptions.

Digital Transformation

Kordsa will continue its R&D and implementation processes in all the countries it operates under the moniker Kordsa 5.0 as of 2023, encompassing its new digital strategies to contribute to company strategies in the areas of growth and sustainability.

2. Autonomous Technologies

Considering many innovative technologies such as robotic process automation, image processing, mobile technologies and machine learning among its priorities in the field of digital applications, Kordsa continues to invest and expand globally in these fields while putting these technologies into operation in its facilities.

Kordsa has transformed a total of 100 business processes in 2022 to run completely digitally without human intervention. The Company plans to continue its robotic process automation transformations in its global facilities in 2023.

Augmented reality, artificial intelligence, big data analysis, image processing, mobile technologies, 5G/LTE Private online networking, machine learning and internet of things are among the 2023 targets as important building blocks of Kordsa's digital journey.

Kordsa attaches great importance to business partnerships with start-up companies, membership of Turkey Artificial Intelligence Initiative, projects carried out under TÜSIAD's Digital Transformation Program in Industry SD2, university and industry collaborations, joint projects with Sabancı Holding companies, and cooperation with Sabancı Dx. The company will continue to pursue and reach its quality, occupational safety and efficiency targets with digital automation.

3. Cyber Security and Infrastructure

Proud holder of ISO 27001:2013 Information Security certificate, Kordsa has successfully completed the audits for 13 years in a row. The Company also takes steps to expand the standard on a global scale.

Kordsa handles works on cyber security as a part of digital transformation and carries out regular activities such as vulnerability scanning tests, phishing tests and disaster recovery solutions. The applications launched by the Security Operations Center and the systems for monitoring global threats and taking precautionary measures against any potential threat are also in operation at Kordsa's facilities in all countries. Business continuity and the cyber security road map are also among Kordsa's priorities. Moreover, Kordsa performs regular risk calculations and evaluates the risks with the members of the Board of Directors and the Early Detection of Risk Committee in line with the principle of transparency. The Company considers investment decisions among its strategic priorities as well.

4. Digital Workforce

Kordsa prioritizes the training of its employees in various fields in the digital transformation journey and cooperates with Sabancı University, Kocaeli University and many international consultancy companies.

Project teams consisting of different business units and sources from all levels added analytical approaches to



their expertise, developed advanced technologies and implemented applications to take their customers in the sector one step ahead.

Increasing the competencies of all company employees with Digital Literacy trainings in 2022, Kordsa also closely follows and contributes to the ecosystem among industrial companies.

In 2023, the Company plans to offer trainings for the families and children of employees in various areas such as Digital Media Literacy and Social Media Addiction.

Kordsa annually determines its sustainable digital transformation strategy starting from the senior management level and takes steps towards becoming the "Digital Company of the Future" by supporting its priorities in this field with investments thanks to its effective management and expert teams in this field, thus standing out among its competitors in the sector.

Research & Development



Kordsa's strong team carries out important R&D studies to develop the reinforcement technologies of the future.

RFID Project

Thanks to its expertise in advanced materials, Kordsa works on the development of a small-sized, flexible RFID tag to be placed in vehicle tires prior to the vulcanization process, using the patented Radio Frequency Identification (RFID) technology of SES RFID Solutions. Having filed a patent application for this new tag technology, Kordsa and SES RFID Solutions aim to obtain the necessary data that will ensure the digitalization of tire manufacturers by ensuring the global traceability of tires from production to the end of their economic life. The data obtained enables tire manufacturers, original equipment manufacturers in the

automotive industry, distributors and fleet management companies to use tires more effectively and efficiently.

Construction Reinforcement Technologies

The Construction Reinforcement Technologies department added structural reinforcement products to Kratos product portfolio. Kordsa continues the R&D studies for these products, which are much needed in Turkey. This product group includes carbon fabric, carbon plate and epoxy resins for these products. Reinforcement with Kratos Structural Reinforcement products provides both time and cost savings compared to demolition and reconstruction, and

shines out as an eco-friendly and sustainable solution.

Ultra High Tenacity Polyester

Kordsa works on the development of a UHT 7G PET cord fabric reinforcement material that can meet the need arising from the widespread use of electric vehicles. This material is designed for the needs of electric vehicle tires such as reduced weight and better performance in shared vehicles. In addition, due to the new emission limits to be set for passenger and commercial vehicles in the world market in 2030, tires will be required to be lighter with reduced rolling resistance.

Bio-based Resin Transfer to Axiom

The Composite Technologies Center of Excellence carries out intensive studies for composite solutions for many sectors. In 2022 the Center developed bio-based resin systems as an alternative to phenolic resins with flame retardant properties in line with the demands of the aviation industry. The technology transfer of these systems to Kordsa Inc. Axiom Materials, a subsidiary of Kordsa in the USA, was completed in 2022. As a project output, a bio-based and sustainable resin system obtained from sugarcane waste was developed. The system was tested in accordance with both aviation (FAR 25.853) and railway (EN 45545) standards, receiving much better results than equivalent products.

Solar Panel Investment

Kordsa signed a strategic cooperation agreement with Toledo Solar Inc., the leading US manufacturer of strong, innovative and durable solar panels and glass. With this cooperation, Kordsa has the primary right to manufacture, sell and carry out similar commercial activities with Toledo Solar technology in the European continent and Central Asia, starting with Turkey and Central Europe.

The tire reinforcement business unit, the main business line of Kordsa, aims to make products 50% sustainable until 2030 and 100% by 2050.

With the recycling of the cord fabric in tires with an endless cycle, Kordsa will get one step closer to the target of 100% sustainable tire in 2050.

Sustainable Tire Reinforcement Materials

Although regulations and sanctions related to sustainability are getting stricter around the world day by day, Kordsa continues to operate as one of the pioneers of the sector with the motto of reinforcing life. In line with the targets of customers, the tire reinforcement business unit, the main business line of Kordsa, aims to make products 50% sustainable until 2030 and 100% by 2050. To this end, Kordsa transforms raw material resources into sustainable raw material resources.

In the production of Nylon 66, CO2 emissions were reduced by 17% and 33% with the yarn and cord fabric studies manufactured from 20% and 40% recycled polymers. Moreover, Kordsa entered into cooperation with main raw material supplier companies manufacturing nylon 66 on the production of bio-based raw materials and polymers, and prepared a road map consistent with the Company's 2030/2050 targets. Moreover, under the Horizon 2020 European project Polynspire launched in 2018, 100% chemically-recycled nylon 66 polymer was produced at laboratory with chemically-recycled nylon 66 polymer raw materials. Kordsa aims to successfully complete the Polynspire project in 2023 after five years.

In the production of PET, trial studies were carried out in industrial and pilot phases with polymers containing 50%

Research & Development



With the recycling of the cord fabric in tires with an endless cycle, Kordsa will get one step closer to the target of 100% sustainable tire in 2050.

and 100% recycled materials, respectively, obtained by chemical recycling. Moreover, with the WhiteCycle project under the European Commission Horizon program, it is aimed to recover the polyester material from tire and complex textile wastes and to carry out depolymerization, polymerization and production of cord fabric with advanced biotechnological methods. Thus, with the recycling of the cord fabric in tires with an endless cycle, Kordsa will get one step closer to the target of 100% sustainable tire in 2050. Kordsa continues to work on mechanical recycling and bio-based materials in line with the Company's targets. On the other hand, Kordsa carries out various product development studies to reduce the use of materials in tires and to reduce rolling resistance and fuel consumption in tires.

COMACH

Under the international cooperation project with 11 partners from three countries, process monitoring systems are developed to ensure that the dust released in the composite milling processes is removed from the environment so as to prevent any harm to the health of staff, and to avoid process-related errors by using image processing and data analysis methods. With the innovative internal suction system to be developed in the project, 98% of the composite dusts will be removed from the environment and the position verification problems encountered in the benches will be solved with the 6D imaging system, thus providing quality and cost advantage in composite production.

DICOMI

DiCoMi is a university-industry collaboration project funded by the European Commission. Under the project, a low-cost hybrid 3D printing (additive manufacturing) system is planned to be developed for the automotive and aerospace sectors, providing an important knowledge transfer between academia and industry in Europe and worldwide. In addition to the production of composite parts, the system will be equipped with 3D printing and CNC milling (subtractive manufacturing) features. Scientific and technical expertise as well as economic awareness from the industry will ensure that the system is efficient and meet the needs of the industry. The DiCoMi system is expected to reduce production time as well as production costs with its innovative production technology.

AS OF THE END OF 2022:

922

PATENT APPLICATIONS



509

PATENTS



2

R&D CENTERS



140

PEOPLE



Leader in Quality

Kordsa's approach to quality focuses on customer satisfaction.

KORDSA Quality Policy

Kordsa's employees are committed to creating sustainable value for all stakeholders and fulfilling applicable requirements by constantly improving their processes, increasing customer satisfaction and using various global resources in a balanced manner.

Embracing an approach focused on customer satisfaction, Kordsa uses a quality management system based on high product quality and continuous improvement. To this end, Kordsa adopts a holistic quality management approach that covers all processes starting from the procurement to the delivery of products to customers.

Kordsa holds the following the quality management system certificates:

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

Our Approach to Product Quality

In order to provide high quality products to customers, quality control points are determined throughout the production processes, which are carried out under standard operating procedures based on the "Zero" error method.

Kordsa benefits from a process control approach and Poka-Yoke systems to prevent the occurrence of quality errors that may occur during production. In each production process, a risk-based approach is adopted and risk analyses are carried out to prevent quality errors. Data is instantly transferred to digital platforms through visual error detection systems installed in the facilities. Thus, errors can be prevented and high product quality performance can be achieved in the relevant process. Periodic product and process inspections are conducted to monitor the performance of production processes and product quality. Processes include an internal defect management process designed in line with the philosophy of continuous improvement.

Customer Satisfaction

At Kordsa, various practices are developed to increase the level of satisfaction thanks to Kordsa's approach to quality focused on customer satisfaction. It is aimed to reach the highest level of customer satisfaction by ensuring continuous improvement in product quality, delivery and service quality processes in line with customer feedback.

"Document Management System" and "Customer Complaint Management System" infrastructures are used for customer complaints management and customer satisfaction tracking. All feedback from customers is managed under the leadership of the Quality Assurance Department and is tracked through the online registration system that can be accessed by all facilities. All feedback is evaluated by a well-equipped and competent team consisting of Production, Sales, Supply Chain, Quality, Technical, R&D, IT, and Maintenance units. Depending on the type and complexity of the feedback, the appropriate method is selected among various methods such as 8D, Decoy 8, 6 Sigma, Fishbone, and 5 Cause Analysis. Root causes of feedback are identified and actions to prevent recurrence are planned and implemented. In the next step, a report with a detailed analysis of feedback is shared with customers.

Customer satisfaction is measured and tracked using the Satisfaction Survey, Customer Scorecards, and Vendor Quality Assessment Reports (VQRs) shared by Customers. A satisfaction survey is sent to customers at the end of each process so that they can evaluate the effectiveness of the process carried out in relation to their feedback. Internal/external performance indicators are quarterly monitored with Customer Scorecards designed to meet the requirements of the IATF 16949 standard. VQR reports are requested from customers periodically and reported monthly.

These processes are implemented at all facilities around the world. Various analyses are carried out periodically to monitor the quality performances of all global facilities and are reported to Kordsa senior management. In addition, quality network meetings are held periodically in order to share and disseminate good practices. Thus, Kordsa aims to apply the same standards in all facilities, to manufacture products with equal standards, and to achieve the highest quality performance and to make it sustainable.

Quality Management in Procurement

Kordsa's primary criterion in the selection of suppliers is to offer products that meet the production quality expectation. At the selection phase, the quality and purchasing teams evaluate candidate suppliers in terms of quality systems, capacity and sustainability. In this phase, samples are taken from suppliers that meet the desired criteria, and tests deemed necessary by the R&D Department are applied, and suppliers with suitable test results are identified as approved suppliers.

Every year, a 'Supplier Evaluation' is conducted for all suppliers that are in the approved global supplier list after the selection phase. Moreover, throughout the collaboration with suppliers, feedback on the performance of the suppliers is shared with them via an online platform, and communication is maintained and followed up.

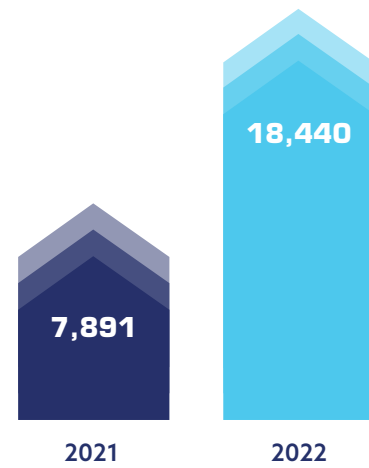
Key Financial Highlights

FINANCIAL INDICATORS (TL MILLION)	2021	2022
Turnover	7,891	18,440
Gross Profit	1,732	3,359
Operating Profit	1,326	1,650
Earnings per Share	39,72	66,34
Net Debt	3,984	7,101
Shareholders' Equity	6,484	10,026

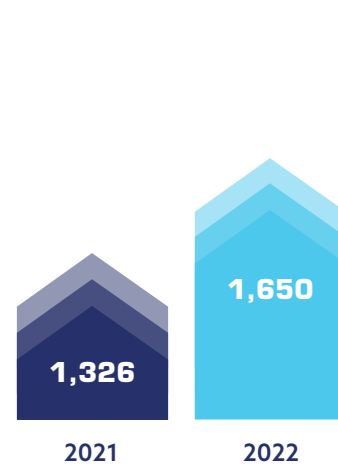
KORDSA CONTINUED TO ENSURE BUSINESS CONTINUITY WITH THE STRATEGIC DECISIONS TAKEN IN 2022.

SUMMARY RATIOS	2021	2022
Gross Profit Margin	21.9%	18.2%
Operating Profit Margin	16.8%	8.9%
Net Profit Margin	10.8%	8.2%
Return on Assets	8.4%	7.3%

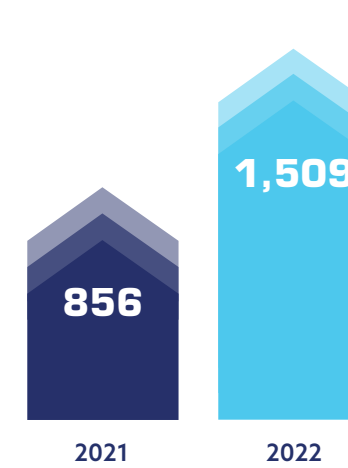
TURNOVER



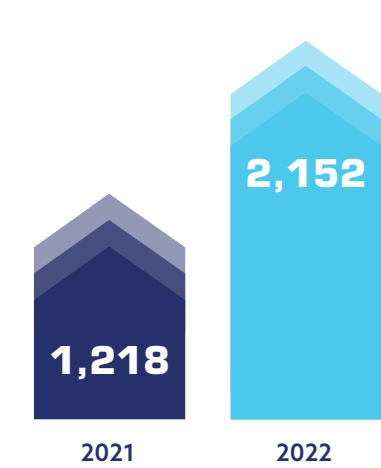
OPERATING PROFIT



NET PROFIT

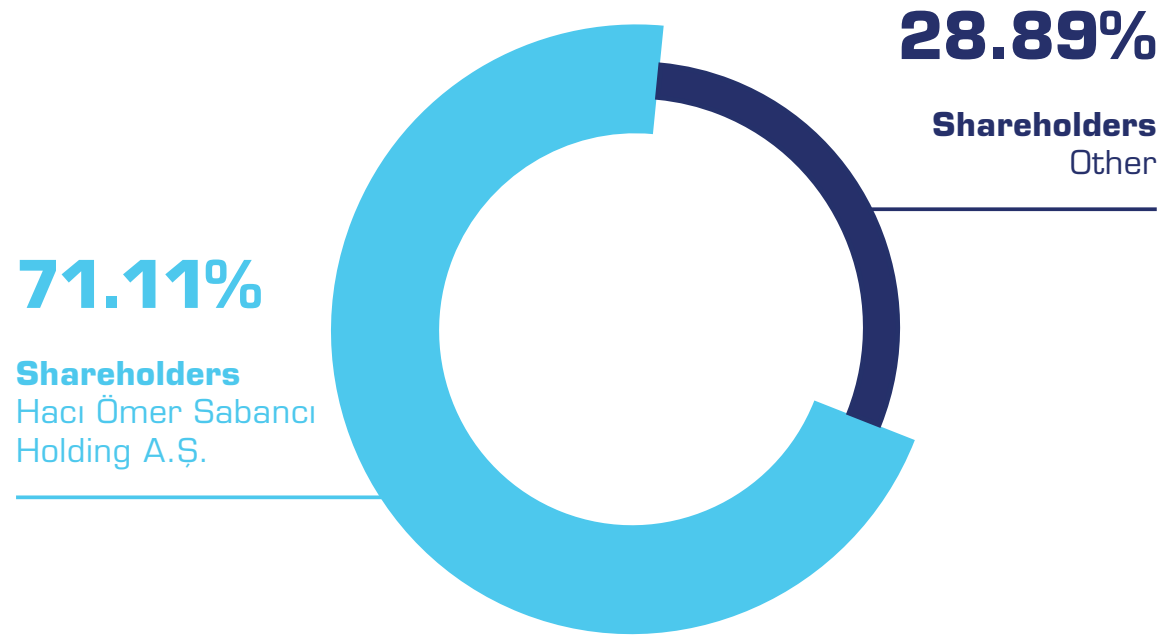


EBITDA



Shareholder Structure

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



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

Sabancı Group in Brief



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.

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, 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 2022 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 2022, Sabancı Group posted combined sales revenue of TL 404 billion and consolidated net profit of TL 82 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 2022, 49.65% of Sabancı Holding's shares are publicly traded.

* The details of Sabancı Holding's Financial results from: <https://yatirimciiliskileri.sabanci.com/tr/finansal-raporlar-ve-yayinlar/liste-raporlar/Finansal-Sonuclar-Sunumlari/39/0/0>

Chairman's Message



CEVDET ALEMDAR
CHAIRMAN

ESTEEMED INVESTORS, VALUED BUSINESS PARTNERS AND COLLEAGUES,

We are all devastated by one of the strongest earthquakes in our country. We are deeply saddened by the destruction in 11 cities caused by two major earthquakes in Kahramanmaraş on February 6th. We wish Allah's mercy on our citizens who lost their lives, condolences to their families, and a quick recovery to the injured.

As Sabancı Group, we have been with our people in the earthquake zone since the first day. While standing by those in need with our volunteers, we continue to extend moral and physical support to the region. We wholeheartedly believe that we will heal the wounds of these unfortunate times as a nation, standing together with our wonderful spirit of unity and solidarity.

With the outbreak of the Russia-Ukraine War while trying to weather the effects of the pandemic, 2022 was a year

dominated by various challenges and ups and downs in global markets. Despite all these developments, our Group continued to create sustainable value for the Turkish economy in 2022.

As an advanced materials company with more than 5000 employees active around the globe from the Americas to the Asia Pacific, Kordsa has overcome the difficulties affecting the global supply chains thanks to the advantage of being close to its customers. While the recession expectation in the markets continued, Kordsa closed 2022 with strong financial results.

With the vision of "Reinforcing Life", Kordsa also contributes to sustainability in its every investment, project and collaboration. Kordsa reinforces one out of every three automobile tires and two out of every three aircraft tires in the world.

Aiming for sustainable mobility, Kordsa uses recycled nylon yarns in tire reinforcement technologies, and produces

reinforcement materials that reduce fuel consumption by making vehicles lighter in composite technologies. In 2022, Kordsa continued to focus on sustainable chemicals, bio-based polymers, and polymer recycling technologies.

Kordsa recently supported its organic growth with inorganic growth. To this end, after four companies were acquired in the USA in the past years, Kordsa completed the acquisition of the majority shares of the Italian Microtex Composites company in 2022. With this acquisition, Kordsa further consolidated its position in Europe, diversifying its already strong aviation customer portfolio and expanding its service range in the automotive and motorsports fields.

In construction reinforcement, we develop products that provide long-lasting strength in concrete structures and expand our area of influence and product range. In particular, Kordsa's Kratos Structural Reinforcement product group plays a critical role in earthquake-resistant reinforcement works. We shoulder the responsibility of making the building stock of our country earthquake resistant thanks to our structural reinforcement capabilities.

As Sabancı Group, we see sustainability as an integral part of our raison d'être and strategy. Accordingly, Kordsa collaborates with its suppliers and customers to ensure social and environmental sustainability throughout the entire life cycle, from purchasing raw materials to delivering products to customers. Committed to the Science Based Targets Initiative (SBTi) to limit global warming to 1.5°C, Kordsa aims to reach net zero emissions by 2050.

Listed in the CDP Climate Change and Water Programs ranking since 2016, Kordsa was once again included in the most prestigious level, A list, in the Water Program Ranking in the reporting period of 2022.

At Kordsa, we realized an important step in advanced

Kordsa recently supported its organic growth with inorganic growth. To this end, Kordsa completed the acquisition of the majority shares of the Italian Microtex Composites company in 2022. With this acquisition, Kordsa further consolidated its position in Europe, diversifying its aviation customer portfolio and expanding its service range in the automotive and motor sports fields.

material technologies, one of the focal areas of our digital transformation. Kordsa signed a strategic cooperation agreement with Ohio-based new generation solar panels manufacturer Toledo Solar Inc.

We support circular economy and sustainability not only with our products and technologies but also in production processes. Placing utmost importance to collaborations with universities, Kordsa launched a recycled polypropylene production project with Sabancı University in 2022, aiming to mitigate the environmental impact of plastic.

With our projects in the Centennial of the Republic of Turkey, we will contribute to the recovery process of our country after the earthquake and continue to generate economic benefits for our ecosystem, especially our business partners and customers, with our technologies that reinforce the future.

In light of Kordsa's vision of reinforcing life, I would like to extend my thanks to all our stakeholders for their collaborations, and to our colleagues for their contribution to our successful results and achievements.

CEVDET ALEMDAR
Chairman

Board of Directors



CEVDET ALEMDAR
Chairman

Cevdet Alemdar received his BS degree from Industrial Engineering department of Bogazici University in 1992 and completed his MBA degree in Sabanci University in 2000. He joined the group in 1993 and took various leadership positions, respectively in Beksa, Sakosa, Kordsa, Temsa Is Makinalari and Brisa. After administering wire investments serving to manufacturing and construction industries in Turkey, he has taken on general manager roles in Brazil, Thailand and China, and lead marketing and sales functions in technical textiles for Kordsa in South America and Asia Pacific regions. Returning to Turkey, he has steered Kordsa's R&D and innovation processes as VP of Technology and Market Development. Later, he guided Temsa Is Makinalari to transform from a construction equipment company to a heavy machine and truck provider in Turkey. Next, as CEO he lead Brisa, a joint venture of Bridgestone ve Sabanci Holding, an important tire manufacturing venture in the world and leader of Turkey's tire and mobility solutions. From April 2020 onwards, he is Sabanci Holding Industrials SBU President. He is also the Chairman of the Board of Kordsa, Brisa, Temsa Skoda Transportation and Temsa Motorlu Araclar, member of the board of Teknosa. He is SUNUM's (Sabanci University Nanotechnology Research and Application Center) Chairman of the Board, TUSIAD's board member, DEİK / Turkey - USA Business Council (TAİK) board member and Bogazici University alumni.



ALİ ÇALIŞKAN
Deputy Chairman

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 (Sabanci- 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. From April 2022 onwards, he assign as the Secretary General of Sabanci University and a member of the Kordsa Board of Directors.



GÖKHAN EYİĞÜN
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 Sabanci Group where he contributed to Strategy and Business Development department at various executive roles until 2018. He served as the Secretary General of Sabanci 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 Sabanci Holding in 2021. He continues to serve as the Secretary General of Sabanci 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 his MBA degree 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 is the Group CFO of Sabanci Holding since July 1, 2021. He is also the Chairman of Carrefoursa, Vice Chairman of Sabanci İklim Teknolojileri, Supervisory Board Member of Cimsa Sabanci Cement BV and Member of the Board of Directors of Akbank, Kordsa, Enerjisa Enerji and Enerjisa Üretim.

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 was ranked as Best CFO in Industrials Sector in the Emerging EMEA Region by Institutional Investor in 2022 and he was named among C-Suite Series - Fortune CFO 2022 list. He is also a member of CFA Society and CFO Network of the World Business Council for Sustainable Development (WBCSD).



ŞERİFE EBRU DOĞRUOL AYGIL
Independent Member

Ebru Dogruol received her BS degree from Industrial Engineering department of Bogazici University in 1992 and completed her EMBA degree in Koc University in 2001. She has joined Pfizer in 1994 and has assumed several global leadership roles with increasing responsibilities following her roles in the Turkish organization including sales, marketing, strategic planning, business development and finance. From 2009 onwards, she has taken on regional (Emerging Markets, China, International Developed Markets) and global marketing responsibilities across a diverse set of therapy areas and lifecycle stages by establishing and managing complex virtual organizations, defining go to market strategies, transforming business models, leading launches, business development and growth initiatives. In 2018 she moved to vaccines group and took global responsibilities of several brands including the launch of the covid vaccine. Since March 2021, Ebru is the VP, Marketing Vaccines in EM&China.

Before joining Pfizer Ebru had started her career as a manufacturing engineer in Netas in 1992. She participated in the advisory boards of the Industrial Engineering department of Bogazici University. She is a mentor and advocate of education for children and equal opportunities for women. Ebru is a proud mom of two boys.



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 Çerçelik. 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 Sabanci 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 Sabanci Telekom in 2005-2009, Sabanci 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



İBRAHİM ÖZGÜR YILDIRIM
CEO

ESTEEMED INVESTORS, VALUED BUSINESS PARTNERS AND COLLEAGUES,

In these unfortunate times after one of the greatest natural disasters in our country's history, we commiserate with our people affected by the earthquake and do all in our power to help them recover. To this end, we support Sabancı Group's relief efforts in the region affected by the earthquake with our Kordsa volunteers. As Kordsa, we are working to meet the basic needs of our citizens. From the first day of the earthquake disaster, we provided support to the region with our Emergency Response Team in search and rescue efforts, in first aid efforts with our Kordsa health unit, and in building damage assessment works with our construction reinforcement business unit. We will heal our wounds together in solidarity. As Kordsa, we will continue to do our best to support our country.

In terms of economy, social life, business practices and priorities, 2022 was a challenging year, where there were some fundamental changes. In 2022 the business world was forced to be agile and flexible, and to find effective solutions for issues such as energy, supply chain and raw materials. Sustainability and digitalization maintained their importance in the building of the new world.

At Kordsa, where I took over the position of CEO as of April, we underwent great changes and transformation in 2022. In line with comprehensive analyses carried out throughout the year, we developed our new strategy that focuses on innovation, digitalization, sustainability and customers.

We managed to reach our targets in 2022. We continued our sustainable growth, increasing our turnover by 134% compared to 2021, reaching TL 18.4 billion. Our net profit increased by 76% over the previous year, amounting to

TL 1.5 billion. Moreover, we improved our operational efficiency with the successful outcomes of our strategic investments and innovation efforts. Our EBITDA was realized as TL 2.2 billion. Founded in 1973 to manufacture cord fabric for automobile tires, Kordsa is today an 'advanced materials company' with 13 production facilities, two R&D centers and 5,000 employees in six countries. We are passionate to take every step towards our goal of a sustainable world for future generations in our tire, construction and composite business lines in order to reinforce and ease the life of people with our technologies.

2023 will be marked with the 50th anniversary of Kordsa and the 100th anniversary of the Republic of Turkey, where we will be committed to 'grow' with new visionary perspectives, new strategies and new ways.

Our main goal is to grow while 'creating value' for our customers. To this end, we rearranged our organizational structure with the emphasis on our "customers". Accordingly, we work on high-performance, value-added products, while striving to reach operational and commercial excellence. We develop together with our employees, one of the most important building blocks of our growth target, create new technologies and adopt a dynamic, innovative and courageous approach in line with the future of the business. We reinforce our leading position worldwide and sustain our growth in advanced material technologies with new business areas.

Innovation is what will make us stronger in the new world order. To this end, as a company with the two best R&D centers in Turkey, we develop technologies for the world. In 2022, we applied for patents for 43 technologies developed at our Composite Technologies Excellence Center. In line with our new strategy, we aim to expand our R&D power in Turkey to other regions of activity

2023 will be marked with the 50th anniversary of Kordsa and the 100th anniversary of the Republic of Turkey, where we will be committed to 'grow' with new visionary perspectives, new strategies and new ways.

around the world, and to develop on-site solutions for local needs by establishing Technical Centers. We create ecosystems that will mobilize the intellect of our 5000 employees, suppliers and all stakeholders to create value for our customers.

As Kordsa, we continued our domestic and international investments in 2022 in line with our sustainable growth targets. To this end, we decided to invest USD 22 million in our production facilities in Turkey for a Polyester Yarn production line, an additional dipping line for single-end cord used in high performance tires, and a capacity increase for the production of Kratos Polypropylene fiber synthetic reinforcement.

As part of our overseas investments, we announced an investment of USD 20 million to increase the capacity of cord fabric dipping line in our facilities in North America to meet the increasing demands of tire manufacturers. While offering our reinforcement technologies to the whole world with our production activities in a wide region from the Americas to Asia Pacific, we also continued our investments in advanced composite technologies.

Today, Kordsa reinforces one out of every three automobile tires and two out of every three aircraft tires in the world. We also reinforce the new generation aircraft with our products used in their bodies and cabins. We are also one of the reinforcers of the space capsule Orion, serving on the Moon. We also reinforce the runways for planes. That's why we "Reinforce Life".

CEO's Message

As a company believing in the power of collaboration for open innovation, we joined forces with the German SES RFID Solutions GmbH in 2022 for a technology that enables the traceability of vehicle tires. We also support the production of lighter electric vehicle battery boxes with carbon fiber fabrics that we developed in the last year in cooperation with the British TRB Lightweight Structures company. We grow through cooperations.

In 2022, with the investment in our Composites business line, we completed the acquisition of the majority shares of the Italian Microtex Composites company. In addition to expanding our global footprint in composites with our new facility in Europe, we also added the super luxury automotive sector and motor sports to our customer portfolio.

Moreover, we established Kordsa Advanced Materials GmbH, headquartered in Munich, Germany, to support our organic growth strategies. Through this company, we aim to cooperate with universities to focus on innovation works while contributing to the sales of our composite and construction reinforcement products in the European market. We will make our Kratos brand, operating in construction reinforcement, an important player in the world. We will continue to work on earthquake-resistant reinforcement with our construction composites brand "Kratos Structural Reinforcement".

We have always been a company that creates new business lines by transforming our expertise into information for various sectors. To this end, we closely follow the developments in advanced materials, aiming to be a part of solutions for sustainable mobility and a sustainable future.

In line with this vision, we signed a strategic cooperation agreement with USA-based new generation solar

panels manufacturer Toledo Solar Inc. in 2022. With this cooperation, we have the primary right to operate the Toledo Solar technology, which enables the practical use of solar energy in buildings, automotive and agriculture, in Turkey, in the Central Europe, then spreading through the entire European continent, and Central Asia. We also increase the use of renewable energy in our production processes. In collaboration with Total Energies, we installed the first rooftop solar panels at our Indonesia facility. Aiming to reduce approximately 5,250 tons of CO2 emissions per year with this initiative, we have become the first cord fabric manufacturer to use solar energy as an energy source for its own use, not only in Indonesia but also in Southeast Asia. We plan to expand the application to other regions as well.

We updated Kordsa's strategy under 'Market leadership', 'Technology leadership' and 'Sustainability leadership'. We maintain the continuity of our business with our responsible approach towards our world and our future. Our aim is to reduce our water withdrawal and waste rates by 50% and our carbon emissions by 46.2% by 2030. With our commitment to the Science Based Targets Initiative, we will reach net zero emissions by 2050.

Since 2016 we have been reporting to the CDP Program and have steadily improved our rating with each year. In the Water Program, this year, 15,000 companies were evaluated under categories such as 'Water Management' and 'Water Efficiency', and 'Water Risk Management'. As Kordsa, we are one of the 107 leading companies worldwide in the 'A' list, which show high performance. Moreover, Listed in the BIST Sustainability Index, including companies with the highest corporate sustainability performance, since 2016, Kordsa, as the recipient of various reporting and rating awards, has been among the sustainability leaders both in Turkey and in the world.

We have continuously improved our sustainability performance, which enabled us to be listed in the 'BIST Sustainability 25 Index', launched in 2022, as well as in the 'BIST Participation 30 Index'. We were also among the companies that partnered with Ecovadis to increase our sustainability achievements and ensure the sustainability of the global supply chain, once again receiving the gold medal.

In line with our sustainability efforts, we participated in the European Union-funded WhiteCycle project in 2022, composed of 16 partners. As Kordsa, we once again proved our pioneering approach in the circular economy. Under the project, we will recycle products containing plastic textile wastes such as end-of-life vehicle tires and manufacture new yarn and reinforcement materials. We will continue to focus on product and development studies for such sustainable chemicals that ensure recycling and contribute to the circular economy.

Our greatest power is "data" to increase our production efficiency and productivity, and to make more agile and accurate decisions. Therefore, it is more important than ever to reinforce our digital infrastructure and shift to a data-based business culture. To this end, we started to transform our enterprise resource planning (ERP) systems globally with our new digitalization process called 'Kordsa 5.0'.

Moreover, our practices focusing on the people of the future were recognized in 2022 with the 'Best Employer Certificate' by the independent research institution Great Place to Work® in four countries where we operate: Brazil, Indonesia, Thailand, and Turkey. Adopting an approach to empowering our employees, we develop and implement innovative strategies in our organizational structure, which grows day by day on a global scale.

It is more important than ever to reinforce our digital infrastructure and shift to a data-based business culture. To this end, we started to transform our enterprise resource planning (ERP) systems globally with our new digitalization process called 'Kordsa 5.0'.

I would like to take this opportunity to thank all our colleagues who have supported us and contributed to our 50-year journey, and our shareholders, suppliers and esteemed customers who have never ceased to support us. I firmly believe that we will continue to reinforce life together.

İBRAHİM ÖZGÜR YILDIRIM
CEO

Executive Management



İBRAHİM ÖZGÜR YILDIRIM
CEO

İbrahim Özgür Yıldırım holds a bachelor's degree in Chemical Engineering from Middle East Technical University and an MBA degree from Sabancı University. In 1998, he joined the Sabancı group and following the merger of Kordsa - Sakosa, he was appointed as Technical Manager in 2007 after taking various positions in the Technical and Production Departments. Between 2008 and 2013, he continued his career as the New Product and Process Development Management at the R&D Center. Joining the Executive Leadership Team in 2013 as Technology and Market Development Vice President, Yıldırım played a major role in the development of the innovation culture at Kordsa. Yıldırım, who has significantly contributed to the establishment of Construction and Composite Business Units at Kordsa since 2014, has also played a key part as the Composite Business Unit Leader during the establishment of the Composite Technologies Center of Excellence (CTCE), which is a business model for Industry-University cooperation in the field of composites in Türkiye. Since 2017, he has been assuming Chief Operating Officer role in the following regions of South America; Europe, Middle East and Africa (EMEA), and Asia Pacific (APAC). As of 1st of April 2022, Yıldırım was appointed as CEO.



VOLKAN ÖZKAN
Chief Finance Officer

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).



LEVENT AKPULAT
Chief Global Supply Chain Officer

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



DOĞAN SEVİM
Chief Global Sales and Marketing Officer

Doğan Sevim received a Bachelor of Science degree in Mechanical Engineering from Istanbul Technical University and his Master of Science degree in Computational Mechanics from the Technical University of Munich in 2006 and 2008, respectively. He started his professional career at Kordsa as Project Leader in Global R&D Center in 2009. During his assignment, he obtained various patents and publish articles. He was appointed as Technical and Quality Assurance Group Manager in Kordsa's Thailand Facility in 2013. Throughout his assignment, he completed customer approval studies successfully. He started the Technical and Quality Assurance Group Manager - Asia Pacific position in 2014. In this role, he managed new customer approvals in Kordsa's Indonesian subsidiary which was growing with new investments. He completed Harvard Business School General Management Program in 2017. He assumed the Global Account Manager role between 2017 and 2022. As of September 1, 2022, He was appointed as Chief Global Sales and Marketing Officer.



ERAY KARADUMAN
Chief Human Resources, Legal and Corporate Communication 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.



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.

Executive Management



MEHMET İLKER ÇALIŞKAN

Chief Strategy, Business Development and Integration 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".



SALİH KAHRAMAN

Chief Operating Officer, EMEA

Salih Kahraman graduated from the Middle East Technical University, Department of Chemical Engineering in 2006, and attended the Sabancı University Executive Development program between 2010-11. Salih Kahraman, started his career as a Technical Engineer at Kordsa Turkey facilities in 2007, after his role between 2007-2011; between 2011 and 2015, he served as Technical Manager at Kordsa Brazil facilities. After being appointed as Production Manager at Kordsa Turkey facilities in 2015, he assumed the positions of Quality and Technical Group Manager between 2016-2020 and EMEA Sales Group Manager between 2020-2022, respectively. As of September 1, 2022, Kahraman has been appointed as Assistant General Manager, in Europe, the Middle East, and Africa (EMEA).



ÖMÜR MENTEŞ

Chief Operating Officer, APAC

Ömür Menteş, started his professional career at Mercedes-Benz Turkey as Research and Development Engineer. Between 1998-2008, Ömür worked at Beksa for Wire Products and Steel Cord and he hold Wire Products Sales Engineer, Wire Products Sales Manager, Steel Cord Production Manager, Steel Cord Marketing and Sales Manager roles respectively. He coordinated SA15+ as Process Management Committee Leader on behalf of Beksa. He attended INSEAD-Sabancı "Leadership and Value Based Management" programs. Following his role as System Development Manager in 2008, Ömür has been assigned to Bekaert Shanghai and took the roles as Global Account Manager and International Customers - Sales Director (Asia North) respectively. In 2012, he assumed Regional Marketing and Sales Director role of SEA in Bekaert Singapore. Since 2015, Ömür also held the responsibility of Global Account Manager (Sumitomo and Yokohama). He also has completed INSEAD "Driving Value Through Business Acumen" program in 2018. Between 2018-2019, he assumed his consultant role regarding recruitment, assessment and sales performance in Singapore. Ömür joined Kordsa in June 2019 as Sales Group Manager, APAC. As of April 1st, 2022, Ömür Menteş, holding "Sales Group Manager, APAC" is assigned as "Chief Operating Officer, Asia Pacific".



ABDÜLKADİR TOPLU

Chief Operating Officer, North 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.



JOÃO AUGUSTO DOS SANTOS

Chief Operating Officer, South America

João Augusto dos Santos received his BSc degree from Bahia Federal University (UFBA), Chemical Engineering in 1997, his MBA from Getulio Vargas Foundation (FGV), Business Management in 2007 and his MBA from Getulio Vargas Foundation (FGV), Corporate Finance in 2016. He started his professional career in Ambev as Production Engineer in 1997. In 2001, he joined Kordsa Brasil as Dipping Engineer and 4 years later was promoted as TCF and Utilities Leader. He joined Braskem in 2008 as Production Engineer, and he led operating area and customer relationship management. He rejoined Kordsa Brasil as Manufacturing Director in January 2012. In 2014, he has been assigned South America operations director and starting from September 2022 he has been serving as Chief operating officer South America.



MURAT 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.



MÜGE YENMEZ

Chief Operating Officer, EMEA Composit

Müge Arifoğlu Yenmez received her undergraduate and graduate degrees from the Department of Chemical Engineering at Middle East Technical University in 2002 and 2004, respectively. In 2015, she completed the executive development program at Sabancı University. Yenmez, started her professional career as a Research Assistant at Middle East Technical University in 2002 and she continued this role as a research assistant at Istanbul Technical University in 2006. Joining Kordsa as a Product Development Engineer in 2006, Yenmez worked as a Project Leader in R&D between 2007 and 2011. She worked as the Application Development Manager responsible for the commercialization of new products in the Market Development Department between 2011 and 2012, and as the Sales Manager between 2012 and 2013, undertook different duties in the Marketing Department between 2013-2016. Yenmez, who assumed the roles of Tire Reinforcement Platform Leadership in R&D between 2016-2017 and Market Development Group Manager between 2017-2021, continued as R&D Director until September 2022, when she was appointed in 2021. Yenmez has been appointed as Assistant General Manager, Composites, Europe, Middle East, and Africa as of September 1, 2022.

Kordsa in Brief

Tire Reinforcement Technologies

SINGLE-END CORD



AUTOMOTIVES
INDUSTRY



MECHANICAL
RUBBER GOODS

CORD FABRIC



PASSENGER
VEHICLES



AVIATION



LIGHT
COMMERCIAL
VEHICLES



CONSTRUCTION
EQUIPMENT



HEAVY-DUTY
VEHICLES



AGRICULTURAL
EQUIPMENT

INDUSTRIAL FABRICS



MECHANICAL
RUBBER GOODS

Composite Technologies

FABRICS AND PREPREGS**



AEROSPACE
AND
AVIATION



INDUSTRIAL
APPLICATIONS



AUTOMOTIVE



MARITIME



SPORTS
EQUIPMENT

* Resin impregnated fabric

Construction Reinforcement Technologies

SYNTHETIC FIBER REINFORCEMENT



INFRASTRUCTURES

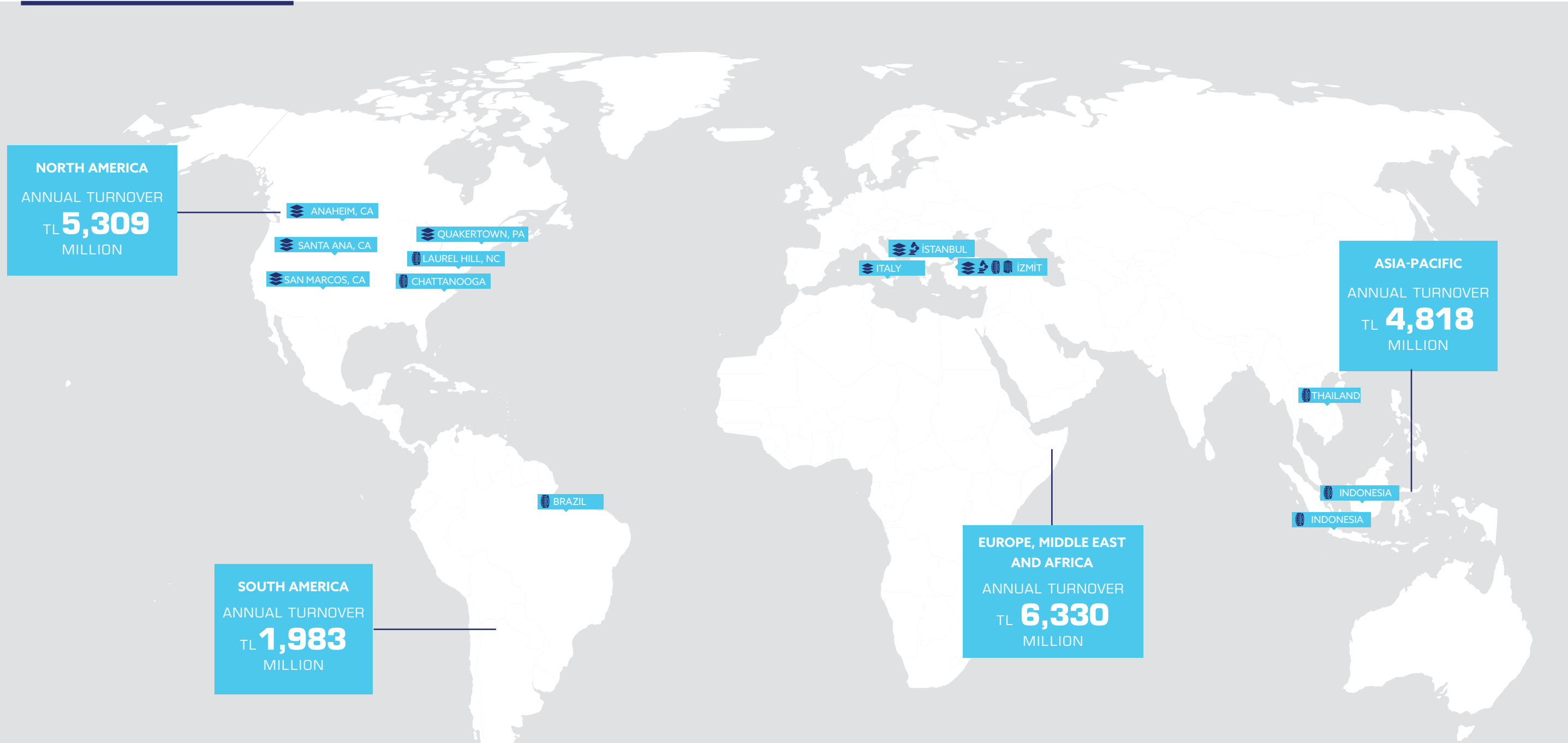


SUPERSTRUCTURES



MINES

Global Footprint







4
CONTINENTS

13
FACTORIES

2
R&D
CENTERS

5,092
EMPLOYEES

-  Composite Reinforcement
-  Tire Reinforcement
-  Construction Reinforcement
-  R&D Center

*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**

Kordsa in 2022



Indo Kordsa Receiving TPM Excellence Award!

The Indo Kordsa production facility in Indonesia received the TPM Excellence Award by the Japan Institute of Plant Maintenance (JIPM). Kordsa was granted this valuable award thanks to its zero defect approach in occupational safety, malfunction and quality, and evaluation of the improvement results in this field, during the challenging audit process open to many companies around the world.

Kordsa among Turkey's Top 100 Exporters

Kordsa was among the Top 100 exporters of Turkey in the 'Top 1000 Exporters of Turkey' survey conducted by the Turkish Exporters Assembly for 2020.

Kordsa Recognized with Grade A in CDP Supplier Engagement Rating

Evaluating the extent to which companies include their suppliers in the fight against climate change, CDP awarded Kordsa with an "A" grade in 2021 under the "Supplier Engagement Rating".

GRADE A IN CDP SUPPLIER ENGAGEMENT RATING



Kordsa Growing in Europe with New Investment in Composite Technologies

Following investments in Turkey and the USA, Kordsa signed a contract to acquire the majority shares of Italian Microtex Composites, which supplies carbon fiber fabrics and prepregs to the super luxury automotive industry and motor sports in Europe. With this investment in composite technologies, Kordsa further consolidated its position in Europe, diversifying its already strong aviation customer portfolio and expanding its service range in the automotive and motor sports fields.



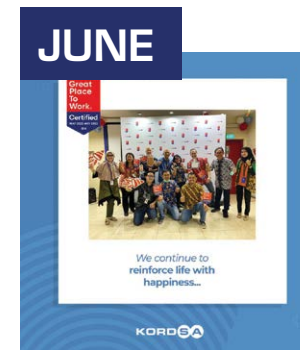
Kordsa Joining Forces with TRB Lightweight Structures

Kordsa entered into collaboration with TRB Lightweight Structures to manufacture lighter, stronger and more durable intermediate composites for electric vehicles.

Kordsa reinforces production with new polyester investment

Kordsa decided to invest 7000 tons of polyester yarn in its Izmit production facility in the second quarter of the year. After the planned total investment of USD 9.8 million for a new line, the Company will boost its production of new generation polyester yarn products. The line is planned to be commissioned in the third quarter of 2024.

TRB LIGHTWEIGHT
STRUCTURES



Indo Kordsa Won the Best Employer Award

Kordsa's Indo Kordsa Plant in Indonesia was awarded the 'Great Place to Work' Best Employer Certificate, accepted as a criterion for employee satisfaction by the Great Place to Work Institute.

Indo Kordsa Breaks a Raw Fabric Production Record

Indo Kordsa broke another record by reaching 3.64 kilotons of 'Raw Fabric' production in May 2022, following the 'Finished Fabric' production record in March 2022. This success was brought by the cooperation of each of the reinforcers at Indo Kordsa. Kordsa will continue to keep its values alive in order to reinforce life and set new records.



Kordsa Awarded the Gold Medal by EcoVadis

Kordsa was awarded the Gold Medal in the evaluation made by EcoVadis, the world's most reliable sustainability rating agency, serving in 160 countries and more than 200 sectors, under the categories of Environment, Labor & Human Rights, Ethical and Sustainable Procurement. With this award, the Company retained its title as the Golden Company in sustainability.

Kordsa Contributing to the Circular Economy with the EU-Funded WhiteCycle Project

Kordsa launched the WhiteCycle project with 16 partners to support the circular economy. Under this EU-funded project, Kordsa will recycle products containing plastic textile wastes such as end-of-life vehicle tires and manufacture new yarn and reinforcement materials. Under the project co-founded by Michelin, Kordsa and Carbios and coordinated by Michelin, it is expected to recycle more than 2 million tons of PET annually and prevent over 1.8 million tons of plastic waste every year by 2030.

JULY

Kordsa and SES RFID Solutions collaborating for RFID tags for vehicle tire identification and tracking

Kordsa and the German company SES RFID Solutions GmbH joined forces for the future of mobility. Under this partnership, a small, flexible RFID tag will be developed to be placed on vehicle tires prior to the tire vulcanization process. Thanks to the data obtained with RFID technology, tires will be able to be used more effectively and efficiently.



Kordsa Leaders in Istanbul for the "Committed to Growth" Summit

Kordsa Leaders came together at the "Committed to Growth" Summit. Starting with the opening speeches by Sabancı Holding Industry Group President Cevdet Alemdar and Kordsa CEO İbrahim Yıldırım, the event took place in Istanbul between June 27 and July 1. The meeting offered the opportunity to evaluate ideas and strategies that will contribute to the company's growth target. At the event, Tim Bright, consultant and leadership coach, made an inspiring presentation on transformative leadership.

Kordsa in 2022



Kordsa Becoming the Most Awarded Company from Turkey at the Brandon Hall Group Human Capital Management Excellence Awards

Kordsa Global Human Resources Team won 14 awards with its human resources projects implemented in five continents with a vision of diversity, inclusion and a human focus at the "Brandon Hall Group Human Capital Management (HCM) Excellence Awards", one of the most prestigious international award organizations that provides consultancy services to corporate companies and guides the training strategies of approximately 10,000 customers around the world. Kordsa broke a record as the company with the most awards from Turkey.

SEPTEMBER

Kordsa Receiving Five Stevie Awards

Kordsa broke new ground by winning five awards in five headings of the Human Resources category at 2022 Stevie International Business Award®, one of the most prestigious business awards in the world, where more than 3700 projects from 65 countries compete. The Company won one silver and four bronze awards thanks to its successful human resources practices.

Kordsa Investing USD 22 Million in Turkey

Kordsa continued its steady growth with two new investments amounting to USD 12 million. With an investment of USD 7 million, the Company will increase its capacity with an additional line in the production of single-end cord dipping used in high performance tires. Moreover, Kordsa will make an additional USD 5 million investment for the production of Kratos polypropylene monofilament fiber synthetic reinforcement. In addition to these investments, Kordsa will contribute to the Turkish economy with a total investment of USD 22 million USD with the polyester yarn production line investment launched in the second quarter of the year.

Kordsa's USD 20 Million Cord Fabric Investment in the USA

Continuing its investments in line with its sustainable growth targets, Kordsa decided to increase its cord fabric dipping capacity with an investment of USD 20 million to meet customer demands on-site at its facilities in the USA.



Kordsa Construction Business Unit Launched Kratos in Azerbaijan

Expanding its global footprint, Kordsa Construction Business Unit launched Kratos Synthetic Fiber Reinforcements and Kratos Structural Reinforcement product groups in Azerbaijan. At the launch, Azerbaijan Kratos distributor Mr. Fix and Kratos business unit came together with potential customers and business partners in the market. The future plans of the brand were also discussed at the event attended by about 100 people.



Kordsa Brazil once again among the best employers

Kordsa Brazil once again won the best employer award in Brazil. Kordsa Brazil won the first prize in the category of Corporate Training and Diversity in the Industry, and the second prize in the category of medium-sized companies.



Kordsa Receiving the 2022 Pirelli Supplier Award

The tire giant Pirelli, working with more than 15,000 global suppliers, rewards nine suppliers every year after an evaluation in quality, service level, performance, innovation and sustainability. As a result of the 2022 evaluations, Kordsa was among these nine suppliers in the service level category with its textile reinforcement works and was deemed worthy of the 2022 Pirelli Supplier Award. Kordsa CEO İbrahim Özgür Yıldırım received the award at the ceremony held in Milan.

Kordsa Granted the Star Award by İTHİB

Kordsa was granted the "Star" award, the highest level of recognition, for its export performance in 2021 at the "Companies Adding Value to Exports Award Ceremony" organized by the Istanbul Textile and Raw Materials Exporters Association (İTHİB). Gaye Baykut, Kordsa EMEA Group Sales Manager, received the award on behalf of Kordsa at the award ceremony held at Istanbul Raffles Hotel on October 6, 2022 with the participation of Mustafa Varank, the Minister of Industry and Technology of the Republic of Turkey.



Kordsa Winning an Award in the Water Management Category at the Sustainable Business Awards

Aiming to create sustainable value for all its stakeholders and the society with its mission of "Reinforcing Life", Kordsa's performance in sustainability was recognized with a new award. Kordsa made it to the finals of the 2022 Sustainable Business Awards organized by the Sustainability Academy, receiving an award in the "Water Management" category with its "Kordsa Izmit Water Savings" project.

Kordsa's Strategic Cooperation with Toledo Solar Inc., Manufacturer of New Generation Thin Film Solar Panels

Kordsa entered into a strategic cooperation with Toledo Solar Inc., manufacturer of new generation thin film and glass solar panels. With this cooperation, Kordsa has the primary right to operate Toledo Solar technology in the European continent and Central Asia, starting with Turkey and Central Europe.

Thai Indo Kordsa Winning the "Excellent Practices in Labor Relations and National Welfare" Honor Award for the 13th time

Active with Thai Indo Kordsa in Thailand, Kordsa received the "Excellent Practices on Labor Relations and National Welfare" award for the thirteenth time at the award ceremony, where the Thai Ministry of Labor announces the leaders by evaluating the employee-employer relations and employee welfare level in companies active in the country.

Kordsa Receiving the First Prize in Two Categories at the Sabancı Golden Collar Award Ceremony

Kordsa won the first prize in two categories at the 13th Sabancı Golden Collar Awards. Kordsa won an award in the "Innovation" category for the "Kartal" project, which aims to eliminate foreign dependency in the production of helicopter propellers, and in the "Sustainability" category for the "Recycled Cord Fabric from PET Bottle" project aiming to manufacture PET cord fabric from recycled raw materials from PET bottles.

Kordsa in 2022



Kordsa Launched the Project of Reinforcing the Future as part of the Republic Mobilization

Kordsa visited Kocaeli Sabancı Vocational and Technical Anatolian High School on November 3 for the first leg of the project "Reinforcing the Future", developed under Sabancı Holding Republic Mobilization, Turkey's largest social responsibility movement. Volunteers from Kordsa came together with over 600 students and held workshops on various topics from sustainability to coding, from design-oriented thinking to occupational safety and job promotions. The painting of Atatürk colored by the students was presented to the school.

Kordsa's Campus Software Office Initiative Winning an Award

Kordsa's Campus Software Offices initiative ranked second in the "Best in Future of Industry Ecosystems" category at the IDC Turkey Future Enterprise Awards. Emre Çelik, Kordsa Information Technologies Manager, received the award on behalf of the Company at the IDC Future Enterprise Award Ceremony as part of the "IDC DX Forum 2022" event held in Elite World Sapanca on November 24.

Indo Kordsa Receiving the "Renewable Energy Certificate"

Indo Kordsa, Kordsa's company in Indonesia, purchased a "Renewable Energy Certificate" worth 28,800 MWh for 2023 from PLN, Indonesia's leading electrical energy company. Aiming to reach net zero emissions by 2050, Kordsa's Indonesia headquarters will have the right to use certificates for five years under the contract signed with PLN. On the Energy Transition Day held in Nusa Dua, Bali, Ömür Menteş, Kordsa Deputy General Manager for Asia Pacific, met with Darmawan Prasodjo, PLN CEO.

Kordsa Listed in the "BIST Sustainability 25 Index"

With its successful sustainability performance, Kordsa entered the "BIST Sustainability 25 Index" newly created by Borsa İstanbul. The company has also been listed in the "BIST Sustainability Index" since 2016.

Indo Kordsa Installing Largest Rooftop Solar Panels in the Bogor Region of Indonesia

Joining forces with the global energy company TotalEnergies, Indo Kordsa implemented Kordsa's first solar energy panel project and installed a solar energy system on the roofs of its six facilities. As part of Kordsa's Sustainability Road Map Strategy, this project is expected to generate approximately 6,650 megawatt hours (MWh) of renewable electricity annually.

Kordsa Turkey Winning the 'Great Place to Work' Certificate

As a result of the 2022 evaluation of Great Place to Work® Turkey, an independent research institution that helps companies measure their culture and produce better business results, Kordsa has been named one of Turkey's Best Employers. With the Best Employer Certificate, Kordsa proved the success of its employee-oriented workplace culture in its growing organizational structure.

Kordsa's Strategic Decision for the Future - Axiom & AHT

Kordsa has become a strong player in the commercial aviation supply chain by completing its high-tech composite intermediate product portfolio after four acquisitions in the past four years in the USA, including Axiom Materials Inc. and Advanced Honeycomb Technologies Corp. Axiom Materials Inc. and Advanced Honeycomb Technologies Corp. merged into Axiom Materials Inc. as of November 30, 2022, to provide synergy in the North American structuring of the Company and to support operational excellence initiatives.

DECEMBER

Kordsa Granted the "Turkey's Most Influential Supply Chain Professionals" Award

Established by LODER Logistics Association and Slimstock to emphasize the importance of supply chain management, to increase the visibility of successful projects and to support new studies, SCPClub awarded "Turkey's Most Influential Supply Chain Professionals". Arzu Sevcen, Kordsa Global Sales and Operations Planning Group Manager, entered the list of Turkey's most influential industry professionals and received her plaque.

Kordsa 5.0 Journey Ongoing with Project Janus

Kordsa made the global launch of Project Janus with the theme of transformation from the past to the future, which is part of Kordsa's digital integration vision. More than 300 Kordsa employees attended the online event held on December 15 for the project, aiming to renew enterprise resource planning (ERP) systems. At the launch, Kordsa announced the road map of the project and initiated the digital transformation journey to be realized with the contributions of Turkey, Indonesia, Thailand and Brazil project teams.

Kordsa Ranking Second in the "Innovation Strategy" Category at InovaLIG

Since 2011 the Turkish Exporters Assembly (TIM) has been organizing InovaLIG to support innovative work during the Turkey Innovation Week. Focusing on innovation and R&D to develop sustainable technologies in its every business line, Kordsa won the second prize in the "Innovation Strategy" category at InovaLIG 2022. At the award ceremony held at the Haliç Congress Center on December 12, 2022, Kordsa CEO İbrahim Özgür Yıldırım received the award from Mehmet Muş, the Minister of Commerce, and Mustafa Gültepe, TIM President.

Kordsa Receiving Grade "A" Once Again in CDP Water Program

Since 2016, Kordsa has been participating in the "Climate Change" and "Water Program" evaluations under the Carbon Disclosure Project (CDP), the world's leading environmental reporting platform. In 2021 Kordsa upgraded its CDP Water program rating from A (-) in 2020 to A. Once again, Kordsa received an A in the global water program rating, where 15,000 companies were evaluated this year, and became one of the 103 leading companies with high performance across the world.

KORDSA ONCE AGAIN INCLUDED IN THE GLOBAL A LIST IN THE CDP WATER PROGRAM RATING



NASA Space Capsule Orion, Powered by Kordsa, Returning to Earth

Entering into an important cooperation with NASA for the space industry in 2020, Kordsa produced the composite fabric of Orion space capsule to be used in the landing balloons. The Orion capsule completed a 25-day unmanned sub lunar survey tour. The test journey of the capsule, which landed safely in the Pacific Ocean on December 12, is considered a crucial step for future manned journeys.

Kordsa Receiving the "Best R&D Center Award" for the 4th Time

Kordsa was selected as the best R&D Center in Turkey for the fourth time at the "9th R&D and Design Centers and Technology Development Zones Summit" organized by the Ministry of Industry and Technology in İzmir. Deniz Korkmaz, the Company's Deputy General Manager for Technology, attended the award ceremony to receive the award granted to Kordsa for the second time in a row. Korkmaz received the award from Mustafa Varank, the Minister of Industry and Technology.

First Class Product Productivity Record at Indo Kordsa Nylon Yarn Plant

Indo Kordsa, Kordsa's company active in Indonesia, continues to increase efficiency in production. In November, the Indo Kordsa nylon yarn facility reached an efficiency of 97.9%.

Tire Reinforcement Technologies



Kordsa is the technology leader of the sector thanks to its extensive knowledge in reinforcement technologies, intensive R&D studies, open innovation culture and strategic approach in the tire reinforcement sector.

Kordsa processes nylon 6.6, HMLS, polyester, rayon and aramid yarns in its high-tech facilities in the tire reinforcement sector and manufactures cord fabric and single-end cord that provide flexibility and strength to vehicle tires. Driven by its know-how in reinforcement technologies and processes, leading position in the market, R&D studies and open innovation approach, Kordsa is positioned as the strategic business partner of the largest tire manufacturers in the world.

Reinforcing one out of every three automobile tires and two out of every three aircraft tires in the world, Kordsa is recognized worldwide as the "Reinforcer". Kordsa is the technological leader of the sector and has a strong global footprint and extensive experience in reinforcement technologies. Kordsa is also the market leader in the production of nylon cord fabric and polyester cord fabric in the Europe-Middle East-Africa region. In the Asia-Pacific region, Kordsa is the second largest manufacturer of nylon cord fabric and polyester cord fabric. Kordsa is the only polyester and cord fabric manufacturer in South America and the leading nylon cord fabric manufacturer in North America.

Embracing the mission of developing better and more sustainable products for future generations in tire reinforcement technologies, Kordsa has been working on an eco-friendly adhesive formula that does not contain resorcinol and formaldehyde since 2008. As one of the biggest supporters of open innovation, Kordsa combined its deep knowledge and expertise in this field with Continental, one of the important players in the tire industry. Under this cooperation, Kordsa develops the chemical structure in the formula used in the tire cord fabric bath, while Continental works on application technologies. The resulting formula is eco-friendly as an alternative to the resorcinol and formaldehyde-based formula used for 80 years. In order for the invention to become the new standard of the whole industry, Kordsa and Continental offer the information obtained through the development studies to the world with a free licensing model.

Kordsa is the technology leader of the sector thanks to its extensive knowledge in reinforcement technologies, intensive R&D studies, open innovation culture and strategic approach in the tire reinforcement sector. Active in a wide region from the Americas to the Asia Pacific, Kordsa aims to offer innovative reinforcement solutions with high added value, thus creating sustainable value for customers, employees, stakeholders and communities.



Tire Reinforcement Technologies

YARNS



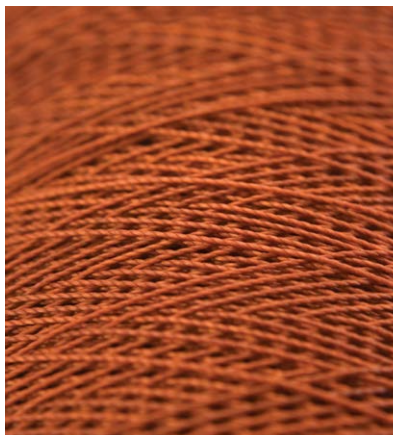
One of the leaders of the nylon 6.6 and HMLS polyester yarn market, Kordsa has a portfolio of yarns that are suitable for use in such applications as cord fabrics, heavy-duty textiles, industrial fabrics, chafer fabrics, single-end cords and ropes. Our customers have been confidently choosing T728® branded 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.

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®

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 solutions

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

COKOON DIP TECHNOLOGY

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

Composite Technologies



Thanks to its state-of-the-art equipment, competent staff and experience, Kordsa meets the needs of the composite sector with short delivery times and high quality products.

Kordsa develops innovative and unique products and applications for various industries such as aviation and automotive as well as sports, maritime, rail systems and construction. As a one-stop solution partner, Kordsa develops and manufactures, in line with the needs of customers, fabric, resin-impregnated fabric (prepreg), adhesive films, surface films, towpreg, slitpreg, honeycomb structures and sandwich panels made of honeycomb structures.

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

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

Kordsa offers services to its customers with various facilities in the EMEA region, Prepreg Production Facilities in Istanbul and Italy, Panel Production Facility in Istanbul, Towpreg & Slitpreg Production Facilities in Istanbul and Italy, Fabric Weaving Facilities in Pistoia, Italy and Istanbul, supported by the Composite Technologies Center of Excellence in Istanbul, established in cooperation with Sabanci University.

Manufacturing thermosetting prepregs, honeycomb structures, towpregs, slitpregs and/or sandwich panels made of various materials in line with customer needs for various sectors such as aerospace, automotive, sporting goods, marine, rail systems, construction, etc., Kordsa stands out among its competitors thanks to its flexible manufacturing capabilities and its expertise in weaving its own fabrics, offering a wider range of products.

The Composite Technologies Center of Excellence, a collaboration between Kordsa and Sabanci University, set out to create and develop together to research and apply high technology with the principle of open innovation, and to manufacture composite and 3D products with high added value. The Center develops competent manpower for integrated production and composite material technologies in the university-industry cooperation ecosystem.

Established on a 15,000 m² closed area with a 3,350 m² laboratory infrastructure, the Center has AS 9100 and TS EN ISO IEC 17025 certificates, creating an ecosystem which is one of the best research and application centers with world-class production and test facilities.

Industrial R&D Studies

Always focusing on customer satisfaction, the Center carries out prototype production in line with customer needs and its Quality Standards required by AS 9100 aviation certificate

and TS EN ISO / IEC 17025 accreditation. Serving as an open innovation base and hosting Kordsa's second R&D center, the Composite Technologies Center of Excellence brings together designers, engineers, production process managers, PhD candidates, postdoctoral researchers, faculty members and entrepreneurs.

The Center constitutes an excellent candidate infrastructure for the TÜBİTAK 2244 Industry Doctorate Program. The Center of Excellence employs 164 people, including one visiting researcher, five postdoctoral researchers, six project-oriented postdoctoral researchers, 56 administrative staff, 62 PhD candidates, 20 technicians and 3 undergraduate students.

Thanks to this collaborative ecosystem, Kordsa offers special services to its customers and goes beyond conventional production models by involving stakeholders in all stages of R&D, from basic research to prototype production and mass production of the intermediate products.

Prototyping, Product Development and Professional Development

One of the main objectives of the Excellence Center is to provide design, analysis and optimization services, prototype production, process and product development services of composite and 3D products with a qualified research and engineering team. The Center also acts as a consultancy and open innovation platform for industrial partners to develop fast, reliable and value-added solutions.

Driven by expert and well-known lecturers and researchers in their fields, the industrial-scale research and technology development center hosts additive manufacturing and digital manufacturing technologies for multifunctional advanced composite materials and structures. The Center continues to work on developing a research

Composite Technologies



portfolio of new collaborative projects that will improve digital manufacturing technologies and introduce new products, systems and services. In addition to advanced manufacturing, mechanical and material characterization, flammability and wet chemistry testing services are also provided.

The Center develops new design methodologies including computer-aided design (CAD) solutions to simulate various problems according to the demands of the automotive, aerospace and defense industries; detailed structural analysis (static and fatigue); performance and failure analyses under various load conditions; behavioral analyses including fatigue, creep and environmental effects, and dynamic collision simulation analysis.

In addition to providing services for all aspects of advanced composite and additive manufacturing, from collaboration and ideation to prototyping, the Center also supports the industry by organizing trainings that will contribute to the hands-on training of engineers and technicians. The theoretical knowledge to be gained by participants is

supported by applied experiments, thus ensuring integrity in the education programs.

The Center aims to prototype high quality composite parts using both traditional and robotic based production technologies. Among the capabilities of the prototyping center is the Robotic Automated Fiber Placement (AFP) Machine, which can produce parts made of thermoset, thermoplastic and dry fiber. Combining the capabilities of industrial-scale hot pressing, robotic processing and abrasive waterjet processing of composites and metals and additive manufacturing of composites with the AFP, the Center carries out development projects for various aerospace projects, and signs cooperation agreements with many OEMs.

Within its Composite Prototype production competencies, the Center acts as an innovation center for SMEs and OEMs by the use of industrial robotic additive manufacturing, machining and robotic automated fiber placement (AFP) machine.

Thanks to the Center that characterizes and reports the mechanical properties of all kinds of materials in accordance

with international standards and provides accredited testing services, qualification studies of the projects carried out regarding the prepregs developed by Kordsa and their areas of use are conducted with many OEMs and companies in OEM supply chains while performing all tests before the commercialization activity of the prepregs.

In most of the projects, nonflammability is one of the most important parameters. We offer testing capabilities in line with aerospace and rail industry standards that require detailed and precise handling and implementation of flammability tests.

Participating in a EU-funded project with Sabancı University under the Composite Technologies Center of Excellence, Kordsa cooperates with Sabancı University on the development of systems, software and materials for the production of composite materials with 3D printer technology. The project brings together 16 project partners from 11 countries under the Horizon 2020 program. Kordsa is also a member of another EU-funded project, which is carried out with seven partners from Germany and Turkey. Two of the partners are universities and five are industrial companies. Under the project, nanomaterial-added composite repair materials for the aviation industry will be manufactured, and the project outputs will be used after being tested and approved by the leading repair and maintenance company of the Turkish Aviation Industry.

A Global Player in Commercial Aviation

Kordsa has reached a new level with brand new investments that will enable the Company to become a global player in commercial aviation. In line with its strategy of increasing its global market share and expanding its product range, Kordsa acquired Fabric Development, Textile Products, Advanced Honeycomb Technologies, Axiom Materials and Microtex SRL, which are major players in the composite industry.

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In 2018, Kordsa expanded its field of activities and competencies with the acquisition of Fabric Development, Textile Products and Advanced Honeycomb Technologies, which provide advanced composite materials to the aerospace industry.

Axiom Materials develops prepregs, adhesive films and surface films made of different fabric technologies for the aerospace industry as well as next generation transportation vehicles. Advanced technology materials offered by Axiom Materials are used in many new generation applications in various sectors as well as aircraft engines. Powered by Axiom Materials, Kordsa now offers the full range of high-tech composite intermediate products, thus becoming the leading player in the high temperature resistant Oxide-Oxide ceramic prepreg market used in aircraft engines. Moreover, Axiom Materials entered into a new cooperation. With this cooperation, a composite intermediate product resistant to temperatures up to 1,400°C (carbon/SiC and SiC/SiC) will be developed and the product portfolio will be expanded, with the license granted by the Japanese Science and Technology Corporation and the Japanese NITE (NanoInfiltration and Transient Eutectic-phase) company.

Textile Products is the industry leader in the development of a variety of weaving techniques, including fabric production techniques with brittle, hard-to-weave yarns. Manufacturing over 2,500 different styles of fabrics in a

Composite Technologies

wide range of widths and thicknesses, Fabric Development has extensive experience working with high-performance fibers, creating complex multidimensional shapes and understanding sophisticated fiber systems and producing high-performance materials. Fabric Development and Textile Products offer advanced composite fabric products to the aerospace industry in the USA, while Advanced Honeycomb Technologies produces a wide range of honeycomb products made of Nomex® Paper and Kraft™ Paper, mainly for the aerospace industry.

With these new investments, Kordsa has taken a big step to strengthen its position in North America. Reinforcing two out of every three aircraft tires and one out of every three automobile tires, Kordsa now reinforces wings, engines, fuselage and interiors of planes thanks to these acquisitions in the USA.

In addition to its existing competencies, Kordsa is now capable of manufacturing slit tape materials in a wide width range that can be used in automated fiber/tape placement equipment that replaces manual placement in the Civil Aviation Composite Industry and meets civil aviation requirements. Kordsa continues the development studies of resin systems suitable for non-autoclave curing, which will make a difference in the sector, especially in civil aviation.

Fabrics manufactured by impregnating flame retardant epoxy formulation in both Axiom Materials and Istanbul facilities of Kordsa, are used in aviation, rail transportation as well as in all applications and sectors where flame retardancy is a must.

Microtex Composites acquired by Kordsa in 2022 is a company specializing in textile production since the end of the Second World War. Active in two product ranges, Microtex Composites manufactures fabrics in different weaving types and resin-impregnated fabrics (prepreg)

according to various customer requests and needs. Microtex Composites is an integrated company starting from carbon fiber webbing, developing its own resin systems and producing prepregs. The company's product portfolio is extremely rich with solvent impregnation lines, hotmelt prepreg production lines and SMC lines. Microtex Composites is an excellent and important Kordsa base in Europe thanks to its continuous research and development activities, offering prepregs, SMCs and fabrics to various sectors such as structural composites, aesthetic composites, carbon-like interiors, motor sports, automotive, railway, sports and entertainment, marine, industrial and interior design. Thanks to Microtex Composites, Kordsa aims to increase its market presence in other segments in the European Region, especially in the automotive luxury segment.

Developed by Advanced Honeycomb Technologies (AHT), a Kordsa company that manufactures a wide range of honeycombs for commercial applications such as construction materials and sports-entertainment products, as well as the aerospace industry, Aramid honeycomb core is manufactured from Dupont Nomex® paper, and coated with a water-based phenol-based heat-resistant resin, offering non-flammable properties. These features make the product compliant with high aviation and space standards, ensuring its use in aviation applications.

Thanks to the acquisition of AHT, Kordsa retains the innovation leadership in the sector.

Previously, only organic solvent-based phenolic resins were used in honeycomb production. However, solvent-based phenolic resins started to be used less as manufacturers try to find formulations that reduce the amount of volatile organic compounds. Government regulations often require substantial reduction or even elimination of volatile organic solvents in such formulations, especially for products with selected uses. The reduction or elimination of volatile

organic solvent emissions has opened up new commercial opportunities for the application of resins containing low levels of volatile organic compounds. Due to the damage to the EU economy, VOC emissions are expected to be tightly controlled and reduced.

Current and upcoming mandatory restrictions on occupational safety, health and environment in the EU are expected to require avoiding of solvents in production, which will be much easier with the transition to water-based phenolic resins. Kordsa-AHT has a more sustainable production advantage compared to its counterparts in the USA and EU, and maintains its leading position, thanks to the fact that the use of water-based phenolic instead of solvent-based phenolic in the production of phenolic honeycomb reduces the risk of fire and has a lower occupational safety risk.

Moreover, the risk of explosion during production is also eliminated, and the emission of volatile organic compounds

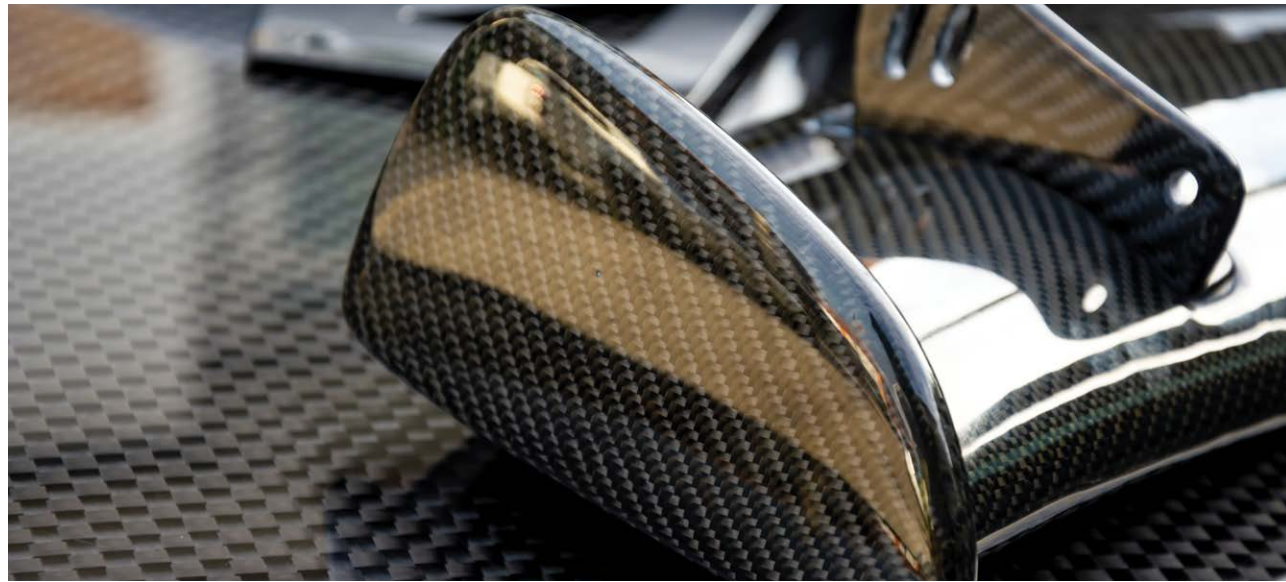
is reduced while a more meaningful contribution to low carbon emissions and sustainability studies is ensured.

Kordsa product development processes last between two and five years due to the security tests required by its sectors of activity. Kordsa continues to operate in parallel with the global standards and trends to develop products and technologies that increase energy efficiency, reduce carbon emissions and are free of harmful chemicals.

The new generation prepregs, manufactured from thermoplastic polypropylene raw material, are expected to replace the thermoset materials commonly used in the industry, thus providing a more eco-friendly life cycle thanks to their recyclable properties. Kordsa's approach to sustainability, prioritized in all kinds of development activities, has led to resin systems based on biological materials.



Composite Technologies



Under the R&D activities, Kordsa developed a bio-based resin that is both sustainable and can show much better flame, smoke and toxicity (FST) performance as an alternative to the existing flame retardant systems used in the world. As a project output, a bio-based and sustainable resin system was developed with polyfurfuryl alcohol resin obtained from sugar cane wastes. The resin formulation was tested in accordance with both aviation (FAR 25.853) and railway (EN 45545) standards, yielding much better results than the equivalent resin products that have been globally used for the last four decades. The developed formula and the low CO2 footprint of the prepreg product impregnated with this formula make these the 'materials of the future'.

With the arrival of new flame resistant prepregs, Kordsa will have a stronger product portfolio. Kordsa will have the opportunity to offer its products and services in the aerospace industry, machinery industry, maritime and automotive applications, and sports product markets where flame resistance is an important requirement.

Carbon fiber reinforced fabrics and prepregs manufactured thanks to the know-how developed at Kordsa are used in the production of composite battery boxes of electric vehicles. Flame retardant formulation-E glass prepreg product has been introduced to the aviation market to be used instead of phenolic resin-E glass prepreg products used today. The prepreg is eco-friendly thanks to the absence of solvent content and its flame retardant feature with additives. Thanks to its flame retardant properties, the resin product delays the release of harmful gases during fire. On the other hand, thanks to the much better final product surface properties compared to its competitors, the product shortens the processes of final part manufacturers and provides low CO2 emissions compared to its competitors.

E-Glass Prepreg (Composite Spring for Heavy Commercial Vehicles)

Focusing on strategic sector collaborations, Kordsa develops carbon emission-reduction solutions for various sectors. Kordsa signed a contract with Ford Otosan in 2015 to lighten by 75% the steel spring system used in heavy

Focusing on strategic sector collaborations, Kordsa develops carbon emission-reduction solutions for various sectors.

commercial vehicles, one of the most important causes of carbon emissions.

In the project under the TÜBİTAK 1501 support program, since 2019, Kordsa has worked on the development of resin and glass fiber reinforced prepreg material to replace the conventional steel leaf springs used in mixer trucks with composite leaf springs. As an output of the work at the R&D center, a new resin system specially designed for heavy commercial vehicle leaf springs was introduced to the composite industry at JEC World 2019, the world's largest composite fair. Developed in line with the needs of the automotive industry, prepregs shine out with their high mechanical performance and long fatigue life. After starting commercialization negotiations for the product in 2021, Kordsa completed 2022 as a successful year for speeding up commercial activities. This innovative approach provides a significant saving opportunity for vehicle owners, enabling the protection of natural resources and creating less emission due to less fuel consumption.

Towpreg Products

The primary reason for the production of towpreg, developed as a resin-impregnated carbon fiber product for use in filament winding systems, is the increase in hydrogen tank demands and the transition to these products in the aviation industry. Kordsa developed this system at its R&D center and offered to international markets. This product portfolio provides energy savings during production where a resin system that does not require high temperatures is used. The product is included in the portfolio as a technology with high input. Thanks to the joint project and joint work carried out by the R&D centers in Turkey and the USA, the system has become a meaningful commercial contribution. Towpreg products can be manufactured from various carbon fibers, as well as glass fiber.



Construction Reinforcement Technologies



Kordsa has stood out in the construction market since 2014 with innovative Kratos Macro and Micro synthetic fiber reinforcements that provide ease of use, fast applicability, less labor, increased equipment and energy efficiency, high concrete toughness, long-term durability and low carbon emission for concrete reinforcement applications in infrastructure, mining and superstructure construction projects. Kratos Fiber, an innovative concrete synthetic fiber reinforcement, has been preferred in many prestigious projects thanks to its fast and efficient application, ease of use, less labor required compared to traditional methods and high performance.

The Construction Reinforcement Technologies department added structural reinforcement products to Kratos product portfolio. Kordsa continues the R&D studies for these products, which are much needed in Turkey. This product group includes carbon fabric, carbon plate and epoxy resins for these products.

Reinforcement with Kratos Structural Reinforcement products provides both time and cost savings compared to demolition and reconstruction, and shines out as an eco-friendly and sustainable solution. With the sufficient technical competence, the reinforcement applications with carbon fabric minimize loss of space compared to steel or reinforced concrete sheathing. The composite products manufactured from high-strength carbon yarns are light, thus providing convenience in labor and do not impose an additional load on the applied surface.

The construction reinforcement business unit is also working to expand its product range in 2023. The business unit aims to develop products that will also be used in the Construction Chemicals sector with its expert and experienced engineer teams.

As a leading and pioneering company in the sector, Kordsa continues to offer innovative solutions in construction reinforcement technologies as well as its efficient, eco-friendly and revolutionary innovations in tire reinforcement and composite technologies.

Occupational Health and Safety, and Environment

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

OUR APPROACH TO OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

The health and safety of our employees is one of Kordsa's strategic priorities. At Kordsa, the common goal of all employees and departments related to OHS is zero work accidents and zero occupational diseases. The rules set by the Occupational Health and Safety Global Policies and Procedures are constantly observed to prevent occupational diseases and injuries in the workplace. Kordsa received no fines for non-compliance in 2022.

Empowerment Center

Kordsa conducts training and awareness-raising activities on online platforms with the Empowerment Center to improve the occupational health and safety culture of all stakeholders and to maintain and improve business excellence. In the Empowerment Center, employees are able to experience and gain knowledge about possible work accidents through visual and physical

models. In addition, the Center includes the Perception Development Class, which aims to change the perspective of employees, and the "Skill Development Workshop" launched to improve 5S, TPM, quality awareness and process competencies with scenarios prepared on model machines. Since 2018 our facility in Turkey has been the proud holder of ISO 45001-2018 Occupational Health and Safety Management System certificate.

OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

In line with its mission of "reinforcing the future", Kordsa carries out its R&D works in the markets of activity and manufactures the resulting innovative products and technologies with a sense of responsibility that is based on humans and nature. Kordsa has set short- and long-term goals in water, energy, material and waste management and plans its activities according to these goals. These goals are explained in the section [Our Approach to Sustainability](#).

Our Policies, Management Systems and Compliance

[Kordsa Occupational Health and Safety, and Environment \(OHS-Environment\) Policy](#) is available on our website.

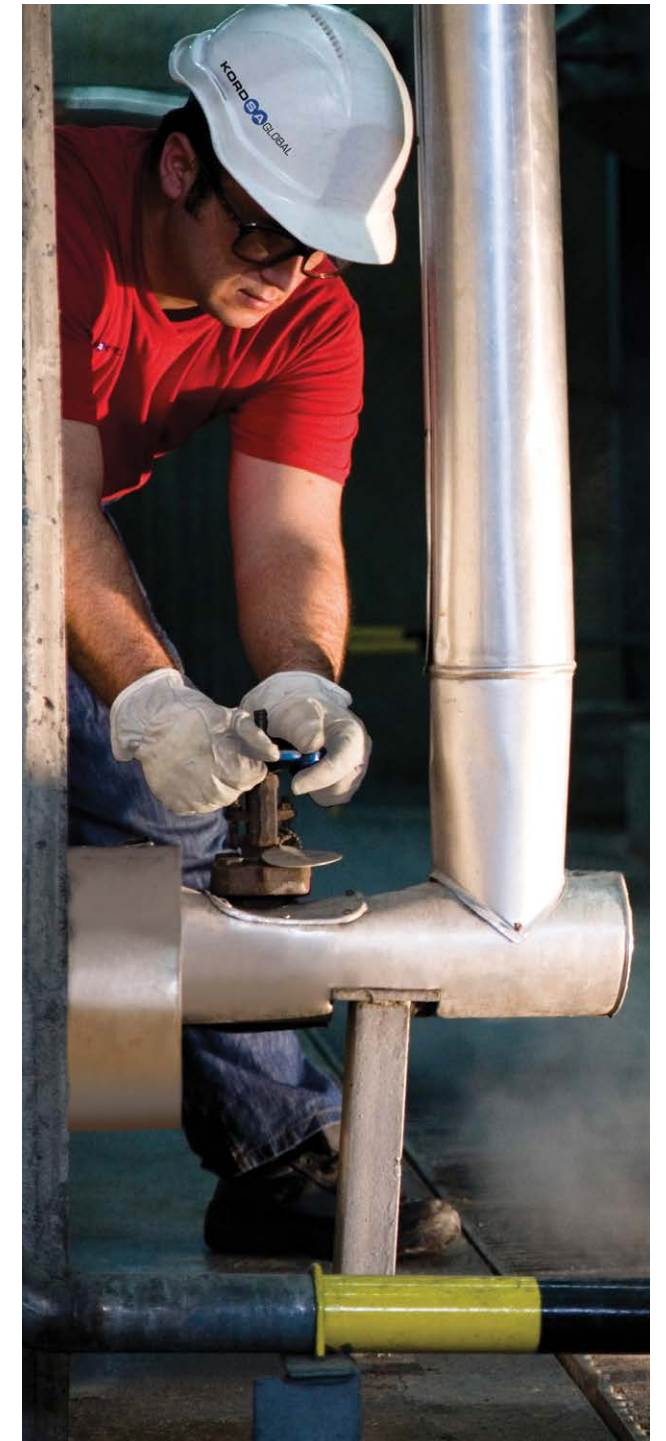
Kordsa's plants in Turkey, Indonesia, Thailand, Brazil, and Chattanooga, United States are recognized with ISO 14001 environmental management certificates while the Turkey plant has been the holder of ISO 50001-2011 energy management certificate since 2015. Operating in compliance with environmental laws and other relevant regulations, Kordsa did not receive any environmental penalties in 2022.

Our Environmental Priorities and Environmental Management Incentives

Kordsa's performance in material and energy efficiency, emissions, waste and water management as well as its progress towards targets are explained in detail in the annual sustainability reports. Among the incentives offered for the management of environmental issues are the employee recommendation system and the rewards granted in relation to the system. In addition, a new target for senior management reward mechanism has been added to 2022 targets. The Board of Directors has the highest level of responsibility regarding the environment and climate change. [The relevant committees and their duties](#) are explained in the section [Our Approach to Sustainability of the report](#).

Position in Carbon Markets

There is no carbon pricing practice among facilities at Kordsa or among industrial companies within Sabancı Holding. Kordsa is not included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax). Therefore, there are no carbon credits accumulated or purchased during the reporting period.



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.

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.

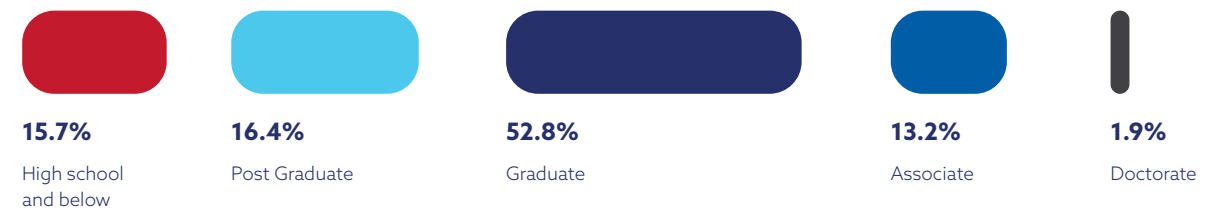


5,092
REINFORCERS
(TOTAL NUMBER
OF EMPLOYEES)



58.2
AVERAGE
TRAINING HOURS
IN 2022

Education Levels of Office Employees (%)



OFFICE EMPLOYEES*



228
FEMALE



375
MALE

FIELD EMPLOYEES*



374
FEMALE



3,373
MALE

*Sub-employers not included

Internal Audit

The Internal Audit Department carries out its activities in line with a dynamic audit plan based on numerical data and professional experience.

As global and local risks change rapidly and priorities and expectations differ regionally, the Internal Audit Department carries its activities in line with a dynamic audit plan based on numerical data and professional experience. The 2022 audit plan is created based on the risks measured by the Company Risk Committee as well as the blending of country risk, financial indicators and the expertise of the Internal Audit Department. The Department performs audits in accordance with the resulting annual audit plan, can be revised under the leadership of the Audit Committee, taking into account the changing conditions and the needs of the Company's senior management.

Process Audits and Continuous Improvement

In the audits, the Internal Audit Department evaluates process risks and opportunities as well as issues such as compliance with ethical rules, employee rights, occupational health and safety, etc.

As a result of the change in the Internal Audit Department in 2022, the Department now serves to a wider region, and performs audit activities simultaneously. The expanded

Internal Audit Team carries out information systems, continuous audit methodology, review/investigation activities and process audits with a holistic approach. Audit activities were conducted in all Kordsa facilities in 2022 with the inspection teams physically located in three different regions.

In addition, the digitalization studies continued in 2022 and the capabilities of the team were improved in this regard. By using data analytics tools to add more value to Kordsa, audit activities started to include statistics, data discovery, data interpretation, machine learning, data visualization and project management in data science. Driven by this motivation, data analytics applications will continue with value-added projects in 2023, and the control environment will be strengthened accordingly by adopting the "Continuous Audit" approach.

The compliance and development status of the internal auditors who started to work in the Internal Audit Department are also closely monitored. In 2022, experts were recruited to the team in order to expand data analytics competencies within the Internal Audit Department.



Certification

The Internal Audit Department team includes two Certified Internal Auditors (CIA), a certificate of international competence in internal auditing awarded to people with the necessary experience and technical qualifications by the International Institute of Internal Auditors as well as two CPAs and a CFE. The Company supports and encourages the Internal Audit Team to receive trainings to increase and strengthen their knowledge, skills and other qualifications, to be a member of relevant associations and to obtain professional international certificates.

Continuous Audit Activities

In 2022 the Internal Audit Department reviewed works on the development of data analytics-based audit activities, which started as of 2021, and on the establishment of a continuous audit function. In this context, the audit team was supported by experts.

Moreover, the query and scenario pool was also reviewed, and a road map for 2023 was prepared. In 2022 the installation of the RPA system for the regular implementation of the continuous audit function was completed.

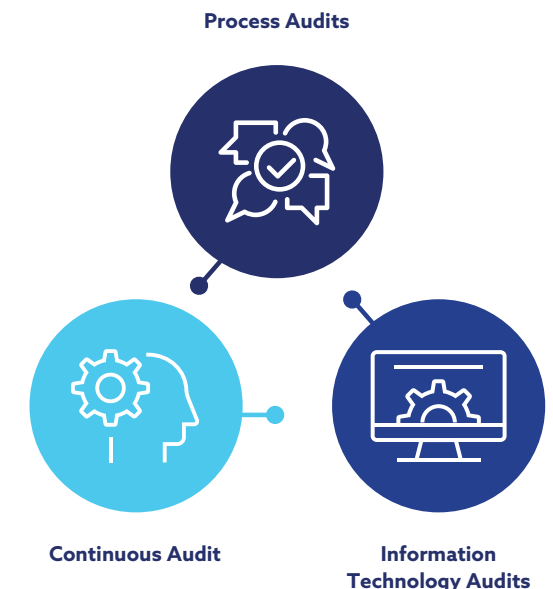
Queries will be run at intervals determined according to risk levels and the query results will be examined. Under the holistic audit approach, existing queries are improved and new queries are designed to analyze the operational risks specific to Kordsa identified during the process audits. The use of the robotic application to run scenarios for continuous auditing will be expanded in 2023.

It is aimed to detect risky steps in the operations with process mining methods. In order to perform predictive analyses from detective activities, a road map was designed for the establishment of machine learning-based models. It is aimed to test the risk assumptions in

the process for past data with machine learning models and to analyze them by estimating for future data.

Information Technology Audits

In order to carry out information technology audits with internal resources, a restructuring was made within the Company. To this end, risk-based information technology audits started to be carried out in order to determine the adequacy of the systems for ensuring data integrity of information- and technology-based systems, protecting organizational assets, fulfilling organizational goals in the most effective way and using resources efficiently. With the information technology audits, it is aimed to ensure that through the control of Kordsa communication channels and information systems, the information obtained within the Company is reliable, complete, traceable, consistent and in the appropriate form and quality to meet the needs, and that it can be accessed on time by the relevant units and staff.



Risk Management

Kordsa's risk management framework is designed in accordance with internationally accepted standards such as COSO and ISO 31000.

For Kordsa, one of the main criteria to achieve strategic and financial targets and create value for all stakeholders is the operation of risk management processes in harmony with the Company's strategy and targets. Kordsa defines Risk as the probability of an event occurring and affecting the achievement of the organization's strategic and operational targets. Risks are associated with the Strategic Initiatives within the Strategy House, and operational and financial decisions are made by being aware of the risks in line with the realization of the strategy. Risks defined in the Strategic, Financial, Legal, Operational, Human and Environmental categories are communicated to all relevant units and internal stakeholders are enabled to consider risks in their decision-making processes. Kordsa's production bases in various regions of the world, its leading position in the global tire reinforcement market, and its composite and construction reinforcement business lines, diversified in recent years, expose the Company to global and local risks under various categories.

Kordsa's risk management framework is designed in accordance with internationally accepted standards such as COSO and ISO 31000. The Early Detection of Risk Committee reporting to the Board of Directors is the highest level body of the risk management organization. The Committee makes recommendations to the Board of Directors on early detection of risks that may endanger the existence, operations and continuity of the Company, and on taking necessary measures to reduce the impact and probability of the risks identified. In cooperation with the risk officers assigned to the enterprises, the Global Risk Management reporting to the Global Finance Group Management under the Finance Assistant General Manager is responsible for the identification of risks in line with the risk management framework, the prioritization, control and monitoring of the risks identified in accordance with the impact and probability assessment criteria as well as the implementation, coordination and follow-up of these steps in the same standard across all the businesses.

Process Audits and Continuous Improvement

Probability Evaluation		Financial Impact Assessment	
Very High	75% - 100%	Very High	>5% EBITDA impact
High	40% - 75%	High	1% << 5% EBITDA impact
Medium	10% - 40%	Medium	0.5% << 1% EBITDA impact
Low	5% - 10%	Low	0.1% << 0.5% EBITDA impact
Very Low	1% - 5%	Very Low	<0.1% EBITDA impact

Critical Risks with a Global Impact

As a result of the evaluation made with the Chief Finance Officer for 2022, the following six risks were matched with strategic initiatives and prioritized as "risks with high criticality level".

Strategic Initiative	Risks
Effective Finance and Risk Management	Infectious Diseases / Pandemic Facility Security
Commercial Excellence	Raw Material Availability Shipping (Supply Chain) Availability
Growth in New Sectors	Customer Loyalty
Excellence in Sustainability	Physical Effects of Climate Change and Possible Legislative Changes in the Process of Adaptation to ESG Targets and Regulations

In addition, the Russia-Ukraine conflict and the resulting increase in global geopolitical tension, energy constraint concerns in Europe, rising inflation and recession concerns as a result of global economic policies, transition risks regarding climate change and changing customer expectations within the scope of sustainability are defined as "emerging risks".

Risk #1 - Infectious Diseases / Pandemic

Risk Factors

The emergence of vaccine-resistant or more infectious variants which affects the health of the community and employees, and new shocks that may occur in the supply chain are defined as possible risk factors that may affect Kordsa's operational and financial performance. In the last few years, existing measures appear to be sufficient to detect active cases and prevent internal transmission.

Measures Taken and Control Activities

- Close monitoring of the developments in the regions of operation by the COVID Supreme Board established within Kordsa, and the introduction of additional control measures when necessary
- Promoting and monitoring the vaccination of employees

- Taking necessary precautions for prevention and protection in all closed working areas (Disinfection, isolation, quarantine, social distance, remote work, etc.)

Risk #2 - Facility Security

Risk Factors

For Kordsa's production facilities located in various regions around the world, natural disasters such as earthquakes, extreme droughts and floods, or man-made threats such as fire are identified as possible risk factors. Kordsa gives priority to facility safety and employee safety in line with its "Occupational Health, Worker Safety and Environment" values.

Measures Taken and Control Activities

- Receiving advice from expert risk engineers through risk engineer site visit service provided by insurance companies every year (In visits to different businesses in 2022, risk engineers did not report any major findings.)
- Ensuring the global dissemination of measures and controls by sharing good practices or lessons learned in a business with other businesses
- Checking the adequacy of existing measures and commissioning investments that include additional measures when necessary

Risk Management

Risk #3 - Raw Material Availability

Risk Factors

The limited number of raw material suppliers in the global market for Kordsa's products which demand high product safety standards, possible new shocks in the global supply chain that has deteriorated after the COVID-19 pandemic, and the possibility of developments that may affect the production and shipment processes of suppliers are identified as risk factors.

Measures Taken and Control Activities

- Identifying alternative or substitute suppliers for main raw materials and obtaining necessary customer approvals, and developing cooperation with suppliers in close regions through a localization project
- Supplying, when necessary, raw material from spot markets and carrying out raw material transfer between Kordsa businesses
- Studies carried out by R&D to develop new alternative raw material sources
- Optimizing raw material needs in enterprises with inventory management and global operational planning applications

Risk #4 - Shipping (Supply Chain) Availability

Risk Factors

For its production processes, Kordsa receives logistics services from various companies for the supply of many different raw materials, spare parts and equipment, the transfer of raw materials and semi-finished products, and the delivery of final products to customers. The failure of global logistics companies to reach their pre-pandemic shipment performance, the possibility of new unforeseen shocks such as the Evergreen ship stranding in the Suez Canal and preventing passage for months, and the possibility of failing to find enough vehicles in road transport due to the pandemic or strikes are defined as risk factors.

Measures Taken and Control Activities

- Obtaining customer approvals for the products of local suppliers close to the businesses and thus shortening long shipping routes
- Optimizing shipping needs with inventory management and global supply planning applications
- Developing alternative shipping routes or using air shipments for emergencies

Risk #5 - Customer Loyalty

Risk Factors

Kordsa has the advantage of meeting the demands of local markets and global customers with its production bases spread over different regions around the world. In addition to local customers, a significant portion of Kordsa's revenues comes from sales to the factories of six global tire manufacturers in the countries where Kordsa operates or in nearby regions. In line with the value of "Customer Focus", priority is given to customer demands by understanding the wishes and expectations of customers with the effort to offer fast and correct solutions. However, the possibility of Kordsa's operations being affected due to changing market dynamics or disruptions in customers' own operations is identified as a risk factor.

Measures Taken and Control Activities

- It is inevitable for Kordsa to have sales volumes comparable to the customer's market share. Ensuring that customers have a share in Kordsa sales that is close to the customers' share in global or local markets
- Ensuring a reasonable distribution among different product groups such as Nylon and PET
- Monitoring increased sales to other value-creating customers in local markets
- Diversifying product portfolio by achieving high growth in the Composite and Construction reinforcement markets

- Launching product development projects in partnership with some customers
- Communicating the requests and expectations of the customers to all relevant units in addition to the results of the audits carried out by the customers

Risk #6 - Physical Effects of Climate Change and Possible Legislative Changes in the Process of Adaptation to ESG Targets and Regulations

Risk Factors

Sustainability is an integral part of Kordsa's strategy. Many studies are carried out simultaneously to ensure social and environmental sustainability in the entire life cycle of purchasing, supply and production processes. Kordsa's production facilities, customers and suppliers in different regions around the world may be exposed to extreme weather events, droughts or floods caused by climate change. Due to these physical effects, there is a possibility of disruption of raw material supply,

production and sales processes. Moreover, the possibility of extensive changes in legislation or possible changes in customer preferences during the transition to a low-carbon economy are defined as risk factors. Details of the risks identified in relation to sustainability and the measures taken can be found in the CDP Climate and Water reports.

Measures Taken and Control Activities

- Taking precautions in facilities against natural disasters caused by climate change and planning protective long-term investments
- Identifying new risks by following global ESG regulations and updates
- Making a commitment to SBTi and developing actions in line with this commitment
- Creating a road map to reach the 2050 Net Zero target and defining short-medium-long-term targets
- Continuing notifications to national and international reporting mechanisms (CDP, Ecovadis, Borsa Istanbul, etc.).

An aerial photograph showing a highway interchange on the left and a bridge crossing a river on the right, both surrounded by dense green forest. The bridge has two lanes and a yellow car is visible on it. The highway has several cars. The text 'We are inspired to reinforce life' is overlaid in a white box in the upper right quadrant.

**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.**

Independent Auditor's Report on the Board of Directors' Annual Report



To the General Assembly of Kordsa Teknik Tekstil Anonim Şirketi

Opinion

We audited the annual report of Kordsa Teknik Tekstil Anonim Şirketi (the "Company") and its subsidiaries (together to be referred as "the Group") for the period between 1 January 2022 and 31 December 2022, since we completed the audit of 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 regarding the position of the Group carried out by using the information included in the audited financial statements are true and consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit.

Basis for Opinion

We conducted our independent audit in accordance with the auditing standards issued by the Capital Markets Board (CMB) of Turkey and the Independent Auditing Standards (IAS), a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority (POA). Our responsibilities under those standards are further described in the section "Independent Auditor's Responsibilities for the Independent Audit of the Annual Report" of this Annual Report. We declare that we are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Including Independence Standards) issued by the POA ("Code of Ethics") and with the provisions on ethics set forth in the legislation on independent audit. We also fulfilled our other ethical responsibilities in line with the Code of Ethics and the requirements set forth in the legislation. We believe that the audit evidence we obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

Auditor's Opinion on the Complete Set of Consolidated Financial Statements

In our auditor report dated 23 February 2023, we issue an unqualified opinion on the complete set of consolidated financial statements of the Group for the period between 1 January 2022 and 31 December 2022.

Responsibility of the Board of Directors for the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and the Communiqué on the Principles of Financial Reporting In Capital Markets No. II - 14.1 (the "Communiqué"), the responsibilities of the Group's management regarding the annual report are:

- To prepare the Group's annual report within the first three months following the date of statement of financial position and to submit the report to the general assembly.
- To prepares the Group's annual report so as to reflect the operations of the year and the consolidated financial position of the Group accurately, completely, directly, true and fairly in all respects. In the annual report, the financial position is assessed in accordance with the Group's consolidated financial statements. The annual report also clearly states the information on the Group's development and the possible risks. The assessment of the Board of Directors on these matters is included in the report.



c) The annual report also includes the following:

- Significant events occurred in the Group after the end of the reporting period,
- The Group's research and development activities, and
- Financial benefits such as wages, premiums and bonuses paid to board members and senior management as well as appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees provided to board members and senior management.

While preparing the annual report, the Board of Directors also considers the secondary legislation issued by the Ministry of Trade and other relevant institutions.

Independent Auditor's Responsibility for the Independent Audit of the Annual Report

Our objective is to issue an opinion on whether the consolidated financial information included in the annual report in accordance with the provisions of the TCC and the Communiqué and the analysis of the Board of Directors carried out by using the information included in the audited financial statements regarding the position of the Group are true and consistent with the audited consolidated financial statements of the Group and the information obtained during the independent audit, and to draw up a report that includes our opinion.

We conducted our independent audit in accordance with the standards on auditing issued by the CMB and with the IAS. These standards require compliance with ethical requirements as well as planning and performance of the independent audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and the analysis of the Board of Directors carried out by using the information included in the audited financial statements regarding the position of the Group are true and consistent with the consolidated financial statements and the information obtained during the independent audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakkı Özgür Sivacı, Certified Public Accountant
Partner

Thursday, February 23, 2023
Istanbul, Turkey

Annual Report of the Board of Directors for the Accounting Year of 1 January 2022 - 31 December 2022

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:	Büyük Mükellefler
Tax Number:	5770053564
Headquarters Address:	Alikahya Fatih Mahallesi Sanayici Caddesi No:90 İZMİT 41310 / KOCAELİ - TÜRKİYE
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 İstanbul 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
Other	5.620.146.199	28,89%	in the name	56.201.461,99
Total	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
Other	5.620.146.199	28,89%	in the name	56.201.461,99
Total	19.452.907.600	100,00%		194.529.076,00

c) The Board of Directors and Senior Managers

Board of Directors

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
Ali ÇALIŞKAN	Deputy Chairman Member of the Early Detection of Risk Committ		01.04.2022	01.04.2022 MARCH 2024
Gökhan EYİĞÜN	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
Şerife Ebru DOĞRUOL AYĞIL	Independent Member Chairman of the Corporate Governance Committee Member of the Audit Committee Member of the Early Detection of Risk Committee		23.03.2022	23.03.2022 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 2022 - 31 December 2022

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.

Executive

Managers

Name and Surname	Duty
İbrahim Özgür YILDIRIM	CEO
Volkan ÖZKAN	Chief Finance Officer
Levent AKPULAT	Chief Global Supply Chain Officer
Doğan SEVİM	Chief Global Sales and Marketing Officer
Eray KARADUMAN	Chief Human Resources, Legal and Corporate Communication Officer
Deniz KORKMAZ	Chief Technology Officer
Mehmet İlker ÇALIŞKAN	Chief Strategy, Business Development and Integration Officer
Salih KAHRAMAN	Chief Operating Officer, EMEA
Ömür MENTEŞ	Chief Operating Officer, APAC
Abdülkadir TOPLU	Chief Operating Officer, North America
Joao Augusto Dos Santos	Chief Operating Officer, South America
Murat Oğuz ARCAN	Chief Operating Officer Composites
Müge YENMEZ	Chief Operating Officer, EMEA Composit

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:

	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Short-term employee benefits	40,592,669	31,595,545
Benefits after employment termination	369,176	157,340
	40,961,845	31,753,285

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

Annual Report of the Board of Directors for the Accounting Year of 1 January 2022 - 31 December 2022

At the 2020 Ordinary General Assembly of Shareholders Meeting held on March 24, 2021, it was decided that a monthly gross fee of TL 16,000 was to be paid to Members of the Board of Directors during their term of office.

3. R&D ACTIVITIES

a) Research & Development

RFID Project

Thanks to its expertise in advanced materials, Kordsa works on the development of a small-sized, flexible RFID tag to be placed in vehicle tires prior to the vulcanization process, using the patented Radio Frequency Identification (RFID) technology of SES RFID Solutions. Having filed a patent application for this new tag technology, Kordsa and SES RFID Solutions aim to obtain the necessary data that will ensure the digitalization of tire manufacturers by ensuring the global traceability of tires from production to the end of their economic life. The data obtained enables tire manufacturers, original equipment manufacturers in the automotive industry, distributors and fleet management companies to use tires more effectively and efficiently.

Construction Reinforcement Technologies

The Construction Reinforcement Technologies department works on adding structural reinforcement products to Kratos product portfolio. Kordsa continues the R&D studies for these products, which are much needed in Turkey. This product group includes carbon fabric, carbon plate and epoxy resins for these products. Reinforcement with Kratos Structural Reinforcement products provides both time and cost savings compared to demolition and reconstruction, and shines out as an eco-friendly and sustainable solution.

Ultra High Tenacity Polyester

Kordsa works on the development of a UHT 7G PET cord fabric reinforcement material that can meet the need arising from the widespread use of electric vehicles. This material is designed for the needs of electric vehicle tires such as reduced weight and better performance in shared vehicles. In addition, due to the new emission limits to be set for passenger and commercial vehicles in the world market in 2030, tires will be required to be lighter with reduced rolling resistance.

Bio-based Resin Transfer to Axiom

The Composite Technologies Center of Excellence carries out intensive studies for composite solutions for many sectors. In 2022 the Center developed bio-based resin systems as an alternative to phenolic resins with flame retardant properties in line with the demands of the aviation industry. The technology transfer of these systems to Kordsa Inc.

Axiom Materials, a subsidiary of Kordsa in the USA, was completed in 2022. As a project output, a bio-based and sustainable resin system obtained from sugarcane waste was developed. The system was tested in accordance with both aviation (FAR 25.853) and railway (EN 45545) standards, receiving much better results than equivalent products.

Sustainable Tire Reinforcement Materials

Although regulations and sanctions related to sustainability are getting stricter around the world day by day, Kordsa continues to operate as one of the pioneers of the sector with the motto of reinforcing life. In line with the targets of customers, the tire reinforcement business unit, the main business line of Kordsa, aims to make products 50% sustainable until 2030 and 100% by 2050. With this target, we transform our raw material resources into sustainable raw material resources.

In the production of Nylon 66, CO2 emissions were reduced by 17% and 33% with the yarn and cord fabric studies manufactured from 20% and 40% recycled polymers. Moreover, Kordsa entered into cooperation with main raw material supplier companies manufacturing nylon 66 on the production of bio-based raw materials and polymers, and prepared a road map consistent with the Company's 2030/2050 targets. Moreover, under the Horizon 2020 European project Polynspire launched in 2018, 100% chemically-recycled nylon 66 polymer was produced at laboratory with chemically-recycled nylon 66 polymer raw materials. Kordsa aims to successfully complete the Polynspire project in 2023 after five years.

In the production of PET, trial studies were carried out in industrial and pilot phases with polymers containing 50% and 100% recycled materials, respectively, obtained by chemical recycling. Moreover, with the WhiteCycle project under the European Commission Horizon program, it is aimed to recover the polyester material from tire and complex textile wastes and to carry out depolymerization, polymerization and production of cord fabric with advanced biotechnological methods. Thus, with the recycling of the cord fabric in tires with an endless cycle, Kordsa will get one step closer to the target of 100% sustainable tire in 2050. Kordsa continues to work on mechanical recycling and bio-based materials in line with the Company's targets. On the other hand, Kordsa carries out various product development studies to reduce the use of materials in tires and to reduce rolling resistance and fuel consumption in tires.

Annual Report of the Board of Directors for the Accounting Year of 1 January 2022 - 31 December 2022

COMACH

Under the international cooperation project with 11 partners from three countries, process monitoring systems are developed to ensure that the dust released in the composite milling processes is removed from the environment so as to prevent any harm to the health of staff, and to avoid process-related errors by using image processing and data analysis methods. With the innovative internal suction system to be developed in the project, 98% of the composite dusts will be removed from the environment and the position verification problems encountered in the benches will be solved with the 6D imaging system, thus providing quality and cost advantage in composite production.

DICOMI

DiCoMi is a university-industry collaboration project funded by the European Commission. Under the project, a low-cost hybrid 3D printing (additive manufacturing) system is planned to be developed for the automotive and aerospace sectors, providing an important knowledge transfer between academia and industry in Europe and worldwide. In addition to the production of composite parts, the system will be equipped with 3D printing and CNC milling (subtractive manufacturing) features. Scientific and technical expertise as well as economic awareness from the industry will ensure that the system is efficient and meet the needs of the industry. The DiCoMi system is expected to reduce production time as well as production costs with its innovative production technology.

By the end of 2022, the number of patent applications increased to 921 and granted patents to 509.

4. IMPORTANT DEVELOPMENT IN THE REPORTING PERIOD

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	Industrial Yarn and Cord Cloth Production and Trade	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
Axiom Materials Acquisition LLC (*)	The US	Production of Advanced Composite Materials for the Civil Aviation Industry	North America	100
Microtex Composites Srl. (*)	Italy	Production of carbon fiber fabrics and prepreps to the super luxury automotive industry and motor sports	Europe	60
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
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) Important Development in the Reporting Period

Kordsa was granted the "Star" award, the highest level of recognition, for its export performance in 2021 at the "Companies Adding Value to Exports Award Ceremony" organized by the Istanbul Textile and Raw Materials Exporters Association (İTHİB). Gaye Baykut, Kordsa EMEA Group Sales Manager, received the award on behalf of Kordsa at the award ceremony held at Istanbul Raffles Hotel on October 6, 2022 with the participation of Mustafa Varank, the Minister of Industry and Technology of the Republic of Turkey.

- The tire giant Pirelli, working with more than 15,000 global suppliers, rewards nine suppliers every year after an evaluation in quality, service level, performance, innovation and sustainability. As a result of the 2022 evaluations, Kordsa was among these nine suppliers in the service level category with its textile reinforcement works and was deemed worthy of the 2022 Pirelli Supplier Award. Kordsa CEO İbrahim Özgür Yıldırım received the award at the ceremony held in Milan.

Annual Report of the Board of Directors for the Accounting Year of 1 January 2022 - 31 December 2022

- Kordsa won the first prize in two categories at the 13th Sabancı Golden Collar Awards. Kordsa won an award in the "Innovation" category for the "Kartal" project, which aims to eliminate foreign dependency in the production of helicopter propellers, and in the "Sustainability" category for the "Recycled Cord Fabric from PET Bottle" project aiming to manufacture PET cord fabric from recycled raw materials from PET bottles.
- Aiming to create sustainable value for all its stakeholders and the society with its mission of "Reinforcing Life", Kordsa's performance in sustainability was recognized with a new award. Kordsa made it to the finals of the 2022 Sustainable Business Awards organized by the Sustainability Academy, receiving an award in the "Water Management" category with its "Kordsa Izmit Water Savings" project.
- With its successful sustainability performance, Kordsa entered the "BIST Sustainability 25 Index" newly created by Borsa Istanbul. The company has also been listed in the "BIST Sustainability Index" since 2016.
- Indo Kordsa, Kordsa's company in Indonesia, purchased a "Renewable Energy Certificate" worth 28,800 MWh for 2023 from PLN, Indonesia's leading electrical energy company. Aiming to reach net zero emissions by 2050, Kordsa's Indonesia headquarters will have the right to use certificates for five years under the contract signed with PLN.
- Joining forces with the global energy company TotalEnergies, Indo Kordsa installed a solar energy system on the roofs of its six facilities. As part of Kordsa's Sustainability Road Map Strategy, this project is expected to generate approximately 6,650 megawatt hours (MWh) of renewable electricity annually.
- As a result of the 2022 evaluation of Great Place to Work® Turkey, an independent research institution that helps companies measure their culture and produce better business results, Kordsa has been named one of Turkey's Best Employers. With the Best Employer Certificate, Kordsa proved the success of its employee-oriented workplace culture in its growing organizational structure.
- Kordsa made the global launch of Project Janus with the theme of transformation from the past to the future, which is part of Kordsa's digital integration vision. More than 300 Kordsa employees attended the online event held on December 15 for the project, aiming to renew enterprise resource planning (ERP) systems. At the launch, Kordsa announced the road map of the project and initiated the digital transformation journey to be realized with the contributions of Turkey, Indonesia, Thailand and Brazil project teams.
- Since 2016, Kordsa has been participating in the "Climate Change" and "Water Program" evaluations under the Carbon Disclosure Project (CDP), the world's leading environmental reporting platform. In 2021 Kordsa upgraded its CDP Water program rating from A (-) in 2020 to A. Once again, Kordsa received an A in the global water program rating, where 15,000 companies were evaluated this year, and became one of the 103 leading companies with high performance across the world.
- Since 2011 the Turkish Exporters Assembly (TIM) has been organizing InovaLIG to support innovative work during the Turkey Innovation Week. Focusing on innovation and R&D to develop sustainable technologies in its every business line, Kordsa won the second prize in the "Innovation Strategy" category at InovaLIG 2022.

- Entering into an important cooperation with NASA for the space industry in 2020, Kordsa produced the composite fabric of Orion space capsule to be used in the landing balloons. The Orion capsule completed a 25-day unmanned sublunar survey tour. The test journey of the capsule, which landed safely in the Pacific Ocean on December 12, is considered a crucial step for future manned journeys.

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)	Education Levels of Office Employees (%) (As of 31.12.2022)
Turkey 1,876	2,013	1.9% Doctorate
The US 787	87	13.2% Associate
Brazil 413	863	52.8% Graduate
Thailand 429	418	16.4% Post Graduate
Indonesia 1,338	426	15.7% High school and below
China 1	1,284	
Total 4,844	1	
Toplam	5,092	

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

Annual Report of the Board of Directors for the Accounting Year of 1 January 2022 - 31 December 2022

September 7, 2019, which came into effect on April 1, 2019.

5. FINANCIAL INDICATORS

a) Financial Indicators

The consolidated financial indicators of Kordsa are as follows:

Gross Profit	01.01.2022-31.12.2022	01.01.2021-31.12.2021	Change %
Sales Revenues	18.440	7.891	134%
Gross Profit	3.359	1.732	94%
Gross Profit Margin (%)	18%	22%	
Real Operating Profit	1.650	1.326	24%
Real Operating Profit Margin (%)	9%	17%	
Profit Before Tax	1.599	944	69%
Taxes (-)	-87	-80	
Discontinued Operations Profit (Loss) for the Period	-2	-8	
Net Profit for the Period	1.509	856	76%
Shares of the Parent Company	1.289	769	
Non-controlling Shares	220	87	
Net Profit for the Period (%)	8%	11%	

USD Million	01.01.2022-31.12.2022	01.01.2021-31.12.2021	Change %
Sales Revenues	1,154	888	%30
Gross Profit	210	195	%8
Gross Profit Margin	%18	%22	
Real Operating Profit	103	149	%-31
Real Operating Profit Margin (%)	%9	%17	
Profit Before Tax	100	106	%-6
Taxes (-)	-5	-9	
Discontinued Operations Profit (Loss) for the Period	-0	-0	
Net Profit for the Period	94	96	%-2
Shares of the Parent Company	80	86	
Non-controlling Shares	14	10	
Net Profit for the Period (%)	%8	%11	

b) Evaluation of Activities in the Reporting Period

The leader of the tire, construction and composite reinforcement sector, Kordsa completed 2022 with strong financial results. Kordsa continued its sustainable growth in 2022, realizing a turnover of USD 1,154 million and a net profit of USD 94 million. In the same period, the Company's EBITDA was USD 135 million.

• Tire Reinforcement:

o The strong demand in the first half of 2022 declined, especially in the last quarter, in line with the expectations of a slowdown in the global economy. Despite the sector's performance in 2022 being at the same level as 2021, Kordsa's volume growth was 2%. Kordsa continued to grow at a time when there were expectations of global recession in the sector.

o Sales volumes in all regions were parallel to or above 2021.

o The effects on profitability in the last quarter of 2022 are summarized below:

- Failure to maintain the balance between supply and demand as a result of global slowdown expectations,
- The stock effect of high-cost raw materials in the second and third quarters of 2022 and the decrease in raw material costs in the last quarter,

• The increase in inflationary expenses, especially labor and energy, in the Europe, Middle East and Africa operations, and the inability to maintain the exchange rate balance with inflation,

• The increase in global costs due to the inflationary environment,

o Accordingly, the tire reinforcement segment turnover, which was USD 217 million in the last quarter of 2021, decreased to USD 211 million in the last quarter of 2022.

• Composite Reinforcement:

o Despite the delay in the recovery of civil aviation after COVID-19 due to product and sector differentiation, the third quarter turnover of the segment for 2022 was realized as USD 40 million USD compared to USD 23 million in 2021. While the growth rate was 10% in the last quarter of 2022 compared to the previous quarter, the growth rate was 75% compared to the same quarter of 2021.

o In the last quarter of 2022, the effect of Microtex acquisition on the total consolidated turnover was USD 9 million.

• Construction Reinforcement:

o With the increase in domestic demand and the focus on export activities, the construction reinforcement turnover increased by 60% compared to the last quarter of 2021, reaching USD 3.4 million. The total turnover of the segment in 2022 increased by 18% compared to the previous year and reached USD 10.4 million.

c) Dividend Policy

Kordsa has a written Dividend Policy. There are no privileges regarding participation in the Company's profits. The Dividend Policy is prepared in accordance with the provisions of the Turkish Commercial Code, Capital Markets Regulations, and other applicable regulations and the article regarding the dividend distribution of our Articles of Association. The dividend to be distributed is determined in line with the decision taken at the General Assembly. However, the Company adopts the

Annual Report of the Board of Directors for the Accounting Year of 1 January 2022 - 31 December 2022

principle of distributing the entire distributable profit in the form of cash and/or bonus shares. The dividend distribution decision is taken by the General Assembly in line with the Company's medium and long-term strategies, including large fixed asset investments, acquisitions of subsidiaries, or limitations on current debt instruments, as well as national and global economic conditions. Kordsa does not implement any dividend advance distribution practice.

Although it is accepted that the dividends will be distributed equally, as soon as possible, regardless of all the existing shares and their issuance and acquisition dates, they will be distributed to the shareholders on the date determined by the General Assembly following the approval of the General Assembly within the specified legal periods. The General Assembly may decide to transfer a portion or all of the distributable profit to extraordinary reserves. If the Kordsa Board of Directors proposes not to distribute dividends to the General Assembly, the shareholders are informed at the General Assembly Meeting regarding the relevant reasons and how the undistributed profit will be used. Likewise, this information is shared with the public in the annual report and on the website. The dividend policy is submitted to the approval of the shareholders at the General Assembly Meeting. The policy is reviewed annually by the Board of Directors in case of any adverse events in national and global economic conditions, in line with the status of projects on the agenda and funds. Amendments in the policy are also submitted to the approval of the shareholders at the first general assembly meeting after the amendment and announced to the public on the website.

Kordsa's Dividend Policy was revised pursuant to the Board of Directors decision of March 16, 2015 to comply with recent amendments to the Capital Markets Law and shared with shareholders and stakeholders on <http://www.kap.gov.tr> and the Company website <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	2021	2020	2019
Amount (TL)	160,000,000,00	-	48,632,269,00
Ratio (%)	82,25	-	25
Date of Distribution	April 4, 2022	-	March 26, 2020

6. EVALUATION OF MANAGEMENT COMMITTEES AND BODIES

a) Early Detection of Risk Committee

Kordsa's risks are managed at all levels of the Company. All Kordsa employees are responsible for risk management. Corporate Risk Management is the culture, capabilities and practices integrated with corporate strategies to manage the risks faced while creating, maintaining and gaining value. Kordsa established the Risk Management company

standard (CFN.007) regarding Corporate Risk Management and published the standard within the organization on July 1, 2012. The standard is reviewed annually by the Kordsa Executive Board. The Company standard describes and secures Company practices in the following matters:

- Kordsa's Risk Management approach and positioning.
- Governance of the risk management process and design of roles and responsibilities.
- Identification and detection of risks.
- Evaluation and prioritization of risks.
- Creation of risk management action plans.
- Establishment of systems for early detection of risks.
- Monitoring and reporting of risks.
- Building of a risk awareness culture and risk communication.

Kordsa's all financial or non-financial (operational, reputational, legal, environmental, staff) risks are defined on the basis of all countries of operation and facilities and prioritized in accordance with the Company's CFN. 007 Risk Management standard. Action plans are created to manage risks with high and medium risk scores. Key Risk Indicators reports are created to detect early indicators of significant risks that Kordsa is exposed to and to take necessary precautions and actions.

The Early Detection of Risk Committee convened seven times in 2022, on March 8, 2022, March 30, 2022, May 9, 2022, June 1, 2022, September 5, 2022, October 13, 2022, and December 1, 2022.

b) Corporate Governance Committee

The Corporate Governance Committee consists of members and independent members of Board of Directors with or without direct executive functions as well as senior managers with direct executive functions and knowledge and experience in Corporate Governance issues. The Corporate Governance Committee also assumes the duties of the Nomination Committee and the Remuneration Committee.

The Corporate Governance Committee determines whether the Corporate Governance Principles are applied within the Company, if not, the relevant reasons and the conflicts of interest arising from not fully complying with these principles, and makes recommendations to the Board of Directors to improve corporate governance practices. The Corporate Governance Committee convened five times in 2022, February 21, 2022, March 8, 2022, June 1, 2022, September 5, 2022, and December 1, 2022.

c) Audit Committee

The Audit Committee is responsible for informing the Company's Board of Directors about the Company's accounting system, financial reporting, financial information disclosed to the public, the activities of the internal audit department,

Annual Report of the Board of Directors for the Accounting Year of 1 January 2022 - 31 December 2022

the functioning and effectiveness of the independent audit and internal control system, to support the Company's work on compliance with the relevant laws and regulations, especially the Capital Markets Board Legislation, the Corporate Governance Principles and the Company's ethical rules, and to fulfill the oversight function regarding these issues. The Audit Committee consists of individuals who do not directly assume an executive function and who are independent members of the Board of Directors with sufficient knowledge and experience in financial matters.

The Audit Committee convened eight times in 2022, February 21, 2022, March 8, 2022, May 9, 2022, June 1, 2022, August 9, 2022, September 5, 2022, October 28, 2022, and December 1, 2022.

7. DIGITALIZATION

- Embracing the concept of Digital Transformation as part of its corporate culture, Kordsa will continue its R&D and implementation processes in all the countries it operates under the moniker Kordsa 5.0 as of 2023, encompassing its new digital strategies to contribute to company strategies in the areas of growth and sustainability.
- With its high level of digital maturity, Kordsa deploys systems that evaluate integrations and new generation technologies together with analytical intelligence to make smarter decisions at the next level.
- For Kordsa, digital transformation is not a project, but a journey. During the transformation journey, Kordsa commissions international independent organizations to perform digital maturity level and cyber security maturity level measurements, and accordingly, prepares digital transformation road maps. This way, Kordsa launches new digital products and services and creates outputs as well as productivity, quality and customer satisfaction values for all stakeholders.
- The Digital Transformation Journey in Kordsa's Digital Road Map is basically grouped under four main headings:

a) Connected Operations

- Kordsa has created a new digital application infrastructure for more effective and flexible process management to facilitate daily business life. Prioritizing solutions and products that will create benefits for its customers through the adaptation of emerging technologies, Kordsa embraces an approach that keeps the digital product lifecycle under control.
- Enterprise resource planning projects to be carried out in EMEA, South America and Asia Pacific regions have become one of the most important focus areas of the upcoming period. In addition, Kordsa continues its digital investments to create more value for its customers with digital technologies developed in the field of Commercial Excellence.
- Thanks to its technological prowess, Kordsa has not been affected by the global and local crises, where the

importance of digital systems is felt the most. Kordsa provides remote working and secure connection services to all its employees as standard with its strong infrastructure. Moreover, the Company enables all its stakeholders to benefit from its digital environments effectively to prevent any business interruptions.

b) Autonomous Technologies

- Considering many innovative technologies such as robotic process automation, image processing, mobile technologies and machine learning among its priorities in the field of digital applications, Kordsa continues to invest and expand globally in these fields while putting these technologies into operation in its facilities.
- Kordsa has transformed a total of 100 business processes in 2022 to run completely digitally without human intervention. The Company plans to continue its robotic process automation transformations in its global facilities in 2023.
- Augmented reality, artificial intelligence, big data analysis, image processing, mobile technologies, 5G/LTE Private online networking, machine learning and internet of things are among the 2023 targets as important building blocks of Kordsa's digital journey.
- Kordsa attaches great importance to business partnerships with start-up companies, membership of Turkey Artificial Intelligence Initiative, projects carried out under TÜSİAD's Digital Transformation Program in Industry SD2, university and industry collaborations, joint projects with Sabancı Holding companies, and cooperation with Sabancı Dx. The company will continue to pursue and reach its quality, occupational safety and efficiency targets with digital automation.

c) Cyber Security and Infrastructure

- Proud holder of ISO 27001:2013 Information Security certificate, Kordsa has successfully completed the audits for 13 years in a row. The Company also takes steps to expand the standard on a global scale.
- Kordsa handles works on cyber security as a part of digital transformation and carries out regular activities such as vulnerability scanning tests, phishing tests and disaster recovery solutions. The applications launched by the Security Operations Center and the systems for monitoring global threats and taking precautionary measures against any potential threat are also in operation at Kordsa's facilities in all countries. Business continuity and the cyber security road map are also among Kordsa's priorities. Moreover, Kordsa performs regular risk calculations and evaluates the risks with the members of the Board of Directors and the Early Detection of Risk Committee in line with the principle of transparency. The Company considers investment decisions among its strategic priorities as well.

d) Digital Workforce

- Kordsa prioritizes the training of its employees in various fields in the digital transformation journey and cooperates with Sabancı University, Kocaeli University and many international consultancy companies.
- Project teams consisting of different business units and sources from all levels added analytical approaches to their expertise, developed advanced technologies and implemented applications to take their customers in the sector one step ahead.

Annual Report of the Board of Directors for the Accounting Year of 1 January 2022 - 31 December 2022

- Increasing the competencies of all company employees with Digital Literacy trainings in 2022, Kordsa also closely follows and contributes to the ecosystem among industrial companies.
- In 2023, the Company plans to offer trainings for the families and children of employees in various areas such as Digital Media Literacy and Social Media Addiction.
- Kordsa annually determines its sustainable digital transformation strategy starting from the senior management level and takes steps towards becoming the "Digital Company of the Future" by supporting its priorities in this field with investments thanks to its effective management and expert teams in this field, thus standing out among its competitors in the sector.

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
Sabancı University	47,202,874
Forest Fires Pool - Sabancı Group Project	500,000
The Ministry of Education- Kadıköy Health Education Center	190,000
TEV - Turkish Education Foundation	70,250
Izmit Scholarship Association	42,000
Concrete Addmixtures Association	25,000
İTÜ Strate	18,000
De&Co Sport Activities	12,000
Değirmendere Atatürk Secondary School	100
Yeniköy Hayat Primary School	100
TOTAL	48,060,324

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.

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. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Kordsa Teknik Tekstil A.Ş. complied with all of the mandatory articles of the Corporate Governance Principles annexed to the Corporate Governance Communiqué (Communiqué) numbered II-17.1 published by the Capital Markets Board (CMB) for the accounting period of 1 January 2022 - 31 December 2022.

The Corporate Governance Principles Compliance Report for the 2022 accounting period was announced on the Public Disclosure Platform (KAP) on February 23, 2023. On the other hand, developments within the period regarding the Company's corporate governance compliance status are announced via update notifications on the relevant tab of the Public Disclosure Platform.

<https://www.kap.org.tr/en/Bildirim/1116536>

<https://www.kap.org.tr/en/Bildirim/1116535>

Annual Report of the Board of Directors for the Accounting Year of 1 January 2022 - 31 December 2022

To this end,

- In accordance with the principle 4.2.8, a Board Members and Manager Responsibility Policy was drawn up for the damages that may be caused to the Company by the faults of the Members of the Board of Directors and managers during their duties.
- In accordance with the principle 1.6, the Company's dividend policy was submitted to the approval of the shareholders at the 2015 Ordinary General Assembly Meeting on March 23, 2016 and published on the Company website and at www.kap.gov.tr.
- In accordance with the principle 1.3.10, the determination of the limit of donations to be made in 2021 as TL 1,000,000 (One Million Turkish Liras), except for the donations that the Company must make in accordance with the Articles of Association, was submitted to the approval of the 2021 Ordinary General Assembly held on March 22, 2022 and accepted.

In some of the non-mandatory principles, full compliance has not been achieved yet due to difficulties in implementation, ongoing discussions both in Turkey and in the world regarding compliance with some principles, and the failure of some principles to fully coincide with the current structure of the market and the Company. The principles in question and the reasons for non-compliance with these principles are summarized below:

- Since the existing regulations in the Turkish Commercial Code are considered to be sufficient in compliance with the principles 1.2.1, 1.5.1 and 1.5.2, no separate provision was set forth in the Company's Articles of Association.
- Although full compliance with the principle 2.1.4 is aimed, such information is still provided by data distribution organizations such as Reuters, Foreks, etc. Kordsa continues to work to provide the information on the website in English in addition to Turkish.
- Although there is no Company policy regarding the principle 4.3.9, one of our current Board members is a woman.
- Although due care is taken in compliance with the principle 4.5.5, a member of the Board of Directors may be a member of more than one committee due to the business expertise required by committee membership.
- Disclosures in accordance with the principle 4.6.5 are not made on an individual basis.
- In accordance with the principle 3, a model or mechanism has not been established for the participation of stakeholders in the management. Independent members of the Board of Directors make it possible to represent the Company and all stakeholders, as well as shareholders, in the management.

10. SUSTAINABILITY PRINCIPLES COMPLIANCE STATEMENT AND REPORT

Kordsa is listed in the BIST Sustainability Index, which aims 100% compliance with the Sustainability Principles Compliance Framework, prepared in line with the amendment of October 2, 2020 made in the Corporate Governance Communiqué of the Capital Markets Board. Kordsa has achieved a great deal of harmony as a result of the studies carried out in this field within Sabancı Holding and Group companies in the past years. In addition, Kordsa plans to continue its efforts to improve the compliance with these mandatory principles in 2022, taking into account the interests of all stakeholders, especially shareholders.

Since it was the first year of implementation, full compliance with all principles could not be achieved, but there was no principle that should be considered as fully incompatible. This situation proves the efficiency of Kordsa's sustainability-oriented approach in environmental, social and management fields. In 2023, Kordsa will continue to work to ensure 100% compliance with the aforementioned principles across the entire Sabancı Group.

The Sustainability Principles Compliance Reporting performed within the framework of the Capital Markets Board's (CMB) Corporate Governance Communiqué No. II-17.1 amended pursuant to the amendment of October 2, 2020 in the Corporate Governance Communiqué of the Capital Markets Board No. II-17.1 and within the framework of the Capital Markets Board's (CMB) Communiqué No. II-14.1 on Principles Regarding Financial Reporting in the Capital Markets and Sustainability Principles Compliance Reporting was adopted by the Company's decision dated February 23, 2023 and numbered 2023/4 to be implemented and announced. Accordingly, the 2022 Sustainability Principles Compliance Report was prepared on February 23, 2023 using the relevant template on the Central Securities Depository (MKG) Public Disclosure Platform (KAP).

The 2022 Sustainability Principles Compliance Report is shared with the shareholders and stakeholders at <https://www.kap.org.tr/en/Bildirim/1116534> and on the Company's website (www.kordsa.com).

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:

- 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,
- 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,
- I have relevant skills, knowledge and expertise in order to duly fulfill my duties as an independent board member,
- 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,
- I am residing in Turkey in accordance with the Income Tax Law No. 193 dated 31/12/1960,
- 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,
- I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,
- I have not served as a member of the Board of the Company for more than six years within last ten years,
- I am not registered in the name of any legal entity elected as a Board member,
- 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: Güngör KAYMAK

Date: 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:

- 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,
- 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,
- I have relevant skills, knowledge and expertise in order to duly fulfill my duties as an independent board member,
- 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,
- I am residing in Turkey in accordance with the Income Tax Law No. 193 dated 31/12/1960,
- 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,
- I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,
- I have not served as a member of the Board of the Company for more than six years within last ten years,
- I am not registered in the name of any legal entity elected as a Board member,
- 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: Şerife Ebru DOĞRUOL AYĞİL

Date: 08/02/2022

Auditor's Report On The Early Detection Of Risk System And Committee



To the General Assembly of Kordsa Teknik Tekstil Anonim Şirketi

We audited the early detection of risk 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 the Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors is responsible for the establishment of an expert committee and for the operation and improvement of the system in order to early detect risks that would endanger the existence, growth and continuity of the company and in order to implement relevant measures and solutions and to manage such risks.

Responsibility of the Auditor

We are responsible for issuing an opinion on the Early Detection of Risk System and Committee based on our audit. We conducted our audit in accordance with the TCC, the "Principles Regarding the Auditors' Report on Early Detection of Risk System and Committee" issued by the Public Oversight, Accounting and Auditing Standards Authority (POA) as well as with code of ethics. Accordingly, we are required to determine whether the Company has established the Early Detection of Risk System and Committee, and if so, to evaluate whether the system and the committee operate in accordance with Article 378 of the TCC. The audit of the Early Detection of Risk System and Committee does not include the assessment of whether the solutions and practices provided by the Early Detection of Risk Committee against risks are sufficient and sound.



Information on the Early Detection of Risk System and Committee

The aim of the Early Detection and Management of Risk Committee ("the Committee") is to carry out activities on the early detection of risks which would endanger the existence, growth and continuity of the Company, taking required measures against the detected risks and the management of risks in line with the risk projects performed at the corporate level. The Committee is composed of three members with one being the chairperson. In 2022 the Committee convened seven times on March 8, 2022, March 30, 2022, May 9, 2022, June 1, 2022, September 5, 2022, October 13, 2022, and December 1, 2022, and presented its reports to the Board of Directors.

Conclusion

Based on our audit, we concluded that the Early Detection of Risk System and Committee of Kordsa Teknik Tekstil Anonim Şirketi is, in all material respects, sufficient within the meaning of Article 378 of the TCC.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakkı Özgür Sivacı, Certified Public Accountant
Partner
February 23, 2023
Istanbul, Turkey

2022 Proposed Profit Distribution

With the Resolution of Board of Directors dated 24 February, 2023, no: 2023/6, According to our financial statements for the period of 01.01.2022-31.12.2022 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., **TL 1.598.977.149,00** consolidated profit has been obtained.

At the end of the negotiations, the approval of the profit distribution table for 2022 as attached, It has been resolved that; the net distributable profit of TL 1.289.197.611,00, 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 TL

2nd Dividend : 47.273.546,20 TL

Total Gross Dividend Distributed : 57.000.000,00 TL

General Reserves : 4.727.354,62 TL

Extraordinary Reserves : 1.227.470.256,38 TL

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

- **TL 57,000,000.00** of the gross profit which will be distributed to shareholders; is to be covered by the net distributable profit,
- **TL 28,960,590.32** 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 29.30% dividend, net 26.37% amounting to TL 57.000.000,00 to shareholders starting on March 29th, 2023 and to suggest this issue to 2021 Ordinary General Meeting Assembly which will be held on March 27th, 2023.

DIVIDEND RATES TABLE

	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND PER SHARE OF TRY 1 NOMINAL VALUE	
	CASH	SHARE	RATIO	AMOUNT	SHARE
GROSS	57.000.000,00	-	4,42135	0,29301532	29,3015
NET	51.300.000,00	-	3,97922	0,26371379	26,3714

* If distributed gross dividend amounting to 57,000,000,00 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)

February 24, 2023

Conclusion Section of the 2022 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 28 to the financial report. At its meeting held on 23 February 2023, 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 2022 through 31 December 2022, 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 2022 operating year have been addressed in the form of a report.

In this report prepared by Kordsa Board of Directors and dated 23 February 2023, 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 2022 Ordinary General Meeting of Shareholders to be Held on March 27th, 2023

1. Opening and Formulation of the Meeting Council,
2. Reading and discussion of the Board of Directors Annual Report concerning the year 2022,
3. Reading of Auditors' Reports concerning the year 2022,
4. Reading, discussion and approval of the financial statements concerning the year 2022,
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 2022, to the approval of General Assembly,
6. Informing the shareholders that no negative opinion has been given by the Capital Markets Board about the independent members,
7. Release of the members of the Board of Directors with the regard to the 2022 activities,
8. Determining the use of profit, amount of dividend and ratios for dividend shares concerning the year 2022
9. Determination of the salaries and benefits such as attendance fees, bonuses and premiums for the Board Members,
10. Selection of the auditor,
11. Informing the General Meeting about donations and contributions made in 2022 and approval of donations and contributions,
12. Determination of the donation limits for the year 2023,
13. 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,
14. Wishes and Expectations.

Meeting Date : March 27th, 2023 Monday

Time : 10:00

Location : Sabancı Center, Sadıka Ana 1 Conference Hall
34330 4. Levent, Beşiktaş - ISTANBULL

An aerial photograph of a scenic landscape. A paved road curves through a dense forest of tall evergreen trees, many of which have turned bright yellow and orange in autumn. To the left of the road is a calm lake reflecting the surrounding greenery. In the distance, another larger lake is visible, surrounded by more forest. A small red car is driving on the road in the lower right quadrant.

*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.*

Consolidated Financial Statements And Independent Auditor's Report

Independent Auditor's Report



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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 2022, the consolidated statements of profit or loss and 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 2022, 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.

Revenue recognition

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

The key audit matter

The Group's revenue is primarily generated from sales of industrial fabrics included in the structure of vehicle tires and industrial fabrics to the companies operating in tyre sector.

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

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

How the matter was addressed in our audit

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

- Evaluation of the effectiveness of key internal controls for accounting of revenue in the consolidated financial statements
- 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.

Independent Auditor's Report



Business combinations and 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 business combinations and goodwill impairment.

The key audit matter

In accordance with the final protocol regarding to share purchase agreements signed on August 5, 2022, Micro-tex took over 60% of the shares of Composites S.r.l. The Group applied acquisition accounting for this transaction in accordance with TFRS 3 "Business Combinations" in the accompanying consolidated financial statements. Purchase price allocation has been performed by an independent company in the scope of TFRS 3.

As a result of the acquisition, this topic has been determined as one of the focus areas of audit because of the complexity of the purchase price allocation, and management estimations used in business combinations accounting.

Additionally, non current assets of the Group mainly comprised of intangible assets and goodwill by the amount of TL 2.297.009.070 as at 31 December 2022.

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 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 has been used, such as future sales volumes and prices, operating expenses, final appreciation rates, and weighted average cost of capital ("WACC").

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

How the matter was addressed in our audit

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

- Evaluation of the appropriateness of the estimates and assumptions used in the purchase price allocation by discussing with the independent valuation company representatives and the management of the Group as well as by the assistance of our valuation experts
 - Controlling the mathematical appropriateness of the calculations used in the purchase price allocation.
 - Reconciling fair values of the acquired identifiable assets and liabilities to the financial statements of the related companies as at 5 August 2022.
 - 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
- Evaluation of the disclosures in accordance with the disclosure requirements of TFRS 3
- Evaluation of the discounted cash flow calculation model and controlling its mathematical calculation,
 - Controlling management analyzes regarding the sensitivity of the assumptions used to 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 ve sensitivities.



Other Matter

As explained in Note 2.1 to the consolidated financial statements, USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira, as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2022 and 31 December 2021 for the consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2022 and 2021 for the consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows, and the do not form part of these consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report



•Conclude on the appropriateness of management's use of the going concern basis of account ingand, 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 agoing concern.

•Evaluate the overall presentation, structure and content of the consolidated financial statements,including the disclosures, and whether the consolidated financial statements represent the underlyingtransactions 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

1)Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks ispresented to the Board of Directors of the Company on 23 February 2023.

2)Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to ourattention that causes us to believe that for the period between 1 January 2022 and 31 December 2022,the Company's bookkeeping activities and consolidated financial statements are not in compliancewith 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 thenecessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakkı Özgür Sivacı, SMMM

Partner

23 February 2023

Istanbul, Turkey

Index

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	3
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7-91
NOTE 1 ORGANISATION AND OPERATIONS OF THE GROUP	7-8
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	9-41
NOTE 3 BUSINESS COMBINATION	42
NOTE 4 SEGMENT REPORTING	43-45
NOTE 5 CASH AND CASH EQUIVALENTS	45
NOTE 6 FINANCIAL INVESTMENTS	46
NOTE 7 BORROWINGS	46-48
NOTE 8 TRADE RECEIVABLES AND TRADE PAYABLES	48-49
NOTE 9 OTHER RECEIVABLES AND OTHER PAYABLES	50
NOTE 10 INVENTORIES	50-51
NOTE 11 PREPAID EXPENSES AND DEFERRED INCOME	51
NOTE 12 PROPERTY, PLANT, AND EQUIPMENT	52-53
NOTE 13 INTANGIBLE ASSETS	54-55
NOTE 14 RIGHT OF USE ASSETS	56
NOTE 15 INVESTMENT PROPERTY	57
NOTE 16 GOODWILL	57
NOTE 17 COMMITMENTS, CONTINGENT ASSETS, AND LIABILITIES	58-59
NOTE 18 EMPLOYEE BENEFITS	60-62
NOTE 19 OTHER ASSETS AND LIABILITIES	62-63
NOTE 20 EQUITY	63-66
NOTE 21 SALES AND COST OF SALES	66
NOTE 22 EXPENSES BY NATURE	66-67
NOTE 23 OTHER OPERATING INCOME AND EXPENSES	67
NOTE 24 INCOME AND EXPENSES FROM INVESTING ACTIVITIES	68
NOTE 25 FINANCIAL INCOME AND EXPENSES	68
NOTE 26 TAXATION ON INCOME	68-72
NOTE 27 EARNINGS PER SHARE	72
NOTE 28 RELATED PARTY DISCLOSURES	73-74
NOTE 29 INTERESTS IN OTHER ENTITIES	75-76
NOTE 30 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS	76-88
NOTE 31 FINANCIAL INSTRUMENTS	89-90
NOTE 32 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	91
NOTE 33 EVENTS AFTER THE REPORTING PERIOD	91

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statement of Financial Position as at 31 December 2022

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

	Notes	31 December 2022 USD (*)	31 December 2021 USD (*)	Audited 31 December 2022	Audited 31 December 2021
Assets					
Current assets					
Cash and Cash Equivalents	5	42.743.364	14.615.147	799.228.246	194.805.294
Financial Investments		3.112.929	13	58.206.477	171
Trade Receivables	8	206.413.403	192.524.993	3.859.579.739	2.566.165.635
<i>Due from Related Parties</i>	28	13.414.900	11.848.744	250.835.834	157.931.907
<i>Due from Third Parties</i>		192.998.503	180.676.249	3.608.743.905	2.408.233.728
Other Receivables	9	13.072.131	13.691.307	244.426.631	182.491.436
<i>Due from third parties</i>		13.072.131	13.691.307	244.426.631	182.491.436
Derivatives	31	23.578	-	440.876	-
Inventories	10	293.998.491	224.231.394	5.497.271.981	2.988.780.250
Prepayments	11	10.882.183	7.551.557	203.478.322	100.654.705
<i>Prepayments to third parties</i>		10.882.183	7.551.557	203.478.322	100.654.705
Current Tax Assets	26	5.968.925	-	111.608.753	-
Other Current Assets	19	19.859.032	11.132.860	371.330.131	148.389.891
<i>Other Current Assets from Third Parties</i>		19.859.032	11.132.860	371.330.131	148.389.891
Subtotal		596.074.036	463.747.272	11.145.571.156	6.181.287.382
Assets Held for Sale	32	-	310.754	-	4.142.037
Total Current Assets		596.074.036	464.058.025	11.145.571.156	6.185.429.419
Non-Current Assets					
Financial Investments	6	65.636	65.650	1.227.282	875.043
Other Receivables	9	3.389.423	3.028.478	63.376.444	40.366.579
<i>Due from Third Parties</i>		3.389.423	3.028.478	63.376.444	40.366.579
Derivative Instruments	31	1.399.298	-	26.164.494	-
Investment Properties	15	22.804.527	23.985.281	426.405.882	319.699.817
Property, Plant, and Equipment	12	311.983.744	283.986.587	5.833.565.634	3.785.257.215
Right of Use Assets	14	26.815.980	17.480.692	501.413.236	233.000.146
Intangible Assets		257.354.805	231.958.072	4.812.097.358	3.091.769.137
<i>Goodwill</i>	16	134.508.928	123.002.909	2.515.088.288	1.639.505.779
<i>Other Intangible Assets</i>	13	122.845.877	108.955.162	2.297.009.070	1.452.263.358
Prepayments	11	2.971.556	466.960	55.563.044	6.224.109
<i>Prepayments to Third Parties</i>		2.971.556	466.960	55.563.044	6.224.109
Deferred Tax Assets	26	26.316.721	15.072.683	492.077.938	200.903.794
Other Non-Current Assets	19	11.324.217	11.033.417	211.743.612	147.064.409
Total non-current assets		664.425.906	587.077.819	12.423.634.924	7.825.160.249
Total assets		1.260.499.943	1.051.135.844	23.569.206.080	14.010.589.668

(*) USD amounts presented above have been translated from Turkish Lira (TL) for convenience purposes only, at the official buying bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2022, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statement of Financial Position as at 31 December 2022

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

	Notes	31 December 2022 USD (*)	31 December 2021 USD (*)	Audited 31 December 2022	Audited 31 December 2021
Liabilities					
Short term liabilities					
Short term borrowings	7	189.198.661	164.139.877	3.544.069.320	2.187.820.419
Short term portion of long-term borrowings	7	67.278.098	54.350.994	1.260.253.327	724.444.403
Short-term lease liabilities	7	2.831.616	1.283.841	53.041.833	17.112.312
Trade payables	8	158.632.785	144.600.806	2.971.509.321	1.927.384.146
<i>Due to related parties</i>	28	3.893.958	2.683.555	72.941.629	35.769.109
<i>Due to third parties</i>		154.738.826	141.917.251	2.898.567.692	1.891.615.037
Payables related to employee benefits	18	1.996.328	1.563.986	37.395.221	20.846.373
Other payables	9	4.355.868	4.763.091	81.594.124	63.487.242
<i>Due to third parties</i>		4.355.868	4.763.091	81.594.124	63.487.242
Deferred revenue		894.378	1.410.308	16.753.488	18.797.992
<i>Deferred revenue from third parties</i>	11	894.378	1.410.308	16.753.488	18.797.992
Current Tax Liabilities		4.480.109	1.388.308	83.921.401	18.504.653
Short term provisions		10.924.856	12.118.539	204.644.406	161.528.003
<i>Short-term employee benefits</i>	18	8.859.991	9.432.195	165.965.351	125.721.726
<i>Other Short term provisions</i>		2.064.865	2.686.344	38.679.055	35.806.277
Other short-term liabilities	19	12.339.893	11.064.093	231.150.884	147.473.289
Derivative financial instruments	31	287.976	16.614.995	5.394.369	221.461.266
Subtotal		453.220.569	413.298.829	8.489.727.694	5.508.860.098
Liability directly associated with the assets held for sale	32	741.543	310.754	13.890.583	4.142.037
Total short-term liabilities		453.962.112	413.609.583	8.503.618.277	5.513.002.135
Long term liabilities					
Long term borrowings	7	165.252.866	94.998.642	3.095.516.682	1.266.236.904
Long-term lease liabilities	7	26.249.266	17.894.085	491.701.254	238.510.264
Other payables	9	2.282.602	478.174	42.757.696	6.373.587
<i>Due to third parties</i>		2.282.602	478.174	42.757.696	6.373.587
Deferred income		1.053.407	-	-	-
Long term provisions		18.190.783	12.411.095	340.749.738	165.427.483
<i>Long-term employee benefits</i>	18	18.163.271	11.540.010	340.234.400	153.816.787
<i>Other long-term provisions</i>		27.511	871.085	515.338	11.610.696
Deferred tax liabilities	26	26.503.274	25.317.908	496.459.330	337.462.399
Other long-term liabilities	19	28.186.461	-	527.988.794	337.462.399
Derivative financial instruments	31	1.300.794	-	24.366.477	-
Total long-term liabilities		269.019.453	151.099.905	5.039.272.399	2.014.010.637
Total liabilities		722.981.565	564.709.488	13.542.890.676	7.527.012.772
Shareholder's equity					
Equity attributable to owners of the Company					
Share capital	20	10.384.854	14.594.424	194.529.076	194.529.076
Share premium	20	3.312.666	4.655.477	62.052.856	62.052.856
Put option valuation fund on non-controlling interest		(28.175.800)	-	(527.789.084)	-
Other comprehensive income or expenses that will not be reclassified to profit or loss	20	(1.006.505)	2.593.781	(18.853.844)	34.572.510
<i>Revaluation and remeasurement gain/(loss)</i>		(3.143.334)	(409.227)	(58.880.941)	(5.454.587)
<i>Defined benefit plans remeasurement fund</i>		(3.143.334)	(409.227)	(58.880.941)	(5.454.587)
<i>Revaluation and reclassification gain/(loss)</i>		2.136.830	3.003.008	40.027.097	40.027.097
<i>Other revaluation and reclassification gain/(loss)</i>		2.136.830	3.003.008	40.027.097	40.027.097
Other comprehensive income or expenses that will be reclassified to profit or loss	20	263.792.396	188.531.320	5.121.164.667	2.897.296.363
<i>Currency translation difference</i>	20	314.634.711	259.992.269	6.073.542.907	3.849.799.350
<i>Gain/loss on hedge reserve</i>		(50.827.893)	(71.440.681)	(952.108.089)	(952.232.836)
<i>Investment hedging losses related to foreign operations</i>		(50.936.122)	(71.583.422)	(954.135.431)	(954.135.431)
<i>Cash flow hedge gains/loss</i>		108.229	142.741	2.027.342	1.902.595
<i>Revaluation and reclassification gain/(loss)</i>	20	(14.422)	(20.268)	(270.151)	(270.151)
<i>Other revaluation and reclassification gain/(loss)</i>	20	(14.422)	(20.268)	(270.151)	(270.151)
Restricted reserves		21.825.423	12.894.170	408.833.825	171.866.392
Retained earnings		79.474.900	83.812.017	1.488.723.818	1.117.130.373
Profit for the period	20	80.689.834	86.497.358	1.289.197.611	768.560.878
Total non-controlling interests		107.220.611	92.847.809	2.008.456.479	1.237.568.448
Total equity		537.518.378	485.901.036	10.026.315.404	6.483.576.896
Total equity and liabilities		1.260.499.943	1.051.135.844	23.569.206.080	14.010.589.668

(*) USD amounts presented above have been translated from Turkish Lira (TL) for convenience purposes only, at the official selling bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2022, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statement of Profit or Loss for the Year Ended 31 December 2022

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

Profit or loss	Notes	1 January-31 December 2022 USD (*)	1 January-31 December 2021 USD (*)	Audited 1 January-31 December 2022	Audited 1 January-31 December 2021
Revenue	21	1.154.128.627	888.095.386	18.439.743.907	7.891.054.563
Cost of sales	21	(943.874.483)	(693.171.903)	(15.080.471.396)	(6.159.087.633)
GROSS PROFIT		210.254.144	194.923.483	3.359.272.511	1.731.966.930
General and administrative expenses	22	(53.301.308)	(45.621.861)	(851.605.657)	(405.367.033)
Selling, marketing and distribution expenses	22	(56.195.830)	(47.063.176)	(897.852.011)	(418.173.650)
Research and development expenses	22	(4.303.087)	(4.599.495)	(68.751.281)	(40.868.206)
Other income from operating activities	23	27.805.319	62.056.316	444.251.150	551.393.225
Other expenses from operating activities	23	(20.983.248)	(10.420.925)	(335.253.545)	(92.593.754)
Operating profit		103.275.991	149.274.343	1.650.061.167	1.326.357.512
Income from investing activities	24	1.638.661	1.084.559	26.181.218	9.636.704
Expense from investing activities	24	(1.338.212)	(676.936)	(21.380.884)	(6.014.827)
Operating profit before finance cost		103.576.440	149.681.966	1.654.861.501	1.329.979.389
Finance income	25	35.405.946	17.843.292	565.687.874	158.544.223
Finance expense	25	(38.903.702)	(61.276.710)	(621.572.226)	(544.466.138)
Profit before tax from continuing operations		100.078.684	106.248.548	1.598.977.149	944.057.474
Tax (expense)/benefit from continuing operations		(5.471.149)	(9.048.339)	(87.413.637)	(80.397.822)
Current tax expense	26	(14.593.160)	(12.486.303)	(233.157.836)	(110.945.399)
Deferred tax expense	26	9.122.011	3.437.964	145.744.199	30.547.577
Profit for the year from continuing operations		94.607.535	97.200.209	1.511.563.512	863.659.652
Net profit/(loss) for the year from discontinued operations	32	(151.209)	(893.828)	(2.415.900)	(7.941.990)
Profit for the year		94.456.326	96.306.381	1.509.147.612	855.717.662
Profit/(Loss) Attributable to:					
- Non-Controlling Interests		13.766.442	9.809.023	219.950.001	87.156.784
- Owners of the Company		80.689.884	86.497.358	1.289.197.611	768.560.878
Earnings (Loss) per share; (thousand of shares TL))	27				
Earnings/(losses) per share from continuing operations		4,15	3,06	66,34	39,72
Earnings/ (losses) per share from discontinuing operations		(0,004)	(0,02)	(0,063)	(0,21)
Earnings / (losses) per diluted shares from operations		4,15	3,04	66,27	39,51

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the monthly average exchange rates for the related year and therefore do not form part of these consolidated financial statements (Note 2.1)

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statement of Other Comprehensive Income for the Year Ended 31 December 2022

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

	Notes	1 January-31 December 2022 USD (*)	1 January-31 December 2021 USD (*)	Audited 1 January-31 December 2022	Audited 1 January-31 December 2021
Profit for the year		94.456.326	96.306.381	1.509.147.612	855.717.662
Other comprehensive income					
Items that will not be reclassified to profit or loss		(3.364.286)	(132.577)	(53.751.868)	(1.177.996)
Defined benefit plans remeasurement fund	26	(4.207.057)	(165.940)	(67.216.995)	(1.474.434)
Deferred tax expense		842.771	33.362	13.465.127	296.438
Items that are or may be reclassified subsequently to profit or loss		169.540.590	277.139.649	2.708.783.908	2.462.487.843
Foreign currency translation differences, before tax		169.532.782	331.890.412	2.708.659.161	2.948.968.534
Income/(loss) from the derivative financial assets related to net investment hedge in a foreign operation, before tax		-	(69.399.442)	-	(616.639.600)
Deferred tax (expense)/benefit		-	13.879.888	-	123.327.920
Cash flow hedges, before tax		9.760	985.657	155.933	8.757.929
Deferred tax (expense) benefit	26	(1.952)	(216.867)	(31.186)	(1.926.940)
Total other comprehensive income		166.176.304	277.007.072	2.655.032.040	2.461.309.847
Total comprehensive income		260.632.630	373.313.453	4.164.179.652	3.317.027.509
Total comprehensive income attributable to:					
Owners of the company		216.536.036	302.151.421	3.459.639.561	2.684.726.649
Non-controlling interests		44.096.593	71.162.032	704.540.091	632.300.860

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the monthly average exchange rates for the related year and therefore do not form part of these consolidated financial statements (Note 2.1)

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

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

	Share capital	Share premium	Put option valuation fund on non-controlling interest	Other comprehensive income or expenses that will not be reclassified to profit or loss		Other comprehensive income or expenses that will be reclassified to profit or loss		
				Revaluation and reclassification gain/(loss)		Currency translation differences	Gain/(loss) on hedge reserve	Revaluation and reclassification gain/(loss)
				Defined benefit plans remeasurement fund	Other revaluation and reclassification gain/(loss)		Cash flow hedge gains / (losses)	Other revaluation and reclassification gain/(loss)
Balance on 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)
Transfer	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(479.067)	-	2.403.125.527	(486.480.691)	-
Gains/(losses) due to other changes (***)	-	-	32.956.277	-	-	-	-	-
Dividend paid (*) (**)	-	-	-	-	-	-	-	-
Balance on 31 December 2021	194.529.076	62.052.856	-	(5.454.587)	40.027.097	3.849.799.350	(952.232.836)	(270.151)
Balance on 1 January 2022	194.529.076	62.052.856	-	(5.454.587)	40.027.097	3.849.799.350	(952.232.836)	(270.151)
Transfer	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(53.426.354)	-	2.223.743.557	124.747	-
Increase / (decrease) due to other changes (***)	-	-	(527.789.084)	-	-	-	-	-
Subsidiary acquisition (****)	-	-	-	-	-	-	-	-
Dividend paid (**)	-	-	-	-	-	-	-	-
Balance on 31 December 2022	194.529.076	62.052.856	(527.789.084)	(58.880.941)	40.027.097	6.073.542.907	(952.108.089)	(270.151)

(*) In accordance with the Ordinary General Assembly Meeting for 2020 of the Group held on 24 March 2021, the net distributable profit for the period amounting to TL 152.970.598,00 calculated from the consolidated profit for the year 2020 after deducting legal liabilities and non-controlling interests in accordance with the CMB Legislation, in accordance with the 35th article of the articles of association and in accordance with the CMB communique, was not distributed to further increase the financial flexibility of the company within the framework of the current global economic conditions and it was decided to be recognized as Extraordinary Reserve.

(**) At the 2021 Ordinary General Assembly Meeting held on March 22, 2022, the shareholders representing a capital of TL 194,529,076 for 2021 will receive a gross of 82.25%, depending on their legal status; It has been decided to pay dividends at a net rate of 74.02%, totaling TL 160,000,000.00 (gross 0.8225 TL/Krş per share, net 0.7402 TL/Krş) and to distribute the dividends in cash as of April 4, 2022.

(***) The increase (decrease) due to other changes consists of the share purchase effect of the non-controlling shares of the Group's subsidiary Axiom Materials Acquisition LLC and the call/put option valuation fund on non-controlling interest of the Group's subsidiary Microtex Composites S.r.l (Microtex) (Note 19).

(****) Kordsa Inc., a subsidiary of our company, has completed the acquisition of 60% of Microtex Composites S.r.l, a company operating in Italy which mainly supply carbon fiber fabrics and prepreps to the super luxury automotive sector and motorsports in Europe.

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

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

	Retained earnings					
	Restricted reserves	Retained earnings	Net profit for the year	Equity attributable to owners of the Company	Total non-controlling interests	Total equity
Balance on 1 January 2021	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	-	-	768.560.878	2.684.726.649	632.300.860	3.317.027.509
Gains/(losses) due to other changes (***)	-	(52.799.480)	-	(19.843.203)	-	(19.843.203)
Dividend paid (*) (**)	-	-	-	-	(91.729.777)	(91.729.777)
Balance on 31 December 2021	171.866.392	1.117.130.373	768.560.878	5.246.008.448	1.237.568.448	6.483.576.896
Balance on 1 January 2022	171.866.392	1.117.130.373	768.560.878	5.246.008.448	1.237.568.448	6.483.576.896
Transfer	236.967.433	531.593.445	(768.560.878)	-	-	-
Total comprehensive income	-	-	1.289.197.611	3.459.639.561	704.540.091	4.164.179.652
Increase / (decrease) due to other changes (***)	-	-	-	(527.789.084)	-	(527.789.084)
Subsidiary acquisition (****)	-	-	-	-	188.793.810	188.793.810
Dividend paid (**)	-	(160.000.000)	-	(160.000.000)	(122.445.870)	(282.445.870)
Balance on 31 December 2022	408.833.825	1.488.723.818	1.289.197.611	8.017.858.925	2.008.456.479	10.026.315.404

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Audited Consolidated Statement of Cash Flow for the Year Ended 31December 2022

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

	1 January- 31 Notes December 2022 USD (*)	1 January-31 December 2021 USD (*)	Audited 1 January- 31 December 2022	Audited 1 January- 31 December 2021
A.CASH FLOWS FROM (USED IN) / OPERATING ACTIVITIES	58.904.468	54.670.936	941.128.468	485.771.396
Profit for the period	38.234.896	39.391.956	610.886.573	350.012.038
Profit/(loss) for the period from continuing operations	800.068	1.739.421	12.782.846	15.455.397
Profit/(loss) from discontinuing operations	(591.458)	992.930	(9.449.845)	8.822.547
Adjustments to reconcile profit/(loss) for the period	1.391.526	583.831	22.232.691	5.187.552
Adjustments related to depreciation and amortization	12, 13, 14	-	162.660	-
Adjustments related to provisions for (reversal) of impairment		2.478.632	10.716.265	39.601.601
Adjustments related to provision for (reversal) of doubtful receivables	8	18.022.646	15.185.090	287.951.425
Adjustments related to provision for (reversal) of inventory allowances	10	(1.479.577)	(702.450)	(23.639.494)
Adjustments for impairment loss of property, plant and equipment		18.638.611	14.971.976	297.792.810
Adjustments related to provisions		(955.731)	(929.112)	(15.269.909)
Adjustments related to interest (income)/expense		1.819.344	1.844.676	29.068.018
Adjustments related to interest income	24	456.757	115.678.537	7.297.703
Adjustments related to interest expense	25	(17.698.212)	(1.936.261)	(282.767.869)
Adjustments related to unrealized finance expenses on credit purchases	8	2.108.186	1.731.715	33.682.916
Adjustments related to unrealized finance income on credit sales	8	1.629.930	24.649.225	26.041.719
Adjustments related to unrealized currency translation difference		1.180.759	(144.242)	18.865.224
Foreign exchange (gain) or loss(net)	25	449.171	24.793.467	7.176.495
Other finance (income)/expense(net)	25	5.471.149	9.048.339	87.413.637
Adjustments related to fair value changes		111.285	439.070	1.778.025
Adjustments related to fair value losses /(gains) of investment properties	15	111.285	439.070	1.778.025
Adjustments related to fair value losses /(gains) of derivatives	25	(112.916)	353.021	(1.804.089)
Adjustments related to tax (benefit)/expense	26	7.176.495		
Adjustments related to losses /(gains) on disposal of non-current assets		87.413.637		
Adjustments related to gains on disposal of tangible assets		1.778.025		
Other		1.778.025		
Changes in working capital	(87.054.279)	(258.631.804)	(1.390.883.631)	(2.298.038.828)
(Increase)/decrease in trade receivables	(2.999.094)	(169.441.830)	(47.917.117)	(1.505.553.062)
(Increase)/decrease in other receivables	(5.029.039)	(19.135.405)	(80.349.967)	(170.025.123)
(Increase)/decrease in inventories	(63.321.848)	(201.617.240)	(1.011.705.828)	(1.791.443.430)
(Increase) in prepaid expenses	(5.319.769)	(5.991.177)	(84.995.017)	(53.233.815)
Increase/(decrease) in trade payables	12.481.220	143.060.136	199.414.945	1.271.141.990
Increase(decrease) in retirement pay and employee benefit obligation	(485.646)	7.305.240	(7.759.266)	64.909.748
Increase/(decrease) in other payables	3.734.286	2.684.562	59.663.436	23.853.319
Decrease in deferred income	536.805	324.922	8.576.633	2.887.051
Other increase/(decrease) in working capital	(8.380.118)	(8.985.213)	(133.890.820)	(79.836.927)
Decrease/(increase) in other assets from operating activities	(9.639.442)	(20.332.122)	(154.011.292)	(180.658.391)
Increase/(decrease) in other liabilities from operating activities	1.259.324	11.346.909	20.120.472	100.821.464
Payments related to the provision of employee benefits	18	(1.391.126)	(1.404.426)	(22.226.300)
Income tax returns/(payments)	(17.470.287)	(9.886.871)	(279.126.265)	(87.848.489)
Net cash flows related from discontinued operations	590.337	4.455.499	9.431.935	39.588.753
B. CASH FLOWS FROM INVESTING ACTIVITIES	(87.964.974)	(30.871.584)	(1.405.433.989)	(274.305.390)
Proceeds from sales of property, plant and equipment	452.566	2.854.004	7.230.740	25.358.874
Acquisition of sales of property, plant and equipment and intangible assets	12,13	(55.612.545)	(28.519.776)	(888.532.754)
Securities Purchase	(3.643.096)	-	(58.206.477)	-
Acquisition of subsidiary and/or associates or cash outflow for capital increase of subsidiaries	(30.641.476)	(5.908.261)	(489.564.992)	(52.497.077)
Interest received	24	1.479.577	702.450	23.639.494
C. CASH FLOWS FROM FINANCING ACTIVITIES	58.765.486	(63.005.089)	938.907.923	(559.823.418)
Proceeds from borrowings	7	562.429.859	253.808.822	8.986.054.342
Cash inflows /(outflows) from borrowing transactions	7	(452.092.451)	(290.713.752)	(7.223.171.508)
Cash outflows for financial lease liabilities	7	(1.062.237)	(2.175.009)	(16.971.579)
Dividend paid	20	(10.014.270)	-	(160.000.000)
Interest paid	(16.546.961)	13.601.461	(264.374.111)	120.853.994
Cash outflows from derivatives (net)	(16.284.665)	-	(260.183.351)	-
Cash outflow for dividends paid to non-controlling interest and other financial instruments	(7.663.788)	(10.323.689)	(122.445.870)	(91.729.777)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C) AZALIŞ (A+B+C)	29.704.980	(39.205.737)	474.602.403	(348.357.412)
D. IMPACT OF THE CURRENCY TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENT	-	10.497.024	129.820.550	93.269.921
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	21.924.279	50.632.993	194.805.294
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	51.629.259	21.924.279	799.228.246

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the monthly average exchange rates for the related year and therefore do not form part of these consolidated financial statements (Note 2.1)

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31December 2022

(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.

These consolidated financial statements include the Company and its subsidiaries (hereinafter collectively referred to as the "Group").

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

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

Kordsa is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded in Borsa İstanbul ("BIST") since 1986. As of 31 December 2022, 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 2022	31 December 2021
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 Sabancı Holding A.Ş.

The number of employees within the Group is 5.092. (31 December 2021: 4.844).

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 2022

[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 2022 and 31 December 2021 in accordance with the operating country and segment reporting purpose are as follows:

31 December 2022

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 in the civil aviation sector
Textile Products Inc.	United States of America	North America	Advanced composite manufacture in the civil aviation sector
Advanced Honeycomb Technologies Corporation	United States of America	North America	Advanced composite manufacture in the civil aviation sector
Axiom Materials Acquisition LLC	United States of America	North America	Advanced composite manufacture in the civil aviation sector
Microtex Composites S.r.l (***)	Italy	Europe	Carbon fiber weaving and prepreg production for the luxury automotive industry and motorsports
Kordsa Brasil S.A.	Brazil	South America	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Tbk (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Polyester (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
Thai Indo Kordsa Co., Ltd.	Thailand	Asia	Cord fabric manufacture and trade

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 in the civil aviation sector
Textile Products. Inc.	United States of America	North America	Advanced composite manufacture in the civil aviation sector
Advanced Honeycomb Technologies Corporation	United States of America	North America	Advanced composite manufacture in the civil aviation sector
Axiom Materials Acquisition LLC	United States of America	North America	Advanced composite manufacture in the civil aviation sector
Kordsa Brezilya S.A.	Brazil	South America	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Tbk (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Polyester (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
Thai Indo Kordsa Co., Ltd.	Thailand	Asia	Cord fabric manufacture and trade

(*) The Company's shares are traded on the 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, Nile Kordsa Company for Industrial Fabrics S.A.E. %51 of rates, has been classified as "Assets Held for sale" in the consolidated statement of financial position as of 31 December 2015.

(***) Kordsa Inc., a subsidiary of the Group and a resident of the USA, owns 60% of Microtex company operating in Italy, which provides carbon fiber weaving and prepreg mainly to the luxury automotive industry and motorsports in Europe completed the purchase.

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

The consolidated financial statements are presented in accordance with the TFRS Taxonomy Announcement and Financial Statements Example and User Guide published by CMB on 15 April 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 23 February 2023, and have been signed by the General Manager İbrahim Özgür Yıldırım and Chief Finance Officer Volkan Özkan on behalf of the Board of Directors. General Assembly and related regulatory authorities have the right to make changes to these consolidated financial statements.

Functional and Presentation Currency

Since the Group's operating income/expenses and financial assets/payables consist of US Dollar (USD) based items, the conditions for transition to USD-based reporting in functional currency have been fulfilled and USD-based reporting will be effective as of 1 January 2022. It has been decided that the change in functional currency will not have any effect on the financial statements of previous periods.

Conversion to presentation currency

The presentation currency of the Group is TL. Financial statements prepared in USD within the scope of TAS 21 ("Effects of Currency Changes") have been translated into TL using the following method:

- Assets in the balance sheet are translated into TL using the USD buy exchange rate announced by the Central Bank of the Republic of Turkey and the liabilities are converted into TL using the foreign exchange selling rate. The capital account of the company is shown over the nominal capital amount, all other equity items are kept at their historical TL values and all differences are accounted for in the foreign currency translation differences account.
- The profit or loss and other comprehensive income statement are translated into TL using the monthly average exchange rates.
- All the resulting exchange differences are presented as a separate component of equity under the name of translation differences.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.1 Basis of Presentation (continued)

Adjustment of Financial Statements in High Inflation Periods

In the announcement dated January 20, 2022, made by the Public Oversight Authority, it was stated that there is no need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies in the financial statements of the companies applying TFRS for the year ended 31 December 2021. Since the Public Oversight Authority has not made a new announcement regarding the application of inflation accounting, no inflation adjustment has been made in accordance with TAS 29 while preparing the financial statements as of December 31, 2022. Since the functional currency of the Group is USD, the application of inflation accounting will not have an impact on the Group's financial statements.

Basis of Consolidation

The table below sets out all Subsidiaries and shows their shareholding rates as at 31 December 2022:

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.	60,00	60,00
Microtex Composites S.r.l.	97,31	97,31
PT Indo Kordsa Tbk	61,58	61,58
PT Indo Kordsa Polyester	99,97	61,56
Thai Indo Kordsa Co., Ltd.	64,19	39,53

The table below sets out all Subsidiaries and shows their shareholding rates as at 31 December 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., a 100% subsidiary of our company, purchased the 4,14% minority shares of Axiom Materials Acquisition LLC, 95,86% already owned by our company, for 6.533.413 (six million five hundred thirty three thousand four hundred thirteen) US Dollars. With this transaction, Kordsa Inc has become the sole partner of Axiom Materials Acquisition LLC with its 100% shareholding.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.1 Basis of Presentation (continued)

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

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

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 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 is attributed to the owners of the Company and the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and 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 the owners of the Company.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.1 Basis of Presentation (continued)

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.

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 2022.

2.3 Changes in Accounting Estimates and Errors

Changes in the accounting estimates should be accounted for 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 2022

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

TFRS 17 Insurance Contracts

On 16 February 2019, POA issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values - instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2023 but companies can apply it earlier.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

TFRS 17 Insurance Contracts (continued)

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

Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts

TFRS 4 has also been amended by POA within the amendments issued by IASB in order to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations:

- i. when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or
- ii. an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2023. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Group's does not expect that application of these amendments to TFRS 4 will have significant impact on its consolidated financial statements.

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

The amendments regarding the "Classification of Liabilities as Short or Long Term" published by the IASB on January 23, 2020, in order to make the presentation in the statement of financial position for the short-term or long-term classification of liabilities according to IAS 1 more explanatory, and by the POA on March 12, 2020. It was published with the title of "Amendments Made in TAS 1 - Classification of Liabilities as Short or Long Term".

This amendment clarifies the additional explanations regarding the long-term classification of liabilities that the entity can postpone for at least twelve months, and other matters related to the classification of liabilities.

After reconsidering certain aspects of the 2020 changes; The IASB has removed the requirement that a right be unconditional and instead requires that the right to defer settlement has substance and exists at the end of the reporting period. The relevant amendment was published by the POA on 3 January 2023 as "TFRS 2023".

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2024 with earlier application permitted. It also specifies the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments.

The Group does not expect that application of these amendments to TAS 1 will have significant impact on its 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 2022

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

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 does not expect that application of these amendments to Amendments to TAS 12 will have significant impact on its consolidated financial statements.

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.

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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

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 them earlier.

The application of the amendments to IAS 1 Presentation of Financial Statements is not expected to have a material impact on the Group's consolidated financial statements.

Lease liability in sales and leaseback - Amendments to TFRS 16 Leases

In September 2022, IASB issued Lease Liability in a Sale and Leaseback, which amends IFRS 16 Leases. Related amendment was published by POA as "TFRS 2023" on 3 January 2023. Amendments to TFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Under TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of TFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of TFRS 16 in 2019, and potentially restate those that included variable lease payments.

The Group does not expect that application of these amendments to Amendments to TFRS 16 Leases will have significant impact on its 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 2022

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

Amendments are effective on 1 January 2022

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022:

- 1- Annual Improvements to TFRS Standards 2018–2020 -Amendment to TFRS 1 First-time Adoption of International Financial Reporting Standards, TFRS 9 Financial Instruments, TAS 41 Agriculture
 - 2- Reference to the Conceptual Framework – Amendments to TFRS 3 Business Combinations
 - 3- Property, Plant and Equipment – Proceeds before Intended Use: Amendments to TAS 16 Property, Plant and Equipment
 - 4- Onerous Contracts – Cost of Fulfilling a Contract: Amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets
- These newly adopted amendments to standards have not been a significant impact on the consolidated financial statements of the Group.

2.5 Summary of Significant Accounting Policies

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

a) Revenue

The general model for accounting of revenue

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

Step 1: Identify the contract

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

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

Step 2: Identify the performance obligations

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

a) a good or service (or a bundle of goods or services) that is distinct; or

b) a 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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

a) Revenue (continued)

Step 3: Determine the transaction price

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

Significant financing component

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. A 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.

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 criteria 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 is transferred to the customer.

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

a) Revenue (continued)

Contract modifications

The Group recognizes a contract modification 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 are, 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.

b) Inventories

Inventories are valued based on the lower of acquisition cost or net realizable value. The cost of inventories includes all acquisition costs, conversion costs, and other costs incurred in bringing the inventories to their current state and location. The unit cost of inventories is determined on the moving weighted average basis (Note 10). The 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 the 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 12). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economically useful lives of such assets, are as follows:

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

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

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

d) Intangible assets

Intangible assets include rights, software and other identifiable rights. Intangible assets are recognized at acquisition cost and amortisation is calculated using the straight-line method over a period (Note 13). The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The fair value of intangible assets, which includes customer relationships and brand names 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.

Söz konusu varlıkların tahmin edilen faydalı ömürleri aşağıda belirtilmiştir.

	Useful Lives
Customer relationship	14-30
Other intangible assets	5-20

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.

After 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 the 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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments

i) Recognition and measurement

Trade receivables and debt securities are initially recognized when they 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 subsequently 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 sell 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 that can be made on the basis of each investment.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

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 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 assesses 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 of whether contractual cash flows are solely payments of principal and interest

The 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 time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

In assessing whether the contractual cash flows are sole 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 sole 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 meet the sole payments of principal and interest criteria. It is managed in accordance with the business model based on a collection of these receivables.

ii) Classification and subsequent measurement (continued)

Financial assets- Subsequent measurement and gains and losses

The accounting policies below are applicable for the following measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. For derivatives defined as hedging instruments, see section (v) below.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost and at FVTPL. If a financial liability meets the definition of held for trading, it is classified as FVTPL. A financial liability is classified as a financial liability held for trading if it is a derivative instrument or if it is defined in this way at the time of first registration. Financial liabilities, whose fair value is reflected in profit or loss, are measured at their fair value and net gains and losses, including interest income, are recognized in profit or loss. Following their initial recording, other financial liabilities are measured by deducting impairments over the amortized cost values of future principal and interest cash flows at effective interest rates. Interest expenses and exchange differences are recognized in profit or loss. Gains and losses arising from the derecognition of these liabilities are recognized in profit or loss. For derivatives defined as hedging instruments, see section (v) below.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group continues to recognize the financial asset in the statement of financial position if it retains substantially all the risks and benefits arising from the ownership of a financial asset.

Financial liability

The Group derecognises a financial liability from the statement of financial position only and only when the liability for the related liability is eliminated or cancelled. 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 derecognising 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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

v) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge foreign currency. Embedded derivative instruments are separated from the main contract and recognized separately when the underlying contract is not a financial asset and meets certain criteria.

Derivatives are initially recognized at fair value. After the initial recognition of derivative instruments, changes in fair value are recognized in profit or loss or other comprehensive income.

The Group defines certain derivatives as hedging instruments 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 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 the hedging instrument.

The change in the fair value of (forward value) forward foreign exchange contracts is recognized as a hedging reserve in equity as a hedging cost.

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 if a hedged transaction results in a non-financial asset or liability which is subsequently recognized in the financial statements.

For all other hedge transactions, the hedging reserve and the hedging cost are classified as profit or loss in the period or periods when the estimated future cash flows of the hedged item are affected by profit or loss.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

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.

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 the 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.

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 losses are discounted over the effective interest rate of the financial asset.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets (continued)

i. Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

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:

- the 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 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.

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 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 time to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale. All other borrowing costs are classified on the income statement in the period.

Since the Group has no borrowing costs related to qualifying assets, all borrowing costs are classified on the income statement in the period.

h) Business combinations

The acquisition of subsidiaries and businesses is 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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

h) Business combinations (continued)

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

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

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

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

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

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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

h) Business combinations (continued)

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 before the acquisition date that has 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.

i) Goodwill

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

For impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are 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 an 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 purchases or sales. These kinds of income / (charges) are accepted as financial income and expenses which result from credit purchases or sales come true during the accounting period and are included in the other operating income and expenses 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, an outflow of resources will probably be required to settle the obligation, and a reliable estimate of the amount can be made.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities and not included in financial statements (Note 17).

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except for inventories, deferred tax assets 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 to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives such as goodwill are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher 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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

m) Leases transactions

The Group – as a lessee

At the 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 certain period 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

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 a 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. If 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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

m) Leases transactions

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 a 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. If 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 is not paid at the commencement date:

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

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

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

l) Leases transactions (continued)

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:

- There is a change in the lease term. The Group determine the revised lease payments on the basis of the revised lease term, or
- 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:

- 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.
- 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:

- The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets, and
- 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.

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 low-value assets which have equal to or less than 12 months of 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 leaseings of the Group as lessor are operational leaseings. For operational leaseings, leased assets are classified under investment properties in the consolidated statement of financial position and rental income is accounted for in the consolidated profit or loss in equal amounts for the leasing period. Rental income is accounted for 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 had one or more extra leasing qualities along with a leasing item through applying the TFRS 15 "Revenue arising from agreements made with customers" standard.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

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 the '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 18).

o) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached 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.

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 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 20).

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

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 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 20).

r) Taxes on income

Taxes on income for the period comprise 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's 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 how 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 in 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 there will probably 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 are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

r) Taxes on income (continued)

Group companies, while recording all deferred tax assets, make their assessment according to whether there is a sufficient amount of taxable profit in the future or not for 3 years taking 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 fulfil its obligations tax consequences are taken into account.

Deferred tax assets and liabilities are net off when there is a legal right to set off current tax assets and current tax liabilities 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 expenses 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.

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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

s) Effect of changes in foreign exchange rates

Foreign Currency Transactions and Balances

The effects of currency changes on the Group's consolidated financial statements are explained under the heading 2.1 Change in Functional Currency in Note 2, Basis of Presentation. In the conversion of the consolidated financial statements to TL for presentation purposes, the assets in the balance sheet are translated into TL using the USD buying rate and the liabilities are converted into TL using the FX selling rate. The capital account of the company is shown over the nominal capital amount, all other equity items are kept at their historical TL values and all differences are accounted for in the foreign currency translation differences account.

Exchange differences are recognized in profit or loss in the period in which they occur, except as follows:

- Exchange differences related to assets under construction for future use and included in the cost of such assets, treated as an adjustment to interest costs on foreign currency denominated liabilities,
- Exchange differences arising from transactions carried out to provide financial hedging against foreign currency risks (accounting policies for financial hedging are explained below),
- Exchange differences arising from monetary debts and receivables from foreign operations that form part of the net investment in foreign operations, recognized in translation reserves and attributed to profit or loss on the sale of the net investment.

Financial Statements of Foreign Subsidiaries

To present 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").

- An individual or a close family member is considered a related party of the reporting entity when the following criteria are met: If a certain individual,
 - Has control or joint control over the reporting entity,
 - Has significant influence over the reporting entity,
 - Is a key management personnel of the reporting entity or a parent company of the reporting entity.
- An entity is considered a related party of the reporting entity when the following criteria are met:
 - If the entity and the reporting entity are within the same group. (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others).
 - 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).
 - If both of the entities are a joint venture of a third party.
 - If one of the entities is a joint venture of a third party while the other entity is a subsidiary of this third party.
 - If an 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 plans, sponsor employers are also considered related parties.
 - If the entity is controlled or jointly controlled by an individual defined in article (a).
 - If an individual defined in clause (i) of the article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity).

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

t) Related parties (continued)

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration. For 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 the board of directors, the president (CEO) and vice presidents, and the general managers of the subsidiaries (Note 28).

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 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 27).

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 the 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 the 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 shares to the public (Note 20).

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. After initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.5 Summary of Significant Accounting Policies (continued)

z) Investment property (continued)

Transfers are made when there is a change in the use of investment properties. When the use of a property change 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 an 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 use change (Note 15).

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 an 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 4).

Gelecek dönemlerde oluşacak nakit akımlarını (sonsuz) tahmin edebilmek için sabit büyüme oranı olarak, ülke ekonomisinin tahmini ortalama büyüme oranını geçmeyen %3.0 kullanılmıştır.

ab) Discontinued operations and liabilities directly associated with the assets held for sale

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

ac) Events after reporting period

The Group corrects the amounts received in the consolidated financial statements in accordance with this new situation in the case of events that need to be corrected after the reporting date. Those matters that do not require adjustment after the reporting date are disclosed in the notes to the financial statements in the event those matters affect the financial decisions of users of the financial statements.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.6 Critical accounting estimates and assumptions

Preparation of the consolidated financial statements in accordance with Turkish Financial Reporting Standards necessitates the usage of estimations and assumptions that can affect amounts of reported assets and liabilities as of reporting date, the explanation for the contingent assets and liabilities and income and expenses reported during the accounting period. Although these estimations and assumptions are based on the best judgement of the Group management related to the current conditions and transactions, actual results may differ from these estimations. Estimations are revised regularly 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 units have 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 ten years.

To predict the future cash flows (infinite), a terminal growth rate of 3.0%, not exceeding the estimated average growth rate of the country's economy is used.

To calculate the recoverable amount of the unit, the weighted average cost of capital rate is used as the after-tax discount rate between 9.2% and 12.4%.

As at 31 December 2022, 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 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 the best estimates of management, are reviewed in each financial period and necessary corrections are made.

d) Provisions

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

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

2.6 Critical accounting estimates and assumptions (continued)

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 all or a portion of the deferred tax assets will probably 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, the Group believes that taxable profit will not be available sufficiently 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 sufficiently to recognize deferred tax assets. According to Brazilian tax legislation, there is no time limit for carrying forward operating losses. However, the maximum deductible balance is limited to 30% of total taxable income for the related year. If future results of operations exceed the Group's current expectations, the existing unrecognized deferred tax assets may be recognized, resulting in future tax benefits.

f) Internally-generated intangible assets

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

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 3 - BUSINESS COMBINATIONS

3.1 Microtex Composites S.r.l. purchase

Microtex's shares representing 60% were purchased by the Group from Microtex Composites S.r.l.(Microtex) on 5 August 2022 amounted by TL 489.564.992.

In accordance with the TFRS 3 Business Combinations ("TFRS 3") standard, the fair value calculations of the identifiable assets and liabilities required for accounting and the allocation of the purchase price to tangible and intangible assets ("The study of allocating the purchase cost") were completed by the independent valuation firm, Marcum LLP. as of 31 December 2022, the fair values of the related party's identifiable assets, liabilities, and contingent liabilities are reflected in the consolidated financial statements following the TFRS standards (Note 16)

Purchase price and recognized assets and liabilities at the date of purchase (TL):

Identifiable assets and liabilities purchased	Fair Value as of August 5, 2022
Cash and cash equivalents	12.762.258
Trade receivables	217.202.678
Inventories	140.565.997
Other long-term assets	47.472.070
Property, plant and equipment (Note 12)	61.633.826
Other intangible assets(Note 13)	326.534.472
Right-of-use assets (Note 14)	73.553.856
Trade payables	(50.916.107)
Borrowings	(245.156.326)
Lease liabilities	(73.553.856)
Other short-term liabilities	(38.114.344)
The fair value of total identifiable net assets (100%)	471.984.524
Net assets acquired (corresponding to 60% of the purchased)	283.190.714
Goodwill	206.374.277
Total Purchase Price	489.564.992

The Group has the option to buy/sell the remaining 40% of Microtex's shares from non-controlling shares, according to the shareholder agreement regarding the purchase of shares. The stock call/put option will expire on August 5, 2027. The mentioned share buy/sell option is recorded under other long-term liabilities at EBITDA value (31 December 2022: TL 527.789.084) in the consolidated financial statements of the Group and is shown separately under equity attributable to owners of the Company.

Goodwill has formed the basis of Microtex's positioning in the European market as a strong company that offers high-quality composite and prepreg production in the luxury automotive industry and this company will add value to the Group's growth targets in the European composites industry.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 4 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External revenue	1 January- 31 December 2022	1 January- 31 December 2021
Europe, Middle East and Africa	6.329.635.523	2.675.683.476
North America	5.308.971.587	2.094.654.533
South America	1.982.887.669	937.086.357
Asia	4.818.249.128	2.183.630.197
	18.439.743.907	7.891.054.563

b) Segment assets	31 December 2022	31 December 2021
Europe, Middle East and Africa	7.003.503.930	3.220.669.958
Asia	5.452.679.542	3.889.855.795
South America	1.431.159.274	965.937.786
North America	10.138.717.623	5.856.678.803
Segment assets (*)	24.026.060.369	13.933.142.341
Unallocated assets	1.017.897.683	461.682.300
Less: Intersegment elimination	(1.474.751.972)	(384.234.973)
Total assets per consolidated financial statements	23.569.206.080	14.010.589.668

c) Segment liabilities	31 December 2022	31 December 2021
Europe, Middle East and Africa	7.268.551.351	3.466.190.314
North America	4.683.230.452	2.527.992.873
South America	443.283.457	291.971.809
Asia	1.088.850.338	955.429.500
Segment liabilities (**)	13.483.915.598	7.241.584.496
Unallocated liabilities	1.139.014.401	632.946.450
Less: Intersegment elimination	(1.080.039.323)	(347.518.174)
Total liabilities per consolidated financial statements	13.542.890.676	7.527.012.772

(*) Segment assets mainly comprised assets regarding operations. Deferred tax assets, time deposits and financial investments have not been associated with segments.

(**) Segment liabilities mainly comprised liabilities regarding operations. Income tax liabilities, other financial liabilities and loans and borrowings have not been associated with segments.

d) Segment analysis for the period 1 January - 31 December 2022/

	Europe, Middle East and Africa(**)	North America	South America	Asia	Elimination (*)	Total
External revenue	6.329.635.523	5.308.971.587	1.982.887.669	4.818.249.128	-	18.439.743.907
Intersegment revenue	443.485.267	2.014.440.089	624.702	426.596.309	(2.885.146.366)	-
Revenue	6.773.120.790	7.323.411.677	1.983.512.370	5.244.845.437	(2.885.146.366)	18.439.743.907
Segment operating expenses	(6.139.344.659)	(7.188.169.936)	(1.846.520.035)	(4.569.089.398)	2.953.441.286	(16.789.682.740)
Segment operating results	633.776.131	135.241.741	136.992.336	675.756.039	68.294.920	1.650.061.167
Operating profit	633.776.131	135.241.741	136.992.336	675.756.039	68.294.920	1.650.061.167

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 4 - SEGMENT REPORTING (CONTINUED)

e) 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

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

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

f) Capital expenditure

	1 January - 31 December 2022	1 January - 31 December 2021
Europe, Middle East and Africa	424.379.094	113.150.485
North America	306.485.230	81.419.294
South America	22.188.674	7.929.089
Asia	135.479.756	50.909.847
	888.532.754	253.408.715

g) Depreciation and amortization expense

	1 January - 31 December 2022	1 January - 31 December 2021
Europe, Middle East and Africa	103.928.925	70.833.540
North America	300.008.498	155.739.524
South America	31.761.203	17.762.589
Asia	175.187.947	105.676.385
	610.886.573	350.012.038

h) Provision/(reversal) for doubtful receivables

	1 January - 31 December 2022	1 January - 31 December 2021
South America	513.519	34.138
Europe, Middle East and Africa	60.938	4.516.290
North America	(10.024.302)	4.272.119
	(9.449.845)	8.822.547

i) Provision/ (reversal) for inventory obsolescence

	1 January - 31 December 2022	1 January - 31 December 2021
Europe, Middle East and Africa	7.173.592	4.429.015
North America	15.402.247	2.587.033
South America	(1.073.815)	(6.423.680)
Asia	730.667	4.595.184
	22.232.691	5.187.552

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 4 - SEGMENT REPORTING (CONTINUED)

The segment reporting based on industry groups of reportable segments is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
a) External revenue		
Industrial Yarn and Cord Fabric	15.396.331.917	6.787.247.023
Advanced Composite Materials	2.086.792.100	773.582.758
Other	956.619.890	330.801.782
	18.439.743.907	7.891.054.563
b) Capital expenditures		
Industrial Yarn and Cord Fabric	631.166.035	154.100.666
Advanced Composite Materials	111.090.017	53.715.426
Other	146.276.702	45.592.623
	888.532.754	253.408.715

NOTE 5 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2022 and 2021 are as follows

	31 December 2022	31 December 2021
Cash	6.085.972	113.307
Bank-demand deposits	395.715.321	88.054.505
Bank-time deposits	119.970.447	106.637.482
Other(*)	277.456.506	-
	799.228.246	194.805.294

Time deposits have less than 3 months of maturity. The average annual interest rate for time deposits is 0,01% for Euro (31 December 2021: 0,1%). The Average annual interest rate for time deposits is 0,05% for US Dollars (31 December 2021: 0,05%) and the annual interest rate of time deposits in TL is 13.50% (31 December 2021: 22.5%).

The Group's related party balance related to cash and cash equivalents are disclosed in Note 28.

There are no restricted cash and cash equivalents of the Group as at 31 December 2022 and 2021.

Foreign currency, interest rate and sensitivity risks for the financial assets and liabilities of the Group are presented under Note 30.

(*) Other cash and cash equivalents consist of short-term free liquid funds that the Company bought from Ak Portföy Yönetimi A.Ş. The interest rate of the related fund is 27%.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 6 - FINANCIAL INVESTMENTS

	31 December 2022	31 December 2021
Common Stocks	1.227.282	875.043
	1.227.282	875.043

Detail of the common stocks are as follows:

	31 December 2022		31 December 2021	
	Percentage of shareholding %	Amount	Percentage of shareholding %	Amount
Investimentos Lei 8200	<0,01	-	<0,01	184.730
Desenbanco	<0,01	277.178	<0,01	16.905
Investivos Fiscais Finor	<0,01	-	<0,01	15.087
Cetrel	<0,01	25.364	-	-
Other	-	924.740	-	658.321
		1.227.282		875.043

NOTE 7 - BORROWINGS

	31 December 2022	31 December 2021
Short-term borrowings	3.544.069.320	2.187.820.419
Short-term portion of long term borrowings	1.260.253.327	724.444.403
Lease liabilities	53.041.833	17.112.312
Total short-term financial borrowings	4.857.364.480	2.929.377.134
Long-term borrowings	3.095.516.682	1.266.236.904
Lease liabilities	491.701.254	238.510.264
Total long-term financial borrowings	3.587.217.936	1.504.747.168
Total borrowings	8.444.582.416	4.434.124.302

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 7 - BORROWINGS (CONTINUED)

The details of long and short term borrowings as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term borrowings				
TL borrowings	14,84	471.262.278	16,13	549.499.662
USD borrowings	5,28	1.583.948.316	1,72	633.408.380
EUR borrowings	4,44	1.396.608.500	1,06	995.837.781
Other borrowings(*)	3,34	92.250.226	6,5	9.074.596
		3.544.069.320		2.187.820.419
Short-term portion of long-term borrowings				
USD borrowings	3,86	1.248.383.733	3,39	705.802.773
Other borrowings(*)	6,25	11.869.594	7,15	18.641.630
		1.260.253.327		724.444.403
Total short-term borrowings		4.804.322.647		2.912.264.822
Long term borrowings				
USD Borrowing	4,05	2.910.216.888	3,39	1.235.979.821
Euro Borrowing	3,60	155.621.558	-	-
Other Borrowing (*)	8,40	29.678.236	7,15	30.257.083
Total long-term borrowings		3.095.516.682		1.266.236.904

(*) Consists of Indonesian Rupiah(IDR), Thai Baht(THB) and Brazilian Real(BRL) currency loans.

The fair value of the loans used by the Group is equal to their book value.

As of 31 December 2022 and 31 December 2021, the redemption schedules of borrowings are summarized below:

	31 December 2022	31 December 2021
1 to 2 years	1.357.027.879	750.624.419
2 to 3 years	773.781.812	480.769.758
3 to 4 years	643.137.994	17.353.910
4 to 5 years	321.568.997	17.488.817
	3.095.516.682	1.266.236.904

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 7 - BORROWINGS (CONTINUED)

As of 31 December 2022 and 31 December 2021, the redemption schedules of leasing are summarized below:

	31 December 2022	31 December 2021
1 to 2 years	74.217.899	23.373.413
2 to 3 years	97.019.694	19.969.905
3 to 4 years	23.899.196	19.212.173
4 to 5 years	25.443.807	17.610.256
Over 5 years	271.120.658	158.344.517
	491.701.254	238.510.264

The financial covenant that the Group is obliged to fulfil within the scope of the loan agreements in USD is met.

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

	2022	2021
1 January	4.434.124.302	2.979.259.584
Proceed from borrowings	8.986.054.342	2.255.184.854
Repayment of borrowings	(7.223.171.508)	(2.583.098.747)
Interest expense recognized in the statement of profit or loss (Note 25)	297.792.810	133.031.524
Interest accrual	(264.374.111)	(120.853.994)
TFRS 16 additions (Note 14)	113.532.759	66.210.319
Lease liability repayments	(16.971.579)	(19.325.754)
Currency translation differences	2.117.595.401	1.723.716.516
31 December	8.444.582.416	4.434.124.302

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES

	31 December 2022	31 December 2021
Trade receivables		
Trade receivables	3.607.172.196	2.421.306.949
Cheques received	47.071.100	22.849.755
Due from related parties (Note 28)	250.835.834	157.931.907
	3.905.079.130	2.602.088.611
Less: Provision for doubtful receivables	(16.431.373)	(19.532.353)
Less: Unearned credit finance income	(29.068.018)	(16.390.623)
	3.859.579.739	2.566.165.635

As at 31 December 2022, the annual interest rates used for the discount of trade receivables and payables are 13.54%, 7.93% and 6.93% for TL, USD and Euro, respectively (2021: 23.61%, 5.75%, and 3.51%). As at 31 December 2022, the average maturity of trade receivables is 71 days and the average maturity of trade payables is 63 days (31 December 2021: 72 days, 58 days respectively).

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES (CONTINUED)

As of 31 December 2022, trade receivables amounting to TL 451.411.438 (31 December 2021: TL 178.952.187) were past due but not impaired. The aging of these receivables as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Up to 1 month	287.577.382	90.733.095
1 to 3 months	109.809.406	31.813.553
3 to 12 months	48.828.323	56.405.539
1 to 5 years	5.196.327	-
	451.411.438	178.952.187

As of 31 December 2022, trade receivables amounting to TL 16.431.373 (2021: 19.532.353 TL) are past due and provided for, as of 31 December 2022 and 31 December 2021, the aging schedule of the related receivables is as follows:

	31 December 2022	31 December 2021
Up to 1 month	939.263	-
1 to 3 months	996.710	-
3 to 12 months	6.522.707	-
1 to 5 years	7.972.693	19.532.353
	16.431.373	19.532.353

Movement schedules of provision for doubtful receivables for the years ended 2022 and 2021 are as follows:

	1 January-31 December 2022	1 January-31 December 2021
Balance on 1 January	19.532.353	5.423.414
Additions	922.215	8.822.547
Reversals	(10.372.060)	-
Currency translation differences	6.348.865	5.286.392
Balance on 31 December	16.431.373	19.532.353

	31 December 2022	31 December 2021
Trade payables		
Trade payables	2.913.837.601	1.899.870.539
Due to related parties (Note 28)	72.941.629	35.769.109
	2.986.779.230	1.935.639.648
Less: Unrealised credit finance expense on purchases	(15.269.909)	(8.255.502)
	2.971.509.321	1.927.384.146

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 9 - OTHER RECEIVABLES AND OTHER PAYABLES

	31 December 2022	31 December 2021
Other short-term receivables		
Taxes and other duties (*)	94.406.061	91.917.487
Other	150.020.570	90.573.949
	244.426.631	182.491.436

	31 December 2022	31 December 2021
Other long-term receivables		
Litigation guarantee receivables (**)	61.044.877	38.785.778
Other	2.331.567	1.580.801
	63.376.444	40.366.579

(*) Prepaid taxes and other withholding taxes mainly comprise VAT receivables of Kordsa Brazil arising from production incentives related to state regulations.

(**) Litigation guarantee receivables comprise guarantees given to courts by Kordsa Brazil.

	31 December 2022	31 December 2021
Other short-term payables		
Taxes and duties payable	69.777.473	63.487.242
Other	11.816.651	-
	81.594.124	63.487.242

	31 December 2022	31 December 2021
Other long-term payables		
Taxes and duties payable (***)	42.757.696	6.373.587
	42.757.696	6.373.587

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

NOTE 10 - INVENTORIES

	31 December 2022	31 December 2021
Finished Goods	2.109.464.542	975.096.958
Raw materials and suppliers	2.305.202.178	1.458.531.806
Semi-finished goods	202.550.585	262.713.647
Spare parts	206.372.217	117.592.102
Intermediate goods	687.239.826	134.711.314
Other inventories	103.018.881	104.414.189
	5.613.848.229	3.053.060.016
Less: Provision for obsolescence	(116.576.248)	(64.279.766)
	5.497.271.981	2.988.780.250

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 10 - INVENTORIES (CONTINUED)

The allocation of the impairment of inventories for the years ended 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Finished goods	23.301.091	19.379.222
Spare parts	53.124.649	33.388.599
Semi-finished and intermediate goods	4.185.205	2.038.172
Other inventories	28.728.413	9.326.767
Raw materials and suppliers	7.236.890	147.006
Balance on 31 December	116.576.248	64.279.766

Movement schedules for impairment of inventories for the years ended 31 December 2022 and 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Balance on 1 January	64.279.766	36.303.991
Additions	29.091.742	6.269.659
Reversals	(6.859.051)	(1.082.107)
Currency translation differences	30.063.791	22.788.223
Balance on 31 December	116.576.248	64.279.766

The amount of provision for impairment of inventory charged to the cost of goods sold for the year 2022 is TL 22.232.691 (2021: TL 5.187.552).

NOTE 11 - PREPAYMENTS AND DEFERRED INCOME

Short-term prepaid expenses	31 December 2022	31 December 2021
Prepaid expenses	135.696.423	49.294.992
Advance expenses	63.241.082	47.357.207
Other prepaid expenses	4.540.817	4.002.506
	203.478.322	100.654.705

Long-term prepaid expenses	31 December 2022	31 December 2021
Advances given	42.872.540	4.843.384
Other prepaid expenses	12.690.504	1.380.725
	55.563.044	6.224.109

Deferred revenue	31 December 2022	31 December 2021
Deferred revenue (*)	16.753.488	18.797.992
	16.753.488	18.797.992

(*) Deferred revenue comprises advances received from customers.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended 31 December 2022 is as follows:

	1 January 2022	Additions	Disposals	Transfers	Acquisition of Subsidiary(**)	Currency translation differences	31 December 2022
Cost:							
Land and land improvements	171.833.973	12.363.202	-	-	-	68.900.981	253.098.156
Buildings	1.236.777.638	9.847.710	-	25.645.057	-	499.148.980	1.771.419.385
Machinery and equipment	6.446.687.486	138.651.998	(16.042.637)	111.189.877	102.452.300	2.684.610.391	9.467.549.415
Motor vehicles	6.435.329	254.286	(1.025.032)	-	-	2.539.993	8.204.576
Furniture and fixtures	218.707.451	1.959.286	(1.292.712)	10.899.860	6.323.637	96.873.349	333.470.871
Construction in progress	175.413.174	711.341.754	(6.479.240)	(187.444.550)	-	160.218.778	853.049.916
	8.255.855.051	874.418.236	(24.839.621)	(39.709.756)	108.775.937	3.512.292.472	12.686.792.319
Accumulated depreciation:							
Land improvements	36.590.096	1.536.536	-	-	-	15.070.734	53.197.366
Buildings	634.023.961	41.007.625	-	-	-	259.058.232	934.089.818
Machinery and equipment	3.626.704.011	385.724.906	(14.021.792)	-	45.136.769	1.550.113.222	5.593.657.116
Motor vehicles	2.568.773	296.810	(1.025.032)	-	-	973.732	2.814.283
Furniture and fixtures	170.710.995	21.539.222	(784.032)	-	2.005.342	75.996.575	269.468.102
	4.470.597.836	450.105.099	(15.830.856)	-	47.142.111	1.901.212.495	6.853.226.685
Net book value	3.785.257.215						5.833.565.634

(*) In the twelve months ended 31 December 2022, TL 39.709.756 has been transferred to other intangible assets.

(**) The net effect of TL 61.633.826 resulting from the acquisition of Microtex.

TL 470.985.529 (31 December 2021: 280.106.423 TL) of depreciation and amortization expenses related to tangible fixed assets, intangible assets and asset usage rights in the current period is to cost of goods sold, TL 3.156.819 (31 December 2021: 5.436.721 TL) to research and development expenses, 133.134.499 TL (31 December 2021: 64.468.894 TL) to general administrative expenses, - and 3.609.726 TL (31 December 2021: - TL) to marketing, sales and distribution expenses.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	117.423.876	1.082.335	-	41.500	-	53.286.262	171.833.973
Buildings	805.435.210	2.598.832	(1.590.784)	5.762.938	-	424.571.442	1.236.777.638
Machinery and equipment	4.044.504.360	55.442.262	(191.131.466)	160.591.214	(1.445.298)	2.378.726.414	6.446.687.486
Motor vehicles	3.932.952	-	(434.321)	323.781	-	2.612.917	6.435.329
Furniture and fixtures	146.616.048	972.601	(26.007.672)	14.157.771	-	82.968.703	218.707.451
Construction in progress	148.650.440	191.197.208	-	(206.975.825)	-	42.541.351	175.413.174
	5.266.562.886	251.293.238	(219.164.243)	(26.098.621)	(1.445.298)	2.984.707.090	8.255.855.051
Accumulated depreciation:							
Land improvements	24.962.988	2.891.258	-	-	-	8.735.850	36.590.096
Buildings	403.245.297	23.162.117	(1.187.288)	-	-	208.803.835	634.023.961
Machinery and equipment	2.252.913.112	216.123.236	(163.768.727)	-	-	1.321.436.390	3.626.704.011
Motor vehicles	1.935.761	653.844	(338.655)	76.676	-	241.147	2.568.773
Furniture and fixtures	111.515.748	15.565.551	(25.856.995)	-	-	69.486.691	170.710.995
	2.794.572.906	258.396.006	(191.151.665)	76.676	-	1.608.703.913	4.470.597.836
Net book value	2.471.989.980						3.785.257.215

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 13 - INTANGIBLE ASSETS

	1 January 2022	Additions	Disposals	Transfers	Acquisition of Subsidiary(**)	Currency translation differences	31 December 2022
Cost:							
Rights	44.028.408	1.526.617	-	-	14.002.292	19.452.536	79.009.853
Technology licences	195.617.354	-	(14.242.636)	-	32.483.613	77.416.982	291.275.313
Capitalized development costs	99.213.650	-	-	37.354.215	-	46.327.809	182.895.674
Computer software	48.078.389	12.587.901	(4.874.919)	582.180	-	20.510.163	76.883.714
Customer relationships	1.035.789.621	-	-	-	220.227.884	426.603.152	1.682.620.657
Trademarks	323.981.491	-	-	-	64.233.132	133.350.662	521.565.285
Other intangible assets	57.526.170	-	-	1.773.361	-	23.475.203	82.774.734
	1.804.235.083	14.114.518	(19.117.555)	39.709.756	330.946.921	747.136.507	2.917.025.230
Accumulated Depreciation							
Rights	18.827.438	4.777.161	-	-	4.412.448	10.805.969	38.823.016
Technology licences	79.117.316	25.156.322	(14.242.636)	-	-	33.237.389	123.268.391
Capitalized development costs	44.825.151	23.045.134	-	-	-	21.981.609	89.851.894
Computer software	53.175.928	4.585.086	(4.874.919)	-	-	23.385.084	76.271.179
Customer relationships	130.550.131	61.076.441	-	-	-	62.991.115	254.617.687
Trademarks	-	700.922	-	-	-	231.749	932.671
Other intangible assets	25.475.761	1.552.858	-	-	-	9.222.703	36.251.322
	351.971.725	120.893.924	(19.117.555)	-	4.412.448	161.855.618	620.016.160
Net book value	1.452.263.358						2.297.009.070

(*) Net TL 326.534.472 resulting from the acquisition of Microtex is shown as the effect.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 13 - INTANGIBLE ASSETS (CONTINUED)

	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						
Rights	16.014.867	2.812.571	-	-	-	18.827.438
Technology licences	43.105.110	13.432.315	(15.105.126)	-	37.685.017	79.117.316
Capitalized development costs	28.072.965	16.752.186	-	-	-	44.825.151
Computer software	55.198.396	4.065.594	(20.426.484)	-	14.338.422	53.175.928
Customer relationships	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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 14 - RIGHT OF USE ASSETS

	1 January 2022	Addition	Disposals	Transfers	Acquisition of Subsidiary(*)	Currency translation differences	31 December 2022
Cost							
Properties	270.654.717	74.391.144	-	(2.477.069)	73.553.856	127.213.038	543.335.686
Fixtures	459.062	-	-	(4.214.289)	-	3.891.986	136.759
Vehicles	16.110.793	30.213.277	(1.825.173)	(2.434.941)	-	16.327.113	58.391.069
Other	15.074.944	8.928.338	-	9.126.299	-	7.119.612	40.249.193
	302.299.516	113.532.759	(1.825.173)	-	73.553.856	154.551.749	642.112.707
Accumulated depreciation							
Properties	47.565.091	24.771.083	-	(1.810.305)	-	26.186.644	96.712.513
Fixtures	323.618	66.536	-	(533.806)	-	604.846	461.194
Vehicles	12.938.314	8.839.401	(1.825.173)	1.029.684	-	2.539.010	23.521.236
Other	8.472.347	6.210.530	-	1.314.427	-	4.007.224	20.004.528
	69.299.370	39.887.550	(1.825.173)	-	-	33.337.724	140.699.471
Net book value	233.000.146						501.413.236
	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	-	895.178	8.472.347		
	26.354.057	21.576.523	(1.580.369)	22.980.251	69.299.370		
Net book value	95.889.622				233.000.146		

(*) Net TL 73.553.856 resulting from the acquisition of Microtex is shown as the effect.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 15 - INVESTMENT PROPERTIES

	31 December 2022	31 December 2021
Balance on 1 January	319.699.817	175.005.149
Gain / (loss) from fair value adjustments (Note24) (*)	(18.865.224)	1.281.645
Currency translation differences	125.571.289	143.413.023
Balance on 31 December	426.405.882	319.699.817

(*) As of 31 December 2022 and 2021, the fair value of the Group's investment property in PT Indo Kordsa Company in the Asia Pacific Region has been revalued by independent experts who are not related to 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 value in use has been considered. In the current period, no different valuation methodology is performed. As of 31 December 2022, the fair value hierarchy level of investment properties measured by the revaluation method is 2.

NOTE 16 - GOODWILL

The goodwill by amount of USD 134.508.928 (2021: USD 123.002.910) as of 31 December 2022 consisted of USD 3.193.789 (2021: USD 3.193.789), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş on 30 September 1999, USD 226.961 (2021: USD 226.961), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006, respectively USD 9.656.000 (2021: USD 9.656.000) and USD 19.893.604 (2021: 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 (2021: 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 (2021: USD 88.764.556) which accrued in consequence of the acquisition of the Axiom Materials Acquisition ("Axiom") on 23 July 2019 and USD 11.506.020 (31 December 2021: None.) consists of Microtex acquisition.

As at 31 December, the movements in goodwill were as follows;

	31 December 2022	31 December 2021
Balance on 1 January	1.639.505.779	923.388.013
Acquisitions during the year (Note 3)	206.374.277	-
Microtex	206.374.277	-
Currency translation difference	669.208.232	716.117.766
Balance on 31 December	2.515.088.288	1.639.505.779

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 is TL 2.515.088.288 and TL 1.639.505.779 for the year ended as of 31 December 2022 and 2021 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 2021: +1%/-1%). As a result of the impairment test, it has been determined that there is no impairment in the cash-generating unit value.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 17 - 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 2022	31 December 2021
Pledges given to banks	430.111.866	598.989.671
Securities (*)	1.308.881.004	1.451.380.001
Letter of credits	458.554.055	129.824.530
Letter of guarantees	397.949.890	379.037.448
Commitments	1.073.780	648.983
	2.596.570.595	2.559.880.633

(*) Kordsa Teknik Tekstil A.Ş. has participated in Kordsa Inc.'s loans amounting to USD 7.777.778 (TL 145.431.226) as of 13 July 2018 and USD 62.222.222 (TL 1.163.449.778) as of 17 July 2019 as joint guarantor.

b) Guarantees received	31 December 2022	31 December 2021
Letter of guarantees	44.797.956	9.780.586
Cheques and notes received as collateral	331.350	31.350
	45.129.306	9.811.936

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

31 December 2022	TL Equivalent	TL	USD	EUR	Thai Baht	TL Equivalent
A. Total amount of GPMs given in the name of its legal entity	1.287.689.591	119.020.392	41.882.814	10.711.400	140.328.493	103.301.056
B. Total amount of GPMs given on behalf of subsidiaries consolidated in full	1.308.881.004	-	70.000.000	-	-	-
C. GPM given for the continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-	-
i. Total amount of GPM given on behalf of the majority 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 the scope of clause C	-	-	-	-	-	-
	2.596.570.595	119.020.392	111.882.814	10.711.400	140.328.493	103.301.056
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 the continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-	-
i. Total amount of GPM given on behalf of the majority 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 the scope of clause C	-	-	-	-	-	-
	2.559.880.633	42.732.408	167.812.186	18.511.135	1.827.200	378.911

(*) Group equity ratio to other GPM given by the Group is 0 % as of 31 December 2022 (31 December 2021: 0%).

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 18 - SHORT TERM PROVISIONS

Short-term provisions for employee benefits	31 December 2022	31 December 2021
Provision for unused vacation	65.461.747	40.432.271
Provision for bonus accrual	86.757.373	71.735.707
Provision for capital contribution plan (*)	13.746.231	13.553.748
	165.965.351	125.721.726

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

In addition to this benefit, another plan called 401(k) is applied to 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 employee's contribution.

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

	1 January- 31 December 2022	1 January- 31 December 2021
Balance on 1 January	40.432.271	15.953.189
Increase during the year	10.643.753	4.305.342
Decrease during the year	(3.820.331)	(1.538.239)
Currency translation differences	18.206.054	21.711.979
Balance on 31 December	65.461.747	40.432.271

Long-term provisions for employee benefits	31 December 2022	31 December 2021
Provision for employment termination benefits (*)	256.985.439	85.925.990
Accruals for employee retirement benefit plans (**)	83.248.961	67.890.797
	340.234.400	153.816.787

(*) 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 retires after completing 25 years of service and achieves the retirement (age 60 for men 58 for women).

Also, the 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 2022 the amount payable consists of one month's salary limited to a maximum of TL 15.371,40 (31 December 2021: TL 8.284,51) for each year of service.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 18 – SHORT TERM PROVISIONS (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:

	2022	2021
Discount rate (%)	0,5	3,91
The probability of retirement (%)	95,79	95,86

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 19,982.83 (1 January 2021: TL 10.848,59), 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 2022	1 January- 31 December 2021
Balance on 1 January	85.925.990	63.177.753
Increase during the year	50.064.398	26.050.784
Payment during the year	(7.753.139)	(3.302.547)
Actuarial (gain)/loss	66.130.475	-
Currency translation differences	62.617.715	-
Balance on 31 December	256.985.439	85.925.990

(**) Provision for employee 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 the 'projected unit credit method' are used to determine the present value of defined benefit obligations.

Provision for employee retirement benefit plans are to be calculated in accordance with the laws in the country the subsidiaries operate in and in proportion to the work hours of the employees. Work hours and salary provisions that 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

The provision of employee termination benefits is calculated by an independent firm by considering the variables such as employee age, 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 the consolidated profit or loss statement as income or expense with considering the expected working period of employees.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 18 – SHORT TERM PROVISIONS (CONTINUED)

The movement schedule of provision for employee retirement benefit plans is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Balance on 1 January	67.890.797	43.794.659
Addition during the year	1.119.750	(169.971)
Payment during the year	(10.652.830)	(7.638.058)
Actuarial (gain)/loss	1.086.520	1.474.434
Currency translation differences	23.804.724	30.429.733
Balance on 31 December	83.248.961	67.890.797

Employee benefit obligations	31 December 2022	31 December 2021
Wage accruals	7.382.099	12.038.926
Due to personnel	30.013.122	8.807.447
	37.395.221	20.846.373

Other Short Term Provision	31 December 2022	31 December 2021
Lawsuit provision	38.679.055	35.806.277
	38.679.055	35.806.277

NOTE 19 – OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2022	31 December 2021
Deferred VAT	191.590.679	30.683.250
Deductible VAT	110.294.899	77.202.491
Prepaid taxes and funds	51.944.906	40.504.150
Other	17.499.647	-
	371.330.131	148.389.891

Other non-current assets	31 December 2022	31 December 2021
Long-term spare parts	208.944.839	137.794.110
Long-term deposits	2.798.773	9.270.299
	211.743.612	147.064.409

Other current liabilities	31 December 2022	31 December 2021
Expense accruals	119.772.429	50.809.339
Sales discounts and commission accruals (*)	24.005.212	12.832.563
Other tax accruals (**)	12.085.886	13.402.514
Other	75.287.357	70.428.873
	231.150.884	147.473.289

(*) 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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 19 - OTHER ASSETS AND LIABILITIES (CONTINUED)

Other long-term liabilities	31 December 2022	31 December 2021
Other (*)	527.988.794	-
	527.988.794	-

(*) The Group has the option to buy/sell the remaining 40% of Microtex's shares from non-controlling shares, according to the shareholder agreement regarding the purchase of shares. The option to buy/sell shares will expire on August 05, 2027. The mentioned share buy/sell option is recorded under other long-term liabilities at EBITDA value (31 December 2022: 527.789.084 TL) in the consolidated financial statements of the Group and is shown separately under equity attributable to owners of the Company.

NOTE 20 - EQUITY

Paid-in share capital

The Group's authorized and issued capital consists of 19.452.907.600 shares at 1 share of Kr nominal value (2021: 19.452.907.600 shares). All shares are paid and there is no preferred stock. The Group's shareholders and their shares on 31 December 2022 and 2021 are as follows:

	2022	Ownership interest %	2021	Ownership interest %
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 consists of 50.000.000.000 shares each with a nominal value of Kr 1.

Revaluation and hedging reserves

	31 December 2022	31 December 2021
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	(952.108.089)	(952.232.836)
	(952.378.240)	(952.502.987)

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 the fair value of the hedging instruments that are recognised and accumulated under the hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 20 - EQUITY (CONTINUED)

Movements of Hedging Reserve:

	1 January-31 December 2022	1 January-31 December 2021
Balance on 1 January	(952.232.836)	(465.752.147)
Increases/decreases	155.933	(607.881.671)
Income tax related to gains /losses recognized in other comprehensive income	(31.186)	121.400.980
Balance on 31 December	(952.108.089)	(952.232.836)

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 the 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 an addition to sharing 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 the 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 differences arising in preparing the consolidated financial statements in accordance with TFRS are associated with prior years' profit/loss.

As at 31 December 2022 restricted reserves comprised legal reserves amounting to TL 408.833.825 (31 December 2021: TL 171.866.392).

The legal reserves consist of the first and the 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 over 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 users unless they exceed 50% of paid-in share capital.

Other comprehensive income that will not be reclassified to profit or loss

Revaluation gains on property, plant and equipment

The amount for property, plant and equipment that is not recognized in profit or loss is recognized as other comprehensive income. As at 31 December 2022, the gains arising from the fair value changes arising from the parcels and lands transferred from the lands of PT Indo Kordsa in the Asia Pacific Region to the investment properties.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 20 - EQUITY (CONTINUED)

Other comprehensive income that will not be reclassified to profit or loss (continued)

Revaluation gains on property, plant and equipment (continued)

For the years ended 31 December, the movement of revaluation gains on tangible assets was as follows;

	2022	2021
Balance at the beginning of the period	40.027.097	40.027.097
Balance on the closing of the period	40.027.097	40.027.097

Defined Benefit Plans Remeasurement Fund

As at 31 December 2022, TL 58.880.941 (31 December 2021: TL 5.454.587) consists of actuarial gain or loss of long-term employee benefits and retirement plan provision (Turkey, 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 consists of foreign currency difference arising from translating to reporting currency from the functional currency of financial statements of the Group's subsidiaries in the foreign country and exchange difference arising from net investment hedge. There is a currency translation difference amounting to TL 6.073.542.907 (31 December 2021: TL 3.849.799.350) 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 communique 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 are shown in retaining earnings as net-off except for 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 2022, the Group has a net profit of TL 1.509.147.612 (2021: TL 855.717.662).

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 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 2022

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

NOTE 20 - EQUITY (CONTINUED)

Non-controlling Interest (continued)

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

	2022	2021
Balance at the beginning of the period	1.237.568.448	696.997.365
The portion of total comprehensive income attributed to non-controlling interest	704.540.091	632.300.860
Acquisition of subsidiary	188.793.810	-
Dividend paid to non-controlling interest	(122.445.870)	(91.729.777)
Closing at the beginning of the period	2.008.456.479	1.237.568.448

NOTE 21 - REVENUE AND COST OF SALES

	1 January- 31 December 2022	1 Ocak- 31 December 2021
Sales income (gross)	18.749.858.467	8.019.706.304
Sales returns (-)	(60.200.799)	(20.408.722)
Sales discounts (-)	(52.574.783)	(30.022.999)
Other sales discounts (-)	(197.338.978)	(78.220.020)
Sales income (net)	18.439.743.907	7.891.054.563
Cost of sales (-)	(15.080.471.396)	(6.159.087.633)
Gross Profit	3.359.272.511	1.731.966.930

NOTE 22 - EXPENSES BY NATURE

	1 January- 31 December 2022	1 January- 31 December 2021
Raw material and supply expenses	11.203.572.521	4.142.544.057
Personnel expenses	1.828.430.903	1.045.849.959
Energy expenses	1.232.344.709	597.690.237
Distribution expenses	625.282.833	289.236.230
Depreciation and amortization expenses	610.886.573	350.012.038
Packaging expenses	286.560.716	153.722.487
Consultancy expenses	176.170.379	90.336.215
Maintenance expenses	31.948.110	8.802.099
Idle mill expenses	30.988.603	9.285.928
Rent expenses	1.927.944	6.843.224
Other	870.567.054	329.174.047
	16.898.680.345	7.023.496.521

General administrative expenses amounting to TL 851.605.657 (31 December 2021: TL 405.367.033), marketing expenses amounting to TL 897.852.011 (31 December 2021: TL 418.173.650), research and development expenses amounting to TL 68.751.281 (31 December 2021: TL 40.868.206) are shown in expenses according to their qualifications.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 22 - EXPENSES BY NATURE (CONTINUED)

Fees for Services Obtained from Independent Auditors/Independent Audit Firms

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

	2022(*)	2021(*)
Independent audit fee for the reporting period	13.156.319	5.174.239
Fee for tax consultancy services	3.842.658	-
Fee for other assurance services	3.339.247	62.198
	20.338.224	5.236.437

(*) 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.

NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 Ocak- 31 December 2022	1 Ocak- 31 December 2021
Finance income on trade receivables	210.499.899	74.494.461
Domestic production incentive income (*)	145.519.172	65.738.356
Income from lawsuit (**)	24.735.141	92.725.859
Export incentive income	19.864.285	3.747.069
Income from insurance claims	4.572.975	-
Foreign exchange gain/loss on trade receivables/payables - net	-	237.115.476
Rent income	-	1.379.729
Other	39.059.678	76.192.275
	444.251.150	551.393.225

(*) 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 2022	1 January- 31 December 2021
Foreign exchange gain/loss on trade receivables/payables - net	119.622.447	-
Finance expenses on credit purchases	78.369.288	26.976.610
Donations	42.376.895	742.569
Provision for litigation	36.571.314	16.796.711
Taxes and duties	20.305.217	10.672.017
Expenses of the customer damages	2.124.277	1.062.942
Other	35.884.107	36.342.905
	335.253.545	92.593.754

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Interest income from investing activities	1 January- 31 December 2022	1 January- 31 December 2021
Interest income	23.639.494	6.241.528
Interest income from the fair value of investment properties (Note 15)	-	1.281.645
Gain on sale of property, plant and equipment	737.635	2.113.531
Other	1.804.089	-
	26.181.218	9.636.704

Losses from investing activities	1 January- 31 December 2022	1 January- 31 December 2021
Loss on sale of property, plant and equipment	2.515.660	6.014.827
Impairment losses on investment properties (Note 15)	18.865.224	-
	21.380.884	6.014.827

NOTE 25 - FINANCIAL INCOME AND EXPENSES

Finance income	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange gain	560.358.580	158.544.223
Derivative financial instruments	5.329.294	-
	565.687.874	158.544.223

Finance expense	1 January- 31 December 2022	1 January- 31 December 2021
Interest expenses	297.792.810	133.031.524
Foreign exchange losses	277.590.711	175.748.609
Losses on derivative instruments	12.505.789	220.299.085
Other	33.682.916	15.386.920
	621.572.226	544.466.138

NOTE 26 - TAXATION ON INCOME

Corporate Tax

	31 December 2022	31 December 2021
Corporate tax payable	233.157.836	18.504.653
Less: Prepaid taxes	(149.236.435)	0
Current tax (asset)/ liability, net	83.921.401	18.504.653

The Group and its subsidiaries located in Turkey are subject to the tax legislation and practices in force in Turkey. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 26 - TAXATION ON INCOME (CONTINUED)

Corporate Tax (continued)

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 January 1, 2021. However, published and inured in 22 April 2022 Official Gazette the law no.7316 Law on the Procedure for the Collection of Public Receivables with the 11th article of Law on the Amendments of Law with the law no.5520 of the Provisional Article 13 added to the Corporate Tax Law has been arranged to be applied as 23% for corporate earnings for the 2022 taxation period.

Within the scope of the said amendment, the tax rate used in the deferred tax calculation as of 31 December 2022 is 20% (31 December 2021: 23% and 20% for the parts of temporary differences that will have tax effects in 2022 and the following periods, respectively).

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 return 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.

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 residing in Turkey and non-resident legal persons and non-resident legal persons 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 corporation subject to full liability are exempt from corporation 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 the 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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 26 - TAXATION ON INCOME (CONTINUED)

Corporate Tax (continued)

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 are subject to a 15% withholding tax until December 22, 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the President's Decision No. 4936, published in the Official Gazette dated December 22, 2021 and numbered 31697, the withholding tax rate, which was 15% according to the Corporate Tax Law No. 5520, was reduced to 10% with the Income Tax Law No. 193.

In the application of withholding tax rates for profit distributions to non-resident companies and natural persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. Adding retained earnings to the capital is not considered a 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 a non-deductible expense for corporate tax.

The taxes on income reflected in consolidated income statements for the years ended 31 December 2022 and 2021 are summarized as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Current period corporate tax expense	(233.157.836)	(110.945.399)
Deferred tax income /(expense)	145.744.199	30.547.577
	(87.413.637)	(80.397.822)

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 26 - TAXATION ON INCOME (CONTINUED)

Corporate Tax (continued)

The reconciliation of tax on the consolidated statement of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Profit before tax in the consolidated financial statements	1.598.977.149	943.833.474
Tax charge according to the parent company's tax rate of 23%	(367.764.744)	(235.958.369)
Tax rate differences between subsidiaries	(70.287.108)	14.692.257
Expected tax charge of the Group	(438.051.852)	(221.266.112)
Disallowable expenses	(36.340.353)	(11.844.314)
Lump-sum expense provision	3.888.684	2.466.838
Research and development incentive allowance	30.058.490	34.835.818
Use of losses from previous years for which no deferred tax has been calculated	44.806.447	70.338.907
Revaluation effect (*)	226.877.891	46.094.869
Effect of legal tax rate change on deferred tax amount	20.931.917	-
Non-taxable income	32.956.272	-
Other	27.458.867	(1.023.828)
Current period tax expense	(87.413.637)	(80.397.822)

(*) Changes in tangible and intangible assets mainly resulted from revaluation.

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

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 a 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 2022	31 December 2021
Turkey	%20	%20-%23
Egypt	%30	%30
United States of America	%25	%25
Brazil	%34	%34
Indonesia	%22	%22
Thailand	%20	%20

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 26 - 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 on 31 December 2022 and 31 December 2021 using the enacted tax rates are as follows:

	Deferred tax assets/(liabilities)	
	31 December 2022	31 December 2021
Derivative financial instruments	662.650	50.797.420
Trade receivable	44.108.317	2.785.222
Trade payable	39.020.907	1.857.469
Tangible and intangible assets	(376.753.043)	(335.783.123)
Tax incentive	28.307.833	-
Inventories	34.871.748	45.959.875
Provision for employment termination benefits	81.856.647	29.649.373
Prepaid expenses	38.380.848	10.055.102
Deductible financial losses	2.200.976	-
Finance income	17.969.071	13.228.732
Other, net	84.992.654	44.891.325
Net deferred tax liabilities	(4.381.392)	(136.558.605)
	1 January- 31 December 2022	1 January- 31 December 2021
Balance on 1 January	(136.558.605)	(246.773.653)
Current year deferred tax income - net	145.744.199	30.547.577
Charges to equity	13.433.941	121.697.418
Currency translation differences	(27.000.927)	(42.029.947)
Balance on 31 December	(4.381.392)	(136.558.605)

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 27 – 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 2022	1 January- 31 December 2021
Net income attributable to equity holders of the parent	1.289.197.611	768.560.878
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	66,27	39,51
Earning per share from continuing operations		
Net income attributable to equity holders of the parent	1.290.429.720	772.611.293
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	66,34	39,72
Earning per share from discontinued operations		
Net income/(loss) attributable to equity holders of the parent	(1.232.109)	(4.050.415)
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	(0,06)	(0,21)

Nominal values of ordinary shares for the years ended 31 December 2022 and 2021 are assumed to be Kr 1 each.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 28 – RELATED PARTY DISCLOSURES

Bank balances:	31 December 2022	31 December 2021
Akbank T.A.Ş. – time deposit	17.091.110	106.420.060
Akbank T.A.Ş. – demand deposit	284.412.502	7.319.653
	301.503.612	113.739.713

	31 December 2022	31 December 2021
Akbank T.A.Ş. – bank borrowings	200.000.000	703.485.533
	200.000.000	703.485.533

Due from related party:	31 December 2022	31 December 2021
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. ("Brisa")	249.263.857	156.898.224
Temsa	454.513	-
Aksigorta A.Ş. ("Aksigorta")	437.992	-
Akçansa	364.453	974.460
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	-	7.498
Çimsa	239.499	-
Other	75.520	51.725
	250.835.834	157.931.907

Due to related party:	31 December 2022	31 December 2021
Enerjisa	46.776.403	24.736.450
Sabancı Dx	25.232.759	10.594.796
Sabancı Holding	674.918	100.490
Other	257.549	337.373
	72.941.629	35.769.109

Product sales:	1 January- 31 December 2022	1 January- 31 December 2021
Brisa	574.218.417	231.196.557
Other	9.367.062	6.116.377
	583.585.479	237.312.934

Service received:	1 January- 31 December 2022	1 January- 31 December 2021
Enerjisa	452.249.233	139.397.113
SabancıDX	48.846.610	28.672.657
Aksigorta	38.755.130	-
Other	2.431.379	148.981
	542.282.352	168.218.751

Interest income:	1 January- 31 December 2022	1 January- 31 December 2021
Akbank T.A.Ş.	6.623.484	3.831.132

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 28 - RELATED PARTY DISCLOSURES (CONTINUED)

Interest expense:	1 January- 31 December 2022	1 January- 31 December 2021
Akbank T.A.Ş.	60.031.940	46.606.965
Foreign exchange gain /(losses), net		
Other income	1 January- 31 December 2022	1 January- 31 December 2021
SabancıDX	1.446.653	111.101
Enerjisa	728.942	-
Akbank T.A.Ş.	482.091	-
	2.657.686	111.101

Transactions with key management personnel:

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

Details of the remunerations provided which consist of per diem payment, salary and other additional remunerations by the Group for 2022 and 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Short-term employee benefits	40.592.669	31.595.945
Post-employment benefits	369.176	157.340
	40.961.845	31.753.285

Security and guarantee letters given

The Group does not have any quarantees and letters of guarantee given as of 31 December 2022 and 31 December 2021.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 29 - 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 2022			
	Noncontrolling interest %	Net profit/loss attributable to noncontrolling interest	Accumulated profit/(loss) allocated to noncontrolling interests	Dividends distributed to noncontrolling interests
Subsidiaries				
PT Indo Kordsa Tbk (*)	38,42%	212.116.878	1.872.229.109	122.445.870
Other		7.833.123	136.227.370	
Total		219.950.001	2.008.456.479	
	31 December 2021			
	Noncontrolling interest %	Net profit/loss attributable to noncontrolling interest	Accumulated profit/(loss) allocated to noncontrolling interests	Dividends distributed to noncontrolling 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	

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

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

Summary statement of financial position

	PT Indo Kordsa Tbk	
	31 December 2022	31 December 2021
Cash and cash equivalents	247.026.983	23.599.657
Other current assets	2.049.693.307	1.641.754.436
Non-current assets	3.311.825.487	2.427.363.517
Total assets	5.608.545.777	4.092.717.610
Short-term borrowings	115.651.847	219.584.292
Other short-term liabilities	878.681.671	618.259.773
Long-term borrowings	62.454.986	65.245.709
Other long-term liabilities	335.647.570	256.100.476
Total liabilities	1.392.436.074	1.159.190.250
Total equity	4.216.109.703	2.933.527.360
Total equity attributable to owners of the Company	3.806.236.757	2.749.557.743
Non-controlling interest (*)	409.872.946	183.969.617

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 29 - INTERESTS IN OTHER ENTITIES (CONTINUED)

Summary statement of profit and loss:

	PT Indo Kordsa Tbk	
	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	5.244.845.437	2.281.824.149
Cost of sales	(4.137.932.437)	(1.807.775.212)
Depreciation and amortization expense	(175.721.385)	(93.957.395)
Operating income	637.884.306	265.495.072
Finance income/(expense), net	2.548.350	15.390.305
Profit before tax	640.432.656	280.885.377
Tax expenses	(157.010.168)	(78.297.666)
Non-controlling interests (*)	(42.848.260)	(10.865.070)
Profit for the year	440.574.229	191.722.642

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

NOTE 30 - 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 the Finance department of Kordsa under policies approved by the board of directors. The finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

(a) Liquidity risk

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

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

The analysis of the Group's financial liabilities to their maturities as of 31 December 2022 and 2021 is as follows:

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

31 December 2022	Carrying value	Contractual cash flow	Less than 3 months	3-12 months	1 - 5 years	Over 5 years
Borrowings	7.899.839.329	8.206.367.933	2.185.323.298	1.310.015.047	4.711.029.588	-
Lease liabilities	544.743.087	544.743.087	17.687.615	33.450.427	168.784.897	324.820.148
Trade payables	2.971.509.321	2.984.237.089	2.753.022.387	227.738.531	3.476.171	-
Other payables	124.351.820	129.154.589	129.154.589	-	-	-
	11.540.443.557	11.864.502.698	5.085.187.889	1.571.204.005	4.883.290.656	324.820.148

Derivative financial liabilities

Unrealized purchase/sale contracts (net)	(3.155.476)	(3.155.476)	(4.953.493)	1.798.017	-	-
	(3.155.476)	(3.155.476)	(4.953.493)	1.798.017	-	-

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	-

(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 fewer 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. The 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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

As at 31 December 2022 and 31 December 2021, the interest rate profile of the Group interest-bearing financial instruments is as follows:

Fixed interest rate financial instruments	31 December 2022	31 December 2021
	Financial Liabilities	4.128.775.416
Time Deposits	119.970.447	106.637.482

Variable interest rate financial instruments	31 December 2022	31 December 2021
	Financial liabilities	3.771.063.913

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:

On 31 December 2022, 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 21.247.419 (2021: TL 11.795.389), mainly as a result of higher/lower interest expense on floating rate borrowings.

On 31 December 2022, there are no variable interest rate borrowings in EUR (2021: there are no variable interest rate borrowings in EUR).

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from converting to USD (converting to TL in 2021) of the amounts of debtor or creditor in foreign currency. 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 a due date of 2022 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 the due date of 2023 to hedge its trade receivables and payables from the effects of the changes in foreign currency exchange rates.

As of December 31, 2022, Kordsa Inc. has an interest rate swap transaction (IRS) as a derivative instrument to manage the variable interest risk of USD 31.111.111 related to the repayment of the loan agreement amounting to USD 62.222.222. The fair value of the derivative instrument as of 31 December 2022 is 26.164.494. TL (2021: TL 381.569 loss) is profit.

As of 31 December 2022, Kordsa Inc. has IRS as a derivative instrument for the repayment of the loan agreement amounting to USD 110.000.000, to manage the variable interest risk of USD 24.750.000. The fair value of the derivative instrument as of 31 December 2022 is TL 3.299.526 of income.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

(b) Market risk (continued)

Derivative financial instruments (continued):

As of 31 December 2022, the net book values of derivative forward and clearing instruments are as follows:

EUR sell USD buy	Average Rate	Foreign Currency (Euro)	Contract Value (USD)	Fair Value (TL)
Between 0-3 months	1,0326	9.000.000	9.293.600	(6.368.866)
Between 3-6 months	1,0385	9.000.000	9.346.500	(6.355.536)
Between 6-9 months	1,0392	8.000.000	8.313.800	(6.204.265)
Between 9-12 months	1,0305	6.000.000	6.182.700	(6.046.974)
Total				(24.975.641)

BRL sell USD buy	Average Rate	Foreign Currency (USD)	Contract Value (BRL)	Fair Value (TL)
Between 6-9 months	5,4100	2.581.679	13.966.883	(4.952.703)
Total				(4.952.703)

USD sell JPY buy	Average Rate	Foreign Currency (JPY)	Contract Value (TL)	Fair Value (TL)
Between 18-24 months	1,1965	500.000.000	62.757.112	(2.691.152)
Total				(2.691.152)
Forward/Swap Net				(32.619.496)

As of 31 December 2021 Foreign exchange forward and swap contracts:

EUR sell USD buy	Average Rate	Foreign Currency (Euro)	Contract 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	3.598.000	(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)

BRL buy USD sell	Average Rate	Foreign Currency (USD)	Contract 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
Forward/Swap Net				(120.431)

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Foreign currency position

On 22 June 2021, Group 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 of 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.

Group's assets and liabilities denominated in foreign currencies on 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Assets	2.035.261.412	2.229.464.605
Liabilities	(2.440.610.018)	(2.298.711.905)
Net foreign currency position	(405.348.606)	(69.247.300)

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2022	Total TL equivalent	TL (*)	Euro (*)	Indonesian Rupiah ('000) (*)	Other TL equivalent(**)
Assets:					
Trade receivables	1.563.464.010	292.621.178	49.521.749	139.460.373.577	117.783.765
Cash and cash equivalent	344.762.232	286.755.185	570.379	30.523.233.549	10.338.009
Other monetary receivables and assets	105.346.515	1.029.821	1.149.322	65.356.009.761	3.682.934
Other non-monetary receivables and assets	-	-	-	-	-
Current assets	2.013.572.757	580.406.184	51.241.450	235.339.616.887	131.804.708
Non-current assets held for sale	-	-	-	-	-
Other monetary receivables and assets	21.688.655	11.396.366	23.244	8.265.069.254	-
Non-current assets	21.688.655	11.396.366	23.244	8.265.069.254	-
Total assets (a)	2.035.261.412	591.802.551	51.264.694	243.604.686.141	131.804.708
Liabilities:					
Trade payables	599.452.402	302.668.741	10.120.613	50.788.631.973	34.631.812
Financial liabilities	1.737.827.565	430.000.000	65.000.000	10.140.384.105	-
Other monetary payable and liabilities	73.348.595	-	293.927	56.750.775.732	497
Current liabilities	2.410.628.561	732.668.741	75.414.540	117.679.791.810	34.632.308
Financial liabilities	29.635.159	-	-	24.919.999.833	-
Other monetary receivables and assets	346.298	-	-	291.199.686	-
Non-current liabilities	29.981.457	-	-	25.211.199.518	-
Total liabilities (b)	2.440.610.018	732.668.741	75.414.540	142.890.991.328	34.632.308
Off-balance sheet derivative assets (c)	-	-	-	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
Net foreign currency asset / (liability) position (a-b+c-d)	(405.348.606)	(140.866.191)	(24.149.846)	100.713.694.813	97.172.400
Fair value of financial instruments used for foreign exchange hedge	(32.619.496)	-	-	-	-
Hedges amount of foreign currency amount	-	-	-	-	-

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

(**) The amounts are in British Pound (GBP), Japanese Yen (JPY), Swiss Franc (CHF).

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - 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 assets 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 (a-b+c-d)	(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					
Hedges amount of foreign currency assets	(221.461.266)	-	-	-	-
Hedges amount of foreign currency liabilities	853.658.887	51.594.657	11.000.000	-	-

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - 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 2022	31 December 2021
US Dollars (Buy/Sell)	18,6983/18,7320	13,3290
Euro	19,9349	15,0867
Indonesian Rupiah (1000 units)	1,18862	0,9341
Brazilian Real	3,5836	2,3885
Thai Baht	0,5410	0,3988
Egyptian Pound	0,7560	0,8499

Average rates	31 December 2022	31 December 2021
US Dollars	15,9772	8,8854
Euro	16,7663	10,4687
Indonesian Rupiah (1000 units)	1,0760	0,6210
Brazilian Real	3,0935	1,6470
Thai Baht	0,4557	0,2779
Egyptian Pound	0,8143	0,5669

Foreign currency position as of 31 December 2022 and 2021 regarding the 10% changes in foreign currency rates is depicted in the table below:

31 December 2022	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset/liability	(14.086.625)	14.086.625	-	-
2-Hedged portion of US Dollar amounts(-)	-	-	-	-
3-Net effect of US Dollar (1+2)	(14.086.625)	14.086.625	-	-
Increase/(decrease) 10% of EUR parity				
4-EUR net asset/liability	(48.142.474)	48.142.474	-	-
5-Hedged portion of EUR amounts(-)	-	-	-	-
6-Net effect of EUR (4+5)	(48.142.474)	48.142.474	-	-
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset/liability	21.694.238	(21.694.238)	-	-
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
9-Net effect of other foreign currencies (7+8)	21.694.238	(21.694.238)	-	-
TOTAL (3+6+9)	(40.534.861)	40.534.861	-	-

(*) Tutarlar belirtilen para cinsindedir.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2021	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset/liability	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)

Export and import balances from Turkey as of 31 December 2022 and 2021 are as follows:

	31 December 2022		31 December 2021	
	Original Amount	TL Equivalent	Original Amount	TL Equivalent
Euro	191.552.415	3.211.629.543	118.617.010	1.241.760.266
US Dollars	97.248.096	1.553.757.949	90.902.882	807.705.587
Total export		4.765.387.492		2.049.465.853
			1 January-31 December 2022	1 January-31 December 2021
Total import			3.894.806.766	1.521.224.199

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

(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 counterparties may be unable to meet the terms of their agreements. Group management covers these risks by limiting the aggregate risk from any individual counterparty and if necessary by obtaining a guarantee.

The Group uses an 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 highly 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 letters of guarantees, mortgages and other guarantees are received for high-risk customers.

Disclosures on the credit quality of financial assets

As at 31 December 2022 and 2021, 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 the customers/ related parties that are worked with for a long time and without significant collection problems.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

As of 31 December 2022, the credit risks that the Group is exposed to by types of financial instruments are as follows:

31 December 2022	Trade Receivables		Other Receivables (*)	Derivatives	Bank Deposits	
	Related Party	Third Party	Related Party		Related Party	Other
As of reporting date, credit risk exposure (**)	250.835.834	3.590.740.823	-	440.876	301.503.612	491.638.662
- The part of maximum risk under guarantee with collateral	-	45.129.306	-	-	-	-
Net book value of financial assets that are neither past due nor impaired	250.835.834	3.139.323.385	-	-	301.503.612	491.638.662
Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	451.411.438	-	-	-	-
Net book value of impaired assets						
- Past due (gross carrying amount)	-	16.431.373	-	-	-	-
- Impairment(-)	-	(16.431.373)	-	-	-	-
- The part under guarantee with collateral	-	-	-	-	-	-

(*) Excludes taxes and other similar receivables.

(**) Amounts are determined by excluding received guarantees during the assessment of credibility.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - 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:

31 December 2021	Trade Receivables		Other Receivables (*)	Derivatives	Bank Deposits	
	Related Party	Third Party	Related Party		Related Party	Other
As of reporting date, credit risk exposure (**)	157.607.480	1.079.863.973	-	-	113.739.713	80.952.274
A. Net book value of financial assets that are neither past due nor impaired	-	9.811.936	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	157.607.480	900.911.786	-	-	113.739.713	80.952.274
C. Net book value of impaired assets	-	178.952.187	-	-	-	-
- 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.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 30 - 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 the 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 is 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 are as follows:

	31 December 2022	31 December 2021
Less than 1 month	287.577.382	90.733.095
Between 1-3 months	109.809.406	31.813.553
Between 3-12 months	48.828.323	56.405.539
Up to 5 years	5.196.327	
	451.411.438	178.952.187

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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 based on 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 2022 and 2021 net debt/(equity+net debt+non-controlling interest) ratio is:

	31 December 2022	31 December 2021
Total financial liabilities	7.899.839.329	4.178.501.726
Cash and cash equivalents	(799.228.246)	(194.805.294)
Net debt	7.100.611.083	3.983.696.432
Equity	8.017.858.925	5.246.008.448
Non-controlling interest	2.008.456.479	1.237.568.448
Equity+net debt+non-controlling interest	17.126.926.487	10.467.273.328
Net debt/(Equity+net debt +non-controlling interest) ratio	%41	%38

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 31 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price if one exists.

The methodology and assumptions used for determining the 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 2022	Financial assets at amortised cost	FVOCI	Financial liabilities at amortized cost	Derivative financial assets and liabilities	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	799.228.246	-	-	-	799.228.246	5
Trade receivables	3.859.579.739	-	-	-	3.859.579.739	8
Receivables from related parties	250.835.834	-	-	-	250.835.834	28
Financial investments	-	1.227.282	-	-	1.227.282	6
Financial liabilities						
Borrowings	-	-	7.899.839.329	-	7.899.839.329	7
Lease Liabilities	-	-	544.743.087	-	544.743.087	7
Trade payables	-	-	2.971.509.321	-	2.971.509.321	8
Payables to related parties	-	-	72.941.629	-	72.941.629	28
Other financial liabilities (**)	-	-	81.594.124	-	81.594.124	9
Derivative financial instruments	-	-	-	5.394.369	5.394.369	30

31 December 2021	Financial assets at amortised cost	FVOCI	Financial liabilities at amortized cost	Derivative financial assets and liabilities	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	194.805.294	-	-	-	194.805.294	5
Trade receivables	2.566.165.635	-	-	-	2.566.165.635	8
Receivables from related parties	157.931.907	-	-	-	157.931.907	28
Financial investments	-	875.043	-	-	875.043	6
Financial liabilities						
Borrowings	-	-	4.178.501.726	-	4.178.501.726	7
Lease Liabilities	-	-	255.622.576	-	255.622.576	7
Trade payables	-	-	1.927.384.146	-	1.927.384.146	8
Payables to related parties	-	-	35.769.109	-	35.769.109	28
Other financial liabilities (**)	-	-	63.487.242	-	63.487.242	9
Derivative financial instruments	-	-	-	221.461.266	221.461.266	30

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

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 31 - 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 a floating rate, fair value is close to their book value. The fair value of long-term bank loans is 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 the 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 the detail how the fair value of the financial assets and liabilities aforementioned are determined:

Finansal Varlıklar / Finansal Yükümlülükler	Fair Value		Fair value hierarchy	Valuation technique
	31 December 2022	31 December 2021		
Foreign currency forward/swap contracts	(3.155.476)	(221.461.266)	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties' credit risk.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31 December 2022

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

NOTE 32 - 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, in the preparation of the consolidated financial statements as of 31 December 2022 and 31 December 2021, Nile Kordsa Company for Industrial Fabrics S.A.E. financials, non-current assets classified as held for sale in the statement of financial position (31 December 2022: None, 31 December 2021: TL 4.142.037) and liabilities related to asset groups classified as held for sale (31 December 2022: 13.890.583 TL, 31 December 2021: 4.142.037 TL).

For the year ended 1 January- 31 December 2022 and 1 January- 31 December 2021, the result of the operating activities is shown at below:

NILE KORDSA

	1 January- 31 December 2022	1 January- 31 December 2021
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 expenses from operating activities (*)	(2.415.900)	(7.941.990)
Operating profit before finance costs	(2.415.900)	(7.941.990)
Gain from investing activities	-	-
Loss from investing activities	-	-
Profit before tax from continuing operations	(2.415.900)	(7.941.990)
Finance income	-	-
Finance costs	-	-
Tax expense/income from continuing operations	(2.415.900)	-
Current tax expense	-	-
Deferred tax benefit	-	-
Profit/ (Loss) for the period	(2.415.900)	(7.941.990)

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

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31December 2022

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

NOTE 33 – EVENTS AFTER THE REPORTING PERIOD

Our indirect subsidiary PT Indo Kordsa Polyester was acquired by our subsidiary PT Indo Kordsa Tbk and the progress was completed to get approval relating the merger.

The merger process under the name of Axiom Materials Inc for Axiom Materials Inc and Advanced Honeycomb Technologies which are 100% subsidiaries of our subsidiary Kordsa Inc was completed.

The incorporation of Kordsa Advanced Materials GmbH based on Munich, Germany was completed.

Kordsa Teknik Tekstil A.Ş. and its Subsidiaries Notes to the Audited Consolidated Financial Statements as at and for the Year Ended 31December 2022

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

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578 556 5767 7266 04101005051107
4634837383 45127838323 10245510100700
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12345 435436 1343 107100143301
53043 4634363 432433 2 430100004441
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KORDSA

2632372727732176662
32467732342424 7 43
321342762 6762 47
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