

**Kordsa Teknik Tekstil Anonim Őirketi
and Its Subsidiaries**

Convenience Translation into English
of the Consolidated Financial Statements
As at and for the Year Ended
31 December 2020
With Independent Auditor's Report

(Originally issued in Turkish)

19 February 2021

*This report contains 5 pages of Independent Auditor's Report
and 90 pages of financial statements and explanatory notes.*



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Independent Auditor's Report

To the General Assembly of Kordsa Teknik Tekstil Anonim Şirketi,

A) Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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



Key Audit Matters

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

Revenue recognition

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

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>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.</p> <p>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.</p> <p>Regarding to nature and size of Group's revenue transaction, the revenue recognition has been identified as one of key audit matters as the amount and timing revenue requires significant management judgement.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none">- Evaluation of the effectiveness of key internal controls for accounting of revenue in the consolidated financial statements as well as by the assistance of our IT experts- Evaluation the timing of revenue recognition for the different shipment arrangements by examining the terms of trade and shipping conditions in the contracts made with customers- Examination of transfer of control through sales documents obtained for selected sample sales transactions and evaluation of appropriateness of revenue recognition in the appropriate financial reporting period- Verifying trade receivable balances of third parties by obtaining confirmation letters for selected samples and reconciling to the financial statements.- Performing analytical procedures to determine the existence of unusual transactions.- Testing of the subsequent sales returns transactions after the reporting period of financial statements whether they are accounted for in the appropriate financial reporting period by selecting the samples from subsequent sales returns after the reporting period and using substantive testing procedures.- Evaluation of the journal entries related to revenue that the Group has accounted for during the year.- Evaluation of the Group's disclosures regarding the revenue in the consolidated financial statements in accordance with TFRS and disclosure requirements.



Goodwill impairment

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

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>As at 31 December 2020 goodwill is amounting to TL 923,388,013 in the consolidated statement of financial position and is significant.</p> <p>Regarding to TAS 36 Impairment on Assets Standart, impairment test on goodwill is required annually. Management has compared the book value of each cash generating unit in which goodwill has been allocated to based on discounted cash flow estimates to determine whether any impairment is required to be recognised.</p> <p>The recoverable amount of the cash generating units calculated based on the higher of the value in use or the fair value less costs, was obtained from the discounted cash flow models. In those models too many basic assumptions have been used, such as future sales volumes and prices, operating expenses, terminal growth rates, and weighted average cost of capital ("WACC").</p> <p>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.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none">- Evaluation of the appropriateness of the discount rates used in the work for each cash generating unit with the comparison of the sector WACC rates as well as by the assistance of our valuation experts- Controlling the mathematical appropriateness of the calculations of discounted cash flows- Controlling the management's analysis regarding to assumptions used in sensitivity of market conditions- Analyzing of key inputs used in assumptions such as sales volume and long term growth rates- Evaluation of the disclosures in accordance with the impairment included principal assumptions, judgments ve sensitivities.

Other Matter

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

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

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



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

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

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

Responsibilities of the independent auditors in an audit are as follows:

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

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

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



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

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

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

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

B) Other Legal and Regulatory Requirements

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakan Öleklî, SMMM
Partner
19 February 2021
İstanbul, Turkey

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KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

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

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

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

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

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

	Notes	31 December 2020 USD (*)	31 December 2019 USD (*)	Audited 31 December 2020	Audited 31 December 2019
Liabilities					
Short term liabilities					
Short term borrowings	6	164.093.925	286.074.818	1.204.531.453	1.699.341.631
Short term portion of long term borrowings	6	63.059.403	16.316.934	462.887.549	96.925.852
Short term lease liabilities	6	1.232.382	1.614.877	9.046.298	9.592.693
Trade payables	7	90.496.060	104.438.788	664.286.332	620.387.291
<i>Due to related parties</i>	27	2.862.890	2.037.491	21.015.047	12.103.105
<i>Due to third parties</i>		87.633.170	102.401.297	643.271.285	608.284.186
Payables related to employee benefits	17	2.035.889	1.774.254	14.944.441	10.539.421
Other payables	8	5.007.400	7.118.147	36.756.822	42.283.219
<i>Due to third parties</i>		5.007.400	7.118.147	36.756.822	42.283.219
Deferred revenue		2.167.555	1.623.019	15.910.941	9.641.055
<i>Deferred revenue from third parties</i>	10	2.167.555	1.623.019	15.910.941	9.641.055
Short term provisions		4.198.510	8.238.828	30.819.162	48.940.287
<i>Short term employee benefits</i>	17	4.198.510	8.238.828	30.819.162	48.940.287
Other short term liabilities	18	11.591.681	9.041.554	85.088.738	53.708.642
<i>Other short term liabilities to third parties</i>		11.591.681	9.041.554	85.088.738	53.708.642
Derivative financial instruments	30	1.061.022	2.496.379	7.788.431	14.828.992
Subtotal		344.943.828	438.737.599	2.532.060.167	2.606.189.083
Liability directly associated with the assets held for sale	31	548.584	524.664	4.026.883	3.116.609
Total short term liabilities		345.492.412	439.262.263	2.536.087.050	2.609.305.692
Long term liabilities					
Long term borrowings	6	164.938.173	207.544.961	1.210.728.658	1.232.858.578
Long term lease liabilities	6	12.542.146	12.691.630	92.065.626	75.390.820
Other payables	8	1.162.038	2.397.919	8.529.941	14.244.118
<i>Due to third parties</i>		1.162.038	2.397.919	8.529.941	14.244.118
Long term provisions		15.796.263	15.589.393	115.952.470	92.604.113
<i>Long term employee benefits</i>	17	14.572.905	14.497.256	106.972.412	86.116.601
<i>Other long term provisions</i>		1.223.358	1.092.137	8.980.058	6.487.512
Deferred tax liabilities	25	43.491.690	49.321.761	319.250.750	292.981.127
Other long term liabilities		5.986.201	5.670.058	43.941.705	33.681.278
Total long term liabilities		243.916.511	293.215.722	1.790.469.150	1.741.760.034
Total liabilities		589.408.923	732.477.985	4.326.556.200	4.351.065.726
Shareholder's equity					
Equity attributable to owners of the Company		351.627.955	378.255.966	2.581.125.002	2.246.916.091
Share capital	19	26.500.794	32.747.900	194.529.076	194.529.076
Share premium	19	8.453.492	10.446.257	62.052.856	62.052.856
Put option valuation fund on non-controlling interest		(4.489.650)	(4.252.543)	(32.956.277)	(25.260.958)
Other comprehensive income or expenses that will not be reclassified to profit or loss	19	4.775.094	6.080.535	35.051.577	36.119.595
<i>Revaluation and remeasurement gain/(loss)</i>		(677.818)	(657.806)	(4.975.520)	(3.907.502)
<i>Defined benefit plans remeasurement fund</i>		(677.818)	(657.806)	(4.975.520)	(3.907.502)
<i>Revaluation and reclassification gain/(loss)</i>		5.452.912	6.738.342	40.027.097	40.027.097
<i>Other revaluation and reclassification gain/(loss)</i>		5.452.912	6.738.342	40.027.097	40.027.097
Other comprehensive income or expenses that will be reclassified to profit or loss		132.609.029	122.197.405	980.651.525	742.017.606
<i>Currency translation difference</i>		133.317.229	122.243.343	985.850.071	742.290.484
<i>Gain/loss on hedge reserve</i>	19	(671.398)	(459)	(4.928.395)	(2.727)
<i>Cash flow hedge gains/loss</i>		(671.398)	(459)	(4.928.395)	(2.727)
<i>Revaluation and reclassification gain/(loss)</i>		(36.803)	(45.478)	(270.151)	(270.151)
<i>Other revaluation and reclassification gain/(loss)</i>		(36.803)	(45.478)	(270.151)	(270.151)
Restricted reserves	19	23.413.445	20.613.011	171.866.392	122.445.409
Retained earnings	19	138.540.870	130.510.326	1.016.959.255	775.257.436
Profit for the period		21.824.882	59.913.076	152.970.598	339.755.071
Total non-controlling interests	19	94.952.301	96.401.218	696.997.365	572.642.516
Total equity		446.580.256	474.657.184	3.278.122.367	2.819.558.607
Total equity and liabilities		1.035.989.179	1.207.135.169	7.604.678.567	7.170.624.333

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

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

		1 January- 31 December 2020 USD (*)	1 January- 31 December 2019 USD (*)	Audited 1 January- 31 December 2020	Audited 1 January- 31 December 2019
Profit or loss	Notes				
Revenue	20	647.215.928	905.932.389	4.536.336.439	5.137.361.394
Cost of sales	20	(532.631.112)	(731.881.249)	(3.733.211.464)	(4.150.352.186)
Gross profit		114.584.816	174.051.141	803.124.975	987.009.208
General and administrative expenses	21	(39.813.839)	(40.720.323)	(279.055.195)	(230.916.809)
Selling, marketing and distribution expenses	21	(30.015.332)	(35.976.159)	(210.377.462)	(204.013.603)
Research and development expenses	21	(3.488.312)	(1.924.751)	(24.449.577)	(10.914.880)
Other income from operating activities	22	24.832.923	26.113.530	174.053.959	148.084.605
Other expense from operating activities	22	(11.331.645)	(13.224.209)	(79.423.497)	(74.991.846)
Operating profit		54.768.612	108.319.227	383.873.203	614.256.675
Income from investing activities	23	2.751.127	2.390.705	19.282.650	13.557.211
Expense from investing activities	23	(75.862)	(86.271)	(531.715)	(489.227)
Operating profit before finance costs		57.443.878	110.623.661	402.624.138	627.324.659
Finance income	24	18.568.488	1.008.810	130.146.531	5.720.757
Finance expense	24	(50.341.079)	(29.749.645)	(352.840.625)	(168.704.285)
Profit before tax from continuing operations		25.671.286	81.882.826	179.930.044	464.341.131
Tax (expense)/benefit from continuing operations		(3.199.751)	(15.112.708)	(22.427.057)	(85.701.146)
<i>Current tax expense</i>	25	<i>(1.135.171)</i>	<i>(9.585.167)</i>	<i>(7.956.412)</i>	<i>(54.355.565)</i>
<i>Deferred tax expense</i>	25	<i>(2.064.581)</i>	<i>(5.527.541)</i>	<i>(14.470.645)</i>	<i>(31.345.581)</i>
Profit for the year from continuing operations		22.471.535	66.770.118	157.502.987	378.639.985
Net profit/(loss) for the year from discontinued operations	31	(1.014.267)	(26.814)	(7.108.996)	(152.057)
Profit for the year		21.457.268	66.743.304	150.393.991	378.487.928

Profit/(Loss) Attributable to:

- Non-Controlling Interests	(367.614)	6.830.228	(2.576.607)	38.732.857
- Owners of the Company	21.824.882	59.913.076	152.970.598	339.755.071

Earnings (Loss) per share; (thousand of shares TL)

<i>Earnings/(losses) per share from continuing operations</i>	26	1,15	3,08	8,05	17,47
<i>Earnings/(losses) per share from discontinuing operations</i>		(0,03)	-	(0,19)	-
<i>Earnings / (losses) per diluted shares from operations</i>		1,12	3,08	7,86	17,47

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

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	1 January- 31 December 2020 USD (*)	1 January- 31 December 2019 USD (*)	Audited 1 January- 31 December 2020	Audited 1 January- 31 December 2019
Profit for the year		21.457.268	66.743.304	150.393.991	378.487.928
Other comprehensive income					
Items that will not be reclassified to profit or loss		103.462	(180.887)	725.162	(1.025.773)
Defined benefit plans remeasurement fund	25	125.247	(241.183)	877.853	(1.367.698)
<i>Deferred tax expense</i>		<i>(21.785)</i>	<i>60.296</i>	<i>(152.691)</i>	<i>341.925</i>
Items that are or may be reclassified subsequently to profit or loss		55.607.630	42.908.649	389.753.876	243.326.365
Foreign currency translation differences		56.310.393	42.828.898	394.679.544	242.874.115
Hedging reserve gain/(loss)		(914.481)	102.244	(6.409.598)	579.807
Tax (expense) related to other comprehensive income items		211.718	(22.494)	1.483.930	(127.557)
<i>Deferred tax (expense) benefit</i>	25	<i>211.718</i>	<i>(22.494)</i>	<i>1.483.930</i>	<i>(127.557)</i>
Total other comprehensive income		55.711.091	42.727.762	390.479.038	242.300.592
Total comprehensive income		77.168.359	109.471.066	540.873.029	620.788.520
Total comprehensive income attributable to:					
Owners of the company		55.719.289	89.117.530	390.536.499	505.367.687
Non-controlling interests		21.449.070	20.353.536	150.336.530	115.420.833

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

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

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

				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			Retained earnings					
	Share capital	Share premium	Put option valuation fund on non-controlling interest	Revaluation and remeasurement gain/(loss)	Revaluation and reclassification gain/(loss)	Currency translation differences	Gain/(loss) on hedge reserve	Revaluation and reclassification gain/(loss)	Restricted reserves	Retained earnings	Net profit for the year	Equity attributable to owners of the company	Non-controlling interests	Total equity
				Defined benefit plans remeasurement fund	Other revaluation and reclassification gain/(loss)		Gain/(loss) on cash flow hedge	Other revaluation and reclassification gain/(loss)						
Balance at 1 January 2019	194.529.076	62.052.856	-	(2.881.729)	40.027.097	576.104.345	(454.977)	(270.151)	69.754.663	603.575.651	292.457.708	1.834.894.539	504.019.429	2.338.913.968
Transfer	-	-	-	-	-	-	-	-	52.690.746	239.766.962	(292.457.708)	-	-	-
Total comprehensive income	-	-	-	(1.025.773)	-	166.186.139	452.250	-	-	-	339.755.071	505.367.687	115.420.833	620.784.859
Gains/(losses) due to other changes (***)	-	-	(25.260.958)	-	-	-	-	-	-	-	-	(25.260.958)	-	(25.260.958)
Dividend paid (*)	-	-	-	-	-	-	-	-	-	(68.085.177)	-	(68.085.177)	(46.797.746)	(114.879.262)
Balance at 31 December 2019	194.529.076	62.052.856	(25.260.958)	(3.907.502)	40.027.097	742.290.484	(2.727)	(270.151)	122.445.409	775.257.436	339.755.071	2.246.916.091	572.642.516	2.819.558.607
Balance at 1 January 2020	194.529.076	62.052.856	(25.260.958)	(3.907.502)	40.027.097	742.290.484	(2.727)	(270.151)	122.445.409	775.257.436	339.755.071	2.246.916.091	572.642.516	2.819.558.607
Transfer	-	-	-	-	-	-	-	-	49.420.983	290.334.088	(339.755.071)	-	-	-
Total comprehensive income	-	-	-	(1.068.018)	-	243.559.587	(4.925.668)	-	-	-	152.970.598	390.536.499	150.336.530	540.873.029
Gains/(losses) due to other changes (***)	-	-	(7.695.319)	-	-	-	-	-	-	-	-	(7.695.319)	-	(7.695.319)
Dividend paid (**)	-	-	-	-	-	-	-	-	-	(48.632.269)	-	(48.632.269)	(25.981.681)	(74.613.950)
Balance at 31 December 2020	194.529.076	62.052.856	(32.956.277)	(4.975.520)	40.027.097	985.850.071	(4.928.395)	(270.151)	171.866.392	1.016.959.255	152.970.598	2.581.125.002	696.997.365	3.278.122.367

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

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

(***) The increase (decrease) due to other changes consists of the put option valuation fund of the non-controlling shares of the Group's subsidiary Axiom Materials Acquisition LLC.

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	1 January- 31 December 2020 USD (*)	1 January- 31 December 2019 USD (*)	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2019
A. CASH FLOWS FROM (USED IN) / OPERATING ACTIVITIES		128.714.878	124.414.232	902.162.580	705.528.225
Profit for the period		21.457.268	66.743.304	150.393.991	378.487.928
<i>Profit/(loss) for the period from continuing operations</i>		22.471.535	66.770.118	157.502.987	378.639.985
<i>Profit/(loss) from discontinued operations</i>		(1.014.267)	(26.814)	(7.108.996)	(152.057)
Adjustments to reconcile profit/(loss) for the period		117.387.650	113.955.707	822.770.036	646.220.024
Adjustments related to depreciation and amortisation	11, 12, 13	40.616.998	36.360.845	284.684.540	206.195.077
Adjustments related to provisions for (reversal) of impairment		824.524	641.322	5.779.089	3.636.808
<i>Adjustments related to provision for (reversal) of doubtful receivables</i>	7	137.185	38.582	961.531	218.791
<i>Adjustments related to provision for (reversal) of inventory allowances</i>	9	687.339	602.740	4.817.558	3.418.017
Adjustments related to provisions		3.437.213	5.524.428	24.091.428	31.327.928
Adjustments related to interest (income)/expense		21.369.804	21.319.513	149.780.959	120.898.696
<i>Adjustments related to interest income</i>	23	(1.988.001)	(853.707)	(13.933.897)	(4.841.201)
<i>Adjustments related to interest expense</i>	24	22.834.733	21.645.560	160.048.641	122.747.643
<i>Adjustments related to unrealized finance expenses on credit purchases</i>	7	(309.282)	145.774	(2.167.761)	826.653
<i>Adjustments related to unrealized finance income on credit sales</i>	7	832.355	(673.432)	5.833.976	(3.818.897)
Adjustments related to unrealized currency translation difference		39.928.224	34.796.971	279.856.924	197.326.661
Adjustments related to fair value changes		7.002.771	190.831	49.082.421	1.082.165
<i>Adjustments related to fair value losses / (gains) of investment properties</i>	14	(622.700)	(1.459.818)	(4.364.502)	(8.278.336)
<i>Adjustments related to fair value losses / (gains) of derivatives</i>	24	7.625.471	1.650.649	53.446.923	9.360.501
Adjustments related to tax (benefit)/expense	25	3.199.751	15.112.708	22.427.057	85.701.146
Adjustments related to losses / (gains) on disposal of non-current assets		(64.565)	9.091	(452.536)	51.553
<i>Adjustments related to gains on disposal of tangible assets</i>		(64.565)	9.091	(452.536)	51.553
Provisions for discontinued operations		1.072.928	-	7.520.153	-
Changes in working capital		(10.130.040)	(56.284.779)	(71.001.447)	(319.179.727)
(Increase)/decrease in trade receivables		(18.430.893)	(18.606.767)	(129.182.126)	(105.515.255)
(Increase)/decrease in other receivables		2.968.645	(3.582.821)	20.807.232	(20.317.463)
(Increase)/decrease in inventories		(376.558)	(29.895.758)	(2.639.296)	(169.532.862)
(Increase) in prepaid expenses		(350.804)	(5.861.406)	(2.458.786)	(33.238.859)
Increase/(decrease) in trade payables		6.517.972	5.591.062	45.684.469	31.705.794
Increase/(decrease) in retirement pay and employee benefit obligation		(1.384.434)	(48.172)	(9.703.501)	(273.174)
Increase/(decrease) in other payables		(2.723.187)	2.389.681	(19.086.816)	13.551.402
Decrease in deferred income		894.548	80.110	6.269.886	454.288
Other increase/(decrease) in working capital		6.873.001	5.224.351	48.172.866	29.626.252
<i>Decrease/(increase) in other assets from operating activities</i>		2.037.094	7.434.018	14.277.989	42.156.827
<i>Increase/(decrease) in other liabilities from operating activities</i>		4.835.908	(2.209.666)	33.894.877	(12.530.575)
Payments related to provision of employee benefits	17	(1.037.301)	(1.387.193)	(7.270.441)	(7.866.496)
Income tax returns/(payments)		(1.175.100)	(11.195.766)	(8.236.279)	(63.488.947)
Net cash flows related from discontinued operations		(1.905.929)	1.007.899	(13.358.655)	5.715.593
B. CASH FLOWS FROM INVESTING ACTIVITIES		(29.686.493)	(204.879.797)	(208.072.628)	(1.161.832.355)
Proceeds from sales of property, plant and equipment		2.723.509	3.469.106	19.089.077	19.672.609
Acquisition of sales of property, plant and equipment and intangible assets	11, 12	(34.398.003)	(33.046.558)	(241.095.622)	(187.400.422)
Acquisition of subsidiary and/or associates or cash outflow for capital increase of subsidiaries		-	(176.156.053)	-	(998.945.743)
Interest received	23	1.988.001	853.707	13.933.897	4.841.201
C. CASH FLOWS FROM FINANCING ACTIVITIES		(143.935.440)	186.065.290	(1.008.843.496)	1.055.139.044
Proceeds from borrowings	6	203.035.055	352.270.565	1.423.072.698	1.997.655.918
Cash inflows / (outflows) from borrowing transactions	6	(302.228.317)	(128.527.958)	(2.118.318.275)	(728.856.345)
Cash outflows for financial lease liabilities	6	(2.470.187)	(715.305)	(17.313.543)	(4.056.349)
Dividend paid	19	(6.938.546)	(12.006.274)	(48.632.269)	(68.085.177)
Interest paid		(23.052.572)	(16.703.332)	(161.575.478)	(94.721.257)
Cash inflows from derivatives (net)		(8.573.969)	-	(60.094.948)	-
Cash outflow for dividend paid to non-controlling interest and other financial instruments		(3.706.903)	(8.252.406)	(25.981.681)	(46.797.746)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(44.907.054)	105.599.724	(314.753.544)	598.834.914
IMPACT OF THE CURRENCY TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENT		4.994.971	-	35.009.753	-
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	104.099.954	23.065.822	729.636.576	130.801.662
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	4	64.187.871	128.665.546	449.892.785	729.636.576

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

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

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

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

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

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

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

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

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

The address of the registered office is as follows:

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (continued)

Subsidiaries

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

31 December 2020

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

31 December 2019

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

(*) The Company’s shares are traded in Indonesia Stock Exchange (“IDX”).

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

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

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

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

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

Approval of the Financial Statements

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

Functional and Presentation Currency

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

Preparation of Financial Statements in Hyperinflationary Periods

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation

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

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

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

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

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

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

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

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

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

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

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

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

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

Changes in the Group’s ownership interests in existing subsidiaries

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

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

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

2.1 Basis of Presentation (continued)

USD Amount Presented in the consolidated financial statements

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

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

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

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

2.3 Changes in Accounting Estimates and Errors

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

2.4 New and Revised Turkish Accounting Standards

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

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

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

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

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

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

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

The amendments include:

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

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

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

Covid-19 related rent concession (Amendments to TFRS 16)

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

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

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

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

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

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

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

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 , TFRS 7, TFRS 4 and TFRS 16)

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

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

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

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

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

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

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

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

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2.4 New and Revised Turkish Accounting Standards (continued)

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

Reference to the Conceptual Framework (Amendments to IFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

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

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

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

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

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

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

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

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

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

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

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2.4 New and Revised Turkish Accounting Standards (continued)

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

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

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

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

TFRS 1 First-time Adoption of International Financial Reporting Standards

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

TFRS 9 Financial Instruments

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

TAS 41 Agriculture

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

Amendments are effective on 1 January 2020

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

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to TFRS 3 - Definition of a Business

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies

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

a) Revenue

General model for accounting of revenue

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

Step 1: Identify the contract

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

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

Step 2: Identify the performance obligations

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

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

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

Step 3: Determine the transaction price

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

Significant financing component

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

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

2.5 Summary of Significant Accounting Policies (continued)

a) Revenue (continued)

General model for accounting of revenue (continued)

Step 4: Allocate the transaction price

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

Step 5: Recognize revenue

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

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

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

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

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

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

Contract modifications

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

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

2.5 Summary of Significant Accounting Policies (continued)

b) Inventories

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

c) Property, plant and equipment

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

d) Intangible assets (continued)

Intangible assets include rights, software and other identifiable rights. Intangible assets are carried at cost less accumulated amortisation. Intangible assets are recognized at acquisition cost and amortisation is calculated using the straight-line method over a period (Note 12). The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Estimated useful lives of these assets are as follows:

	Useful Lives
Customer relationship	21
Other intangible assets	5-10

Internally generated intangible assets – research and development expenses

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

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

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

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

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

Derecognition of intangible assets

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments

i) Recognition and measurement

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

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

ii) Classification and subsequent measurement

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

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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at amortized cost if it meets both of the following conditions and is not designated as at FVOCI:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Investments in equity instruments that are not held for trading, In recognition of subsequent changes in fair value in other comprehensive income An irreversible preference can be made to present it. The choice of this preference is for each investment can be made on the basis of.

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets and equity investments measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets- Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales.

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

Financial assets- Assessment whether contractual cash flows are solely payments of principal and interest

Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Since the principal is the present value of expected cash flows, trade receivables and other receivables meets the solely payments of principal and interest criteria. It is managed in accordance with the business model based on collection of these receivables.

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

Financial assets- Subsequent measurement and gains and losses

Accounting policies at below is applicable for following measurement of financial assets.

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

Financial liabilities - Classification, subsequent measurement and gains and losses

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

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

iii) Derecognition

Financial assets

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

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

Financial liability

The Group derecognises a financial liability from the statement of financial position only and only when the liability for the related liability is eliminated or canceled. In addition, the Group derecognises a financial liability from the statement of financial position in the event of a significant change in the conditions or cash flows of an existing financial liability. Instead, it requires recognition of a new financial liability at fair value based on the modified conditions.

In derecognizing the financial liability from its records, the difference between the carrying amount and the amount paid (including any transferred non-cash assets or any liabilities assumed) is included in the financial statements as profit or loss.

iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

v) Derivative financial instruments and hedge accounting

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

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

The Group defines certain derivatives as hedging instruments in order to maintain the variability in the cash flows related to the high probability of realization arising from the changes in exchange rates. The Group defines certain derivatives and non-derivative financial liabilities as hedging instruments for net investment in foreign operations.

At the beginning of the hedge relationship, the Group makes a documentation regarding the risk management purpose and strategy that causes the protection relationship and the operation of the enterprise.

The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the protection means are expected to offset each other.

Hedge accounting- cash flow hedge

If a derivative instrument is designed as a cash flow hedge hedging instrument, the effective portion of the change in the fair value of the derivative instrument is recognized in other comprehensive income and presented under equity in the hedging reserve. The ineffective portion of the change in the fair value of the derivative is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the beginning of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument.

In the cash flow hedge relationship, the Group defines only the change in the spot item of the forward contract as a means of hedging instrument.

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

In the event that a hedged transaction resulted in non-financial asset or liability which is subsequently recognized in the financial statements, the amount accumulated in the hedge reserve and the cost of hedging are included directly in the initial cost of the non-financial asset or liability.

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

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

v) Derivative financial instruments and hedge accounting (continued)

The hedge accounting is discontinued in case the hedging relationship (or part of it) no longer meets the required criteria, the hedging instrument is expired or sold, terminated or used. In case of discontinuation of cash flow hedge accounting, the retained amount in the hedge reserve shall continue to be classified under equity until the hedged estimate of the non-financial item is recorded; hedging cost is classified as profit or loss in the period or periods in which the estimated future cash flows are affected by profit or loss.

If the expected future cash flows are no longer expected to materialize, the amount accumulated in the hedge fund and the cost of that fund are immediately classified in profit or loss.

Net investment hedge

When derivative instruments or non-derivative financial liabilities are designated as hedging instruments in the net investment hedge transactions, the effective portion of the change in the fair value of the derivative instruments or foreign currency gains and losses on the non-derivative financial liability is recognized as other comprehensive income and is recognized under translation reserve in equity. The ineffective portion of the change in the fair value of the derivative or the foreign currency gains and losses arising from the financial liability are immediately recognized in profit or loss. The amount recognized in other comprehensive income is reclassified to profit or loss at the time of disposal of the entity abroad.

f) Impairment of assets

i. Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk has not increased significantly since initial recognition.

The Group applied lifetime ECL for calculation of loss allowances for trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

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

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets (continued)

i. Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

The cash deficit is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in anticipated credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract. Expected credit loss are discounted over the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets (continued)

i. Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

g) Borrowing costs

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

h) Business combinations

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

h) Business combinations (continued)

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TFRS 9, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets or other relevant TFRSs, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.5 Summary of Significant Accounting Policies (continued)

i) Goodwill

Goodwill arising from acquisition of subsidiaries is shown in intangible assets.

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

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

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

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

j) Due date income / (charges)

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

k) Provisions, contingent assets and liabilities

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities and not included in financial statements (Note 16).

l) Impairment of non-financial assets

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

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

2.5 Summary of Significant Accounting Policies (continued)

l) Impairment of non-financial assets (continued)

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

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

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m) Leases transactions

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

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

2.5 Summary of Significant Accounting Policies (continued)

I) Leases transactions (continued)

The Group – as a lessee (continued)

The Group books a right of use and a lease obligation to the financial statements at the date that the lease is commenced.

Right of use asset The right of use asset is initially recognized at cost comprising of:

- a) amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Group; and

To apply a cost model, the Group measure the right-of-use asset at cost:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability.

The Group applies TAS 16 “Property, Plant and Equipment” to amortize the right of use asset and to assess for any impairment. In the event that the supplier transfers the ownership of the underlying asset to the Group at the end of the lease term or if the cost of the right to use property indicates that the Group will use a purchase option, the Group depreciates the right to use the right to the end of the useful life of the underlying asset from the effective date of the lease. In other cases, the Group depreciates the right of use by the shorter than the useful life of the asset or the lease term, starting from the date on which the lease actually commences.

The Group apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease Liability

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee’s incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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

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

2.5 Summary of Significant Accounting Policies (continued)

1) Leases transactions (continued)

The Group – as a lessee (continued)

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

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

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, The Group remeasure the lease liability to reflect changes to the lease payments. The Group recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- a) There is a change in the lease term. The Group determine the revised lease payments on the basis of the revised lease term; or
- b) There is a change in the assessment of an option to purchase the underlying asset. The Group determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

The Group remeasure the lease liability by discounting the revised lease payments, if either:

- a) There is a change in the amounts expected to be payable under a residual value guarantee. The Group determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- b) There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The Group remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Group determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. In that case, the Group use an unchanged discount rate.

The Group account for a lease modification as a separate lease if both:

- a) The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets, and
- b) The lease payment amount increases as much as the appropriate adjustments to the price mentioned individually so that the increase in scope reflects the individual price and the terms of the relevant agreement.

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

2.5 Summary of Significant Accounting Policies (continued)

l) Leases transactions (continued)

The Group – as a lessee (continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of lowvalue assets which have equal to or less than 12 months maturity. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group – as a lessor

All the leasings of the Group as lessor are operational leasings. For operational leasings, leased assets are classified under investment properties in the consolidated statement of financial position and rental income is accounted in the consolidated profit or loss in equal amounts for the leasing period. Rental income is accounted in the consolidated profit or loss for the leasing period on a straight-line basis.

The Group distributes an amount that takes place in an agreement which includes an item that has or has not one or more extra leasing qualities along with a leasing item through applying the TFRS 15 “Revenue arising from agreements made with customers” standard.

n) Provision for post-employment benefits

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

In determining the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, the Group attributes benefit on a straight-line basis from the date when service by the employee first leads to benefits under the plan until the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases (Note 17).

o) Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

2.5 Summary of Significant Accounting Policies (continued)

p) Equity items

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

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

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

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

In the restatement of shareholders’ equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 19).

r) Taxes on income

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

r) Taxes on income (continued)

Group companies, while recording all deferred tax assets, make their assessment according to whether there is a sufficient amount of taxable profit in the future or not for 3 years takes into account business plans.

Deferred tax assets and liabilities are expected to be valid in the period when assets will be realized or liabilities will be fulfilled and become legal or significant as of the balance sheet date. It is calculated over the legalized tax rates. Deferred tax during the calculation of assets and liabilities, the group's assets as of the balance sheet date the methods anticipated to recover the book value or fulfill its obligations tax consequences are taken into account.

Current and deferred tax for the period

Current tax and deferred tax for the period, excluding those that are associated with items that are directly accounted as receivables or debts in equity or arising from the initial registration of business combinations, are accounted as expense or income in the statement of profit or loss.

In business combinations, in the calculation of goodwill or in determining the portion exceeding the purchase cost of the share acquired by the purchaser in the fair value of the identifiable assets, liabilities and contingent liabilities of the purchased subsidiary, the tax effect is taken into consideration.

Deferred tax, provided that the tax legislation of the same country is subject and there is a legally enforceable right to offset current tax assets from current tax liabilities assets and deferred tax liabilities are mutually deducted from each other.

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

2.5 Summary of Significant Accounting Policies (continued)

r) Taxes on income (continued)

Tax risk

While determining the amount of current and deferred tax expense, the Group takes into account the uncertain tax positions and whether there are any additional tax and interest obligations to be paid. Based on the tax law and past experiences, the Group believes that the tax provisions are sufficient for the periods not subjected to tax inspection. This assessment may contain many professional judgments about future events and is based on estimates and assumptions. In case new information arises that will change the professional opinion of the Group regarding the adequacy of the existing tax liability, this change in the tax liability will affect the tax expense for the period in which this situation is determined.

s) Effect of changes in foreign exchange rates

Foreign Currency Transactions and Balances

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

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

Financial Statements of Foreign Subsidiaries, Joint Ventures and Affiliates

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

t) Related parties

Related parties are individuals or entities that are related to the entity that is preparing its financial statements (“reporting entity”).

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

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.6 Summary of Significant Accounting Policies (continued)

t) Related parties (continued)

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration. For the purpose of these consolidated financial statements, shareholders of Hacı Ömer Sabancı Holding A.Ş. Group Companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. The Group determined its top management as board of directors, the president (CEO) and vice presidents, and the general managers of the subsidiaries (Note 27).

u) Earnings per share

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

v) Statement of cash flows

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

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

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

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

y) Share premium

Share premium represents the difference between the nominal value of the Group’s shares and the net proceeds from the offering of the Group’s share to the public (Note 19).

z) Investment property

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

z) Investment property (continued)

Transfers are made when there is a change in the use of the investment properties. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, Plant and Equipment” up to the date of change in use (Note 14).

aa) Segment reporting

The Group has four operating segments, which include the information used by the management to evaluate their performance and decide on resource allocation. These segments are managed separately, as they are affected by different economic situations and different geographic locations in terms of risk and return. Group management has determined the operating profit as the most appropriate method while evaluating the performance of the segments (Note 3).

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

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

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

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

ac) Events after reporting period

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

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

2.6 Critical accounting estimates and assumptions

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

a) Impairment test of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in Note 2.5. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by Kordsa Management covering a ten-year period. Cash flows beyond three years are extrapolated by taking into consideration the shut-down periods recurring once a year. The USD fair value is converted into TL by using the related foreign exchange rate on the date of the reporting date. Therefore, the values used in the calculations are affected by the fluctuations in the foreign exchange market.

In order to predict the future cash flows (infinite), a terminal growth rate of 1.5%, not exceeding the estimated average growth rate of the country's economy is used.

In order to calculate the recoverable amount of the unit, the weighted average cost of capital rate is used as the after tax discount rate between 7.1% and 8.5%.

As at 31 December 2020, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions.

b) Net realisable value

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

c) Useful lives of tangible and intangible assets

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

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

2.6 Critical accounting estimates and assumptions (continued)

d) Provisions

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

e) Deferred tax

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

f) Internally-generated intangible assets

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

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

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

2.7 Important Changes Regarding the Current Period

The COVID-19 pandemic, which has affected the whole world, has had serious effects on health systems and the economy. Countries have taken measures such as testing and treating patients, imposing travel restrictions, quarantining citizens, and canceling large gatherings to slow the spread of the pandemic. Along with these social measures, comprehensive financial measures were taken simultaneously to reduce negative impacts on the economic view. Similarly, Turkey has many citizens' health and safety measures, as well as to ensure that companies and regulators to support the households in these challenging circumstances, fiscal and monetary actions have been implemented.

The Group management closely monitors all developments and takes necessary measures in order to effectively manage the negative effects of the COVID-19 pandemic on the consolidated financial status, consolidated financial performance and consolidated cash flows of the Group. In the meantime, actions were taken by the Group to minimize the increase in investment expenditures, operational expenses and stocks, payment and collection terms were examined and the cash management strategy was reviewed in order to strengthen the liquidity position. The Group management believes that the Group can successfully manage its commercial risks and liquidity reserves despite the current uncertain economic view. In order to evaluate the potential effects of the social and economic situation arising due to the pandemic, the developments in the regions where the activity is operated are closely monitored. According to this, due to the effects of the pandemic, production is cut in some facilities, stocks and receivables management are focused to increase liquidity and operational efficiency, and investment expenditures are regularly monitored.

While preparing its consolidated financial statements dated 31 December 2020, the Group evaluated the possible effects of the COVID-19 pandemic on the financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, possible impairment losses in the consolidated financial statements dated 31 December 2020 have been evaluated and no significant impact has been identified.

NOTE 3 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External revenue

	1 January- 31 December 2020	1 January- 31 December 2019
Europe, Middle East and Africa	1.458.651.377	1.561.362.472
North America	1.462.192.631	1.707.341.688
South America	547.097.343	563.612.272
Asia	1.068.395.088	1.305.044.962
	4.536.336.439	5.137.361.394

b) Segment assets

	31 December 2020	31 December 2019
Europe, Middle East and Africa	1.791.454.511	1.634.332.758
Asia	1.972.275.862	1.671.313.317
South America	468.150.019	450.619.165
North America	3.083.333.493	2.812.532.491
Segment assets (*)	7.315.213.885	6.568.797.731
Unallocated assets	405.375.006	738.324.165
Less: Intersegment elimination	(115.910.324)	(136.497.563)
Total assets per consolidated financial statements	7.604.678.567	7.170.624.333

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NOTE 3 - SEGMENT REPORTING (continued)

c) Segment liabilities

	31 December 2020	31 December 2019
Europe, Middle East and Africa	1.944.113.453	2.075.386.841
North America	1.466.175.226	1.441.857.205
South America	229.650.480	264.156.417
Asia	360.837.570	309.107.472
Segment liabilities (**)	4.000.776.729	4.090.507.935
Unallocated liabilities	420.362.658	311.564.146
Less: Intersegment elimination	(94.583.187)	(51.006.355)
Total liabilities per consolidated financial statements	4.326.556.200	4.351.065.726

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

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

d) Segment analysis for the period 1 January – 31 December 2020

	Europe, Middle East and Africa(**)	North America	South America	Asia	Elimination (*)	Total
External revenue	1.458.651.377	1.462.192.631	547.097.343	1.068.395.088	-	4.536.336.439
Intersegment revenue	114.920.306	485.221.053	-	87.113.215	(687.254.574)	-
Revenue	1.573.571.683	1.947.413.684	547.097.343	1.155.508.303	(687.254.574)	4.536.336.439
Segment operating expenses	(1.248.103.432)	(1.915.116.614)	(473.087.630)	(1.169.543.175)	653.387.615	(4.152.463.236)
Segment operating results	325.468.251	32.297.070	74.009.713	(14.034.872)	(33.866.959)	383.873.203
Operating profit	325.468.251	32.297.070	74.009.713	(14.034.872)	(33.866.959)	383.873.203

e) Segment analysis for the period 1 January – 31 December 2019

	Europe, Middle East and Africa(**)	North America	South America	Asia	Elimination (*)	Total
External revenue	1.561.362.472	1.707.341.688	563.612.272	1.305.044.962	-	5.137.361.394
Intersegment revenue	139.904.473	516.214.641	-	67.313.822	(723.432.936)	-
Revenue	1.701.266.945	2.223.556.329	563.612.272	1.372.358.784	(723.432.936)	5.137.361.394
Segment operating expenses	(1.404.055.398)	(2.009.723.673)	(514.302.369)	(1.243.897.862)	648.874.583	(4.523.104.719)
Segment operating results	297.211.547	213.832.656	49.309.903	128.460.921	(74.558.352)	614.256.675
Operating profit	297.211.547	213.832.656	49.309.903	128.460.921	(74.558.352)	614.256.675

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

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

f) Capital expenditure

	1 January- 31 December 2020	1 January- 31 December 2019
Europe, Middle East and Africa	131.752.386	108.710.580
North America	92.113.263	58.370.469
South America	9.939.056	9.888.315
Asia	7.290.897	26.192.900
	241.095.602	203.162.264

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NOTE 3 - SEGMENT REPORTING (continued)

	1 January- 31 December 2020	1 January- 31 December 2019
g) Depreciation and amortization expense		
Europe, Middle East and Africa	62.428.852	52.953.080
North America	127.766.333	76.408.230
South America	14.509.615	14.422.482
Asia	79.979.740	62.411.285
	284.684.540	206.195.077
h) Provision for doubtful receivables		
South America	67.972	20.976
Europe, Middle East and Africa	(23.379)	197.815
North America	916.938	-
	961.531	218.791
i) Provision/ (reversal) for inventory obsolescence		
Europe, Middle East and Africa	1.313.988	4.065.137
North America	1.464.010	194.171
South America	4.193.920	(676.226)
Asia	(2.154.360)	(165.065)
	4.817.558	3.418.017

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

	1 January- 31 December 2020	1 January- 31 December 2019
a) External revenue		
Industrial yarn and cord fabric	3.791.964.249	4.204.765.942
Advanced composite materials	674.051.268	760.425.235
Other	70.320.922	172.170.217
	4.536.336.439	5.137.361.394
b) Capital expenditures		
Industrial yarn and cord fabric	163.408.557	153.087.416
Advanced composite materials	60.705.235	29.133.616
Other	16.981.810	20.941.232
	241.095.602	203.162.264

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

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NOTE 4 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Cash	70.390	52.073
Bank-demand deposits	198.808.627	129.148.181
Bank-time deposits	251.013.768	600.436.322
	449.892.785	729.636.576

Time deposits have less than 3 months maturity. Average annual interest rate for time deposits are 0,1% for Euro (31 December 2019: 0,5%). Average annual interest rate for time deposits are 1,7% for US Dollars (31 December 2019: 0,75%).

There is no time deposits denominated in Thai Baht as at 31 December 2020 (2019: Nil).

The Group’s related party balance related to cash and cash equivalents are disclosed in Note 27.

There is no restricted cash and cash equivalents of Group as at 31 December 2020 and 2019.

Foreign currency, interest rate and sensitivity risks for the financial assets and liabilities of the Group is presented under Note 29.

NOTE 5 – FINANCIAL INVESTMENTS

	31 December 2020	31 December 2019
Common Stocks	644.844	585.981
	644.844	585.981

Detail of the common stocks are as follows:

	31 December 2020		31 December 2019	
	Percentage of shareholding %	Amount	Percentage of shareholding %	Amount
Investimentos Lei 8200	<0,01	380.484	<0,01	269.363
Desenbanco	<0,01	117.972	<0,01	123.084
Investivos Fiscais Finor	<0,01	10.796	<0,01	11.263
Other	-	135.592	-	182.271
		644.844		585.981

NOTE 6 – BORROWINGS

	31 December 2020	31 December 2019
Short-term borrowings	1.204.531.453	1.699.341.631
Short-term portion of long term borrowings	462.887.549	96.925.852
Lease liabilities	9.046.298	9.592.693
Total short-term financial borrowings	1.676.465.300	1.805.860.176
Long-term borrowings	1.210.728.658	1.232.858.578
Lease liabilities	92.065.626	75.390.820
Total long-term financial borrowings	1.302.794.284	1.232.858.578
Total borrowings	2.979.259.584	3.029.126.061

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NOTE 6 – BORROWINGS (continued)

The details of long and short term borrowings as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term borrowings				
TL borrowings	10,45	310.001.250	12,01	735.324.326
USD borrowings	1,60	235.956.696	3,05	220.949.956
EUR borrowings	0,74	658.426.790	0,82	743.051.737
Other borrowings(*)	6,12	146.717	10,50	15.612
		1.204.531.453		1.699.341.631

	31 December 2020		31 December 2019	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term portion of long term borrowings				
USD borrowings	3,55	432.113.001	4,97	96.925.852
Other borrowings(*)	8,90	30.774.548		
		462.887.549		96.925.852
Total short-term borrowings		1.667.419.002		1.796.267.483
Long-term borrowings				
USD borrowings	3,55	1.062.584.497	4,97	1.225.210.236
EUR borrowings	2,90	45.039.500	-	-
TL borrowings	9,50	100.000.000	-	-
Other borrowings(*)	8,90	3.104.661	10,50	7.648.342
		1.210.728.658		1.232.858.578

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

Due to the investment loans of Group’s subsidiaries Indo Kordsa and Indo Kordsa Polyester located in Indonesia, there are pledges on their property, plant and equipment amounting to TL 335.084.356 (USD 45.648.710), inventory amounting to TL 73.405.000 (USD 10.000.000) and trade receivables amounting to TL 44.043.000 (USD 6.000.000) as of 31 December 2020 (31 December 2019: property, plant and equipment amounting to TL 271.162.467 (USD 45.648.710), inventory amounting to TL 59.402.000 (USD 10.000.000) and trade receivables amounting to TL 35.641.200 (USD 6.000.000)).

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NOTE 6 – BORROWINGS (continued)

As of 31 December 2020 and 31 December 2019, the redemption schedules of borrowings are summarized below:

	31 December 2020	31 December 2019
1 to 2 years	571.200.310	354.594.832
2 to 3 years	402.731.842	328.842.508
3 to 4 years	236.794.601	315.781.514
4 to 5 years	1.905	224.825.918
Over 5 years	-	8.813.806
	1.210.728.658	1.232.858.578

As of 31 December 2020 and 31 December 2019, the redemption schedules of leasing are summarized below:

	31 December 2020	31 December 2019
1 to 2 years	16.945.209	13.682.019
2 to 3 years	7.447.909	4.552.448
3 to 4 years	6.361.988	4.289.238
4 to 5 years	5.919.810	4.582.292
Over 5 years	55.390.710	48.284.823
	92.065.626	75.390.820

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

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

	2020	2019
1 January	3.114.109.574	1.519.280.334
Proceed from borrowings	1.423.072.698	1.997.655.918
Repayment of borrowings	(2.118.318.275)	(728.856.345)
Interest expense recognized in the statement of profit or loss	160.048.641	122.747.643
Interest accrual	(161.575.478)	(94.721.257)
TFRS 16 leasing standard effect	9.868.368	89.039.862
Lease liability repayments	(17.313.543)	(4.056.349)
Effects of currency translation	569.367.599	213.019.768
31 December	2.979.259.584	3.114.109.574

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables	31 December 2020	31 December 2019
Trade receivables	1.026.912.477	891.749.048
Cheques received	11.257.390	7.795.383
Due from related parties (Note 27)	64.199.658	77.461.866
	1.102.369.525	977.006.297
Less: Provision for doubtful receivables	(5.423.414)	(3.976.486)
Less: Unearned credit finance income	(5.833.976)	(3.818.897)
	1.091.112.135	969.210.914

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NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES (continued)

As of 31 December 2020, annual interest rates for discount of TL, US Dollar and Euro trade receivables and payables are 17,00%, 4,72% and 3,53% respectively (2019: 12,00%, 4,75% and 3,5%). The average maturities of the trade receivables as of 31 December 2020 is 70 days and average duration of trade payables is 59 days (31 December 2019: 66 days, 69 days).

As of 31 December 2020, trade receivables amounting to TL 93.860.522 (31 December 2019: TL 84.669.620) were past due but not impaired. The aging of these receivables as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Up to 1 month	60.153.088	56.222.363
1 to 3 months	25.528.942	22.770.619
3 to 12 months	5.479.778	3.649.013
1 to 5 years	2.698.714	2.027.625
Balance at 31 December	93.860.522	84.669.620

As of 31 December 2020, trade receivables amounting to TL 5.423.414 (31 December 2019: TL 3.976.486) are past due and provided for, as of 31 December 2020 and 31 December 2019, the aging schedule of the related receivables is as follows:

	31 December 2020	31 December 2019
Up to 1 month	-	-
1 to 3 months	-	-
3 to 12 months	-	-
1 to 5 years	5.423.414	3.976.486
	5.423.414	3.976.486

Movement schedules of provision for doubtful receivables for the years ended 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	3.976.486	1.678.429
Additions	961.531	218.791
Subsidiary opening balance effect (*)	-	1.952.679
Currency translation differences	485.397	126.587
Balance at 31 December	5.423.414	3.976.486

(*) TL 1.952.679 from the acquisition of Axiom on 23 July 2019 has been shown as the opening effect of the subsidiary.

Trade payables	31 December 2020	31 December 2019
Trade payables	645.439.046	609.110.839
Due to related parties (Note 27)	21.015.047	12.103.105
	666.454.093	621.213.944
Less: Unrealised credit finance expense on purchases	(2.167.761)	(826.653)
	664.286.332	620.387.291

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NOTE 8 – OTHER RECEIVABLES AND OTHER PAYABLES

Other short-term receivables	31 December 2020	31 December 2019
Taxes and other duties (*)	14.215.564	15.506.798
Other	10.701.784	10.278.912
	24.917.348	25.785.710

Other long-term receivables	31 December 2020	31 December 2019
Litigation guarantee receivables (**)	21.246.787	22.870.002
Other	5.736.684	18.571.507
	26.983.471	41.441.509

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

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

Other short-term payables	31 December 2020	31 December 2019
Taxes and duties payable	23.007.045	34.011.987
Other	13.749.777	8.271.232
	36.756.822	42.283.219

Other long-term payables	31 December 2020	31 December 2019
Taxes and duties payable (***)	8.529.941	14.244.118
	8.529.941	14.244.118

(***) Taxes and duties payable mainly comprise of the employee and tax related law suits against Kordsa Brazil.

NOTE 9 – INVENTORIES

	31 December 2020	31 December 2019
Finished Goods	443.381.693	532.007.762
Raw materials and suppliers	523.736.557	460.247.419
Semi-finished goods	122.527.083	120.411.647
Spare parts	74.146.377	63.760.053
Intermediate goods	51.597.235	43.341.519
Other inventories	46.227.642	38.629.955
	1.261.616.587	1.258.398.355
Less: Provision for obsolescence	(36.303.991)	(27.347.532)
	1.225.312.596	1.231.050.823

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NOTE 9 – INVENTORIES (continued)

The allocation of the impairment of inventories for the years ended 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Finished goods	11.099.818	10.476.352
Spare parts	17.098.453	14.527.133
Semi-finished and intermediate goods	4.704.042	1.251.366
Other inventories	1.572.408	964.686
Raw materials and suppliers	1.829.270	127.995
Balance at 31 December	36.303.991	27.347.532

Movement schedules for impairment of inventories for the years ended 31 December 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	27.347.532	21.467.744
Additions	9.392.590	6.237.747
Reversals	(4.575.032)	(2.819.730)
Currency translation differences	4.138.901	2.461.771
Balance at 31 December	36.303.991	27.347.532

The amount of provision for impairment of inventory charged to cost of goods sold for the year 2020 is TL 4.817.558 (2019: TL 3.418.017).

NOTE 10 – PREPAYMENTS AND DEFERRED INCOME

Short-term prepaid expenses	31 December 2020	31 December 2019
Prepaid expenses	25.786.277	25.364.115
Advance expenses	14.331.188	11.462.940
Other prepaid expenses	7.752.420	4.724.407
	47.869.885	41.551.462

Long-term prepaid expenses	31 December 2020	31 December 2019
Advances given	3.704.280	8.095.777
Other prepaid expenses	1.451.981	956.000
	5.156.261	9.051.777

Deferred revenue	31 December 2020	31 December 2019
Deferred revenue (*)	15.910.941	9.641.055
	15.910.941	9.641.055

(*) Deferred revenue comprises advances taken from customers.

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended 31 December 2020 is as follows:

	1 January 2020	Additions	Disposals	Transfers	Currency translation differences	31 December 2020
Cost:						
Land and land improvements	109.321.441	2.568.457	-	-	15.257.278	127.147.176
Buildings	692.681.329	2.274.946	(4.158)	4.316.751	94.672.239	793.941.107
Machinery and equipment	3.376.827.022	75.540.226	(20.826.701)	111.801.241	459.869.916	4.003.211.704
Motor vehicles	4.412.732	-	(1.178.773)	-	698.993	3.932.952
Furniture and fixtures	127.559.014	990.558	(1.231.027)	6.716.340	12.816.301	146.851.186
Construction in progress	136.811.567	126.551.093	-	(122.834.332)	5.637.029	146.165.357
	4.447.613.105	207.925.280	(23.240.659)	-	588.951.756	5.221.249.482
Accumulated depreciation:						
Land improvements	24.314.197	1.640.295	-	-	2.081.534	28.036.026
Buildings	317.166.519	19.317.419	(2.322)	-	40.398.175	376.879.791
Machinery and equipment	1.840.777.810	180.740.834	(3.078.811)	-	213.001.483	2.231.441.316
Motor vehicles	2.160.900	674.549	(1.178.773)	-	300.580	1.957.256
Furniture and fixtures	88.896.558	11.257.109	(344.212)	-	11.135.658	110.945.113
	2.273.315.984	213.630.206	(4.604.118)	-	266.917.430	2.749.259.502
Net book value	2.174.297.121					2.471.989.980

TL 228.230.766 (2019: TL 172.561.089) of current period depreciation and amortisation expenses are included in cost of sales, TL 4.044.451 (2019: 1.641.784 TL) is included in research and development expenses and TL 52.409.323 (2019: TL 31.992.204) is included in general administrative expenses.

As of 31 December 2020, there are mortgages on property, plant and equipment amounting to TL 335.084.356 (31 December 2019: TL 271.162.467).

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (continued)

The movement of property, plant and equipment for the year ended 31 December 2019 is as follows:

	1 January 2019	Additions	Disposals	Transfers	Acquisition of subsidiary (**)	Currency translation differences	Useful Life Correction (*)	31 December 2019
Cost:								
Land and land improvements	93.420.818	1.500.805	(77.983)	5.483.182	-	8.994.619	-	109.321.441
Buildings	578.239.869	1.009.578	(1.452.879)	44.387.696	17.937.766	52.656.140	-	692.778.170
Machinery and equipment	2.871.991.197	30.143.282	(12.806.428)	170.322.698	35.388.790	281.690.639	-	3.376.730.178
Motor vehicles	5.189.934	-	(1.358.641)	58.860	-	522.579	-	4.412.732
Furniture and fixtures	109.761.332	501.671	(2.317.522)	10.023.620	-	9.589.913	-	127.559.014
Construction in progress	210.942.506	149.169.293	-	(230.276.056)	3.254.215	3.721.609	-	136.811.567
	3.869.545.656	182.324.629	(18.013.453)	-	56.580.771	357.175.499	-	4.447.613.102
Accumulated depreciation:								
Land improvements	29.591.640	554.320	(77.838)	-	-	1.526.103	(7.280.028)	24.314.197
Buildings	276.242.373	15.989.733	(113.235)	-	5.957.262	19.090.383	-	317.166.516
Machinery and equipment	1.544.588.670	141.909.455	(8.046.768)	-	11.752.873	150.573.580	-	1.840.777.810
Motor vehicles	3.176.097	15.127	(1.305.016)	-	-	274.692	-	2.160.900
Furniture and fixtures	76.374.695	7.467.842	(2.210.257)	-	-	7.264.278	-	88.896.558
	1.929.973.475	165.936.477	(11.753.114)	-	17.710.135	178.729.036	(7.280.028)	2.273.315.981
Net book value	1.939.572.181							2.174.297.121

(*) Management in Group's subsidiaries Indo Kordsa ve Indo Kordsa Polyester reviewed the useful lives of the land and land improvements in 2019 and revised the accounting estimate prospectively.

(**) Effect of acquisition of subsidiary which is Axiom Materials Acquisition LLC amounting to TL 38.870.636.

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NOTE 12 – INTANGIBLE ASSETS

	1 January 2020	Additions (*)	Disposals	Transfers	Currency translation differences	31 December 2020
Cost:						
Rights	33.659.625	6.693.769	-	-	-	40.353.394
Technology licences	100.107.720	-	-	-	20.569.877	120.677.597
Capitalized development costs	12.737.753	-	-	-	-	12.737.753
Computer software	85.156.256	22.838.102	(4.366.310)	773.051	11.925.436	116.326.535
Customer relationships	461.975.413	-	-	-	108.747.298	570.722.711
Trademarks	143.990.448	-	-	-	34.435.619	178.426.067
Other intangible assets	27.891.310	3.638.451	-	(773.051)	2.815.459	33.572.169
	865.518.525	33.170.322	(4.366.310)	-	178.493.689	1.072.816.226
Accumulated Depreciation						
Rights	14.194.888	1.819.979	-	-	-	16.014.867
Technology licences	28.727.880	10.591.629	-	-	3.785.601	43.105.110
Capitalized development costs	10.335.847	2.401.906	-	-	-	12.737.753
Computer software	51.607.542	12.684.850	(4.366.310)	-	10.607.526	70.533.608
Customer relationships	21.113.104	26.443.923	-	-	4.488.804	52.045.831
Other intangible assets	6.089.102	748.422	-	-	133.353	6.970.877
	132.068.363	54.690.709	(4.366.310)	-	19.015.284	201.408.046
Net book value	733.450.162					871.408.180

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NOTE 12 – INTANGIBLE ASSETS (continued)

	1 January 2019	Addition (*)	Disposals	Transfers	Currency translation differences	31 December 2019
Cost:						
Rights	33.659.625	-	-	-	-	33.659.625
Technology licences	26.353.453	68.020.800	-	-	5.733.467	100.107.720
Capitalized development costs	12.737.753	-	-	-	-	12.737.753
Computer software	64.599.720	17.886.039	(2.572.748)	-	5.243.245	85.156.256
Customer relationships	193.524.075	232.404.400	-	-	36.046.938	461.975.413
Trademarks	38.088.916	96.362.800	-	-	9.538.732	143.990.448
Other intangible assets	14.731.967	14.288.396	(3.287.688)	-	2.158.635	27.891.310
	383.695.509	428.962.435	(5.860.436)	-	58.721.017	865.518.525
Accumulated Depreciation						
Rights	11.919.157	2.275.731	-	-	-	14.194.888
Technology licences	22.427.661	3.910.367	-	-	2.389.852	28.727.880
Capitalized development costs	9.615.351	720.496	-	-	-	10.335.847
Computer software	36.842.259	12.230.052	(1.542.488)	-	4.077.719	51.607.542
Customer relationships	4.939.986	15.046.438	-	-	1.126.680	21.113.104
Other intangible assets	5.007.799	4.343.338	(3.287.688)	-	25.653	6.089.102
	90.752.213	38.526.422	(4.830.176)	-	7.619.904	132.068.363
Net book value	292.943.296					733.450.162

(*) The portion of the additions amounting to TL 417.029.856 arise from the acquisition of Axiom Materials Acquisition LLC. Please refer to Note 15 for further details on additions on customer relationships, technology licences, trademarks and other intangible assets.

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NOTE 13 – RIGHT OF USE ASSETS

	1 January 2020	Addition	Disposals	Currency translation differences	31 December 2020
Cost					
Properties	74.783.447	6.734.870	(894.881)	19.547.749	100.171.185
Fixtures	594.307	-	(461.550)	120.056	252.813
Vehicles	7.207.216	1.173.682	-	507.410	8.888.308
Other	10.682.397	1.959.816	-	289.159	12.931.373
	93.267.367	9.868.368	(1.356.431)	20.464.374	122.243.679
Accumulated depreciation					
Properties	(4.736.158)	(10.500.382)	636.405	(1.189.694)	(15.789.829)
Fixtures	(186.856)	(64.627)	264.429	(125.260)	(112.314)
Vehicles	(2.435.694)	(2.930.811)	-	(18.911)	(5.385.416)
Other	(2.106.314)	(2.867.805)	-	(92.379)	(5.066.498)
	(9.465.022)	(16.363.625)	900.834	(1.426.244)	(26.354.057)
Net book value	83.802.346				95.889.622

	TFRS 16 Adoption	Addition	Acquisition of subsidiary	Currency translation differences	31 December 2019
Cost					
Properties	8.255.810	5.155.363	58.488.765	2.883.509	74.783.447
Fixtures	407.038	161.698	-	25.571	594.307
Vehicles	2.821.629	3.944.598	165.748	275.241	7.207.216
Other	8.986.542	1.283.963	-	411.893	10.682.398
	20.471.019	10.545.622	58.654.513	3.596.214	93.267.368
Accumulated depreciation					
Properties	-	(4.521.388)	-	(214.770)	(4.736.158)
Fixtures	-	(178.383)	-	(8.473)	(186.856)
Vehicles	-	(2.325.243)	-	(110.451)	(2.435.694)
Other	-	(1.987.192)	-	(119.122)	(2.106.314)
	-	(9.012.206)	-	(452.816)	(9.465.022)
Net book value	20.471.019				83.802.346

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NOTE 14 – INVESTMENT PROPERTIES

	31 December 2020	31 December 2019
Balance at the beginning of the year	138.171.192	114.874.106
Gain / (loss) from fair value adjustments (*)	4.364.502	8.278.336
Currency translation differences	32.469.455	15.018.750
Balance at 31 December	175.005.149	138.171.192

(*) As of 31 December 2020 and 2019 the fair value of the Group’s investment property in PT Indo Kordsa Company in Asia Pasific Region has been revalued by independent experts who are not related with the Group and have appropriate qualifications and recent experience in the valuation of properties. The estimated fair values of lands owned have been determined by taking reference of the market transaction prices of similar properties. When determining the fair values of the lands the highest of the value in use has been considered. In the current period no different valuation methodology is performed. As of December 31, 2020 the fair value hierarchy level of investment properties measured by revaluation method is 2.

NOTE 15 – GOODWILL

The goodwill by amount of TL 923.388.013 (2019: TL 798.034.611) as of 31 December 2020 consisted of TL 42.570.007 (2019: TL 42.570.007), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş on 30 September 1999, TL 3.025.160 (2019: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006, respectively USD 9.656.000 (20219: USD 9.656.000) and USD 19.893.604 (2019: USD 12.684.000) which accrued in consequence of the acquisition of the Fabric Development Inc. (“FDI”) and Textile Products, Inc.(“TPI”) on 13 July 2018, USD 1.268.000 (2019: USD 1.268.000) accrued in consequence of the acquisition of the Advanced Honeycomb Technologies Corporation (“AHT”) on 1 October 2018 and USD 88.764.556 (2019: USD 88.764.556) which accrued in consequence of the acquisition of the Axiom Materials Acquisition (“Axiom”) on 23 July 2019.

As at 31 December, the movements in goodwill were as follow;

	31 December 2020	31 December 2019
Balance at the beginning of the year	798.034.611	171.912.390
Acquisition during the year	-	959.754.677
<i>TPI(*)</i>	-	40.897.916
<i>Axiom</i>	-	918.856.761
Transfer to tangible and intangible assets(**)	-	(415.703.751)
<i>Axiom</i>	-	(415.703.751)
Currency translation difference	125.353.402	82.071.295
Balance at the end of the year	923.388.013	798.034.611

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NOTE 15 – GOODWILL (continued)

(*) Kordsa Inc., a subsidiary of the Group, has a tax incentive (“338 (h) / 10”) as per the US treasury legislation for the acquisitions of FDI and TPI in 2018. Related to aforementioned legislation, the purchase can be defined as the purchase of assets instead of a share purchase and the purchase value of the recognized identifiable assets can be depreciated instead of acquired book values of assets. Kordsa Inc. has completed its assessment of the incentives within the legal deadline and decided to apply only for FDI on 11 April 2019 and to exclude TPI from the process. The amount recognized as a result of differences arising from adjustment of tax base of identifiable assets accounted for at purchase has recognized under goodwill amounting to TL 40.897.916 (USD 7.209.603), deferred tax liability amounting to TL 52.368.393 (USD 9.231.652) and other current assets amounting to TL 11.470.477 (USD 2.022.049).

(**) Pre-acquisition carrying amount of Axiom was determined based on applicable TFRSs immediately before the acquisition. As at 31 December 2020, upon the completion of the fair value allocation of the identifiable assets, liabilities and contingent liabilities recognized on acquisition, total net identifiable has been changed. Under TFRS 3, TL 311.762.000 (USD 55.000.000) has been transferred to customer relationships and other intangible assets, TL 96.362.800 (USD 17.000.000) has been transferred to trademarks after acquisition transaction of Axiom and recognized amortization over determined useful lives. Additionally, TL 8.905.056 (USD 1.571.000) has been accounted for under property, plant and equipment as an addition due to fair value increase assets after the acquisition.

As disclosed in Note 2.6 in detail, there is no change in the book value of the goodwill after assessment for the impairment, which are TL 923.388.013 and TL 798.034.611 for the year ended as of 31 December 2020 and 2019 respectively.

The cash generating unit value, has been tested for the sensitivity of cash flows to the weighted average cost of capital (“WACC”) of +1%/-1% and growth rate together(31 December 2019: +1%/-1%). As a result of the impairment test, it has been determined that there is no impairment in the cash generating unit value.

NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

a) Guarantees given	31 December 2020	31 December 2019
Pledges given to banks (Note 6)	452.613.315	380.551.336
Securities (*)	1.084.762.778	1.016.434.222
Letter of credits	46.553.367	69.073.708
Letter of guarantees	246.228.967	176.760.700
Commitments	385.634	-
	1.830.544.061	1.642.819.966

(*) Kordsa Teknik Tekstil A.Ş. has participated in Kordsa Inc.'s loans amounting to USD 23.333.333 (TL 171.278.334) as of 13 July 2018 and USD 124.444.444 (TL 913.484.444) as of 17 July 2019 as joint guarantor.

b) Guarantees received	31 December 2020	31 December 2019
Letter of guarantees	11.057.837	8.825.629
Cheques and notes received as collateral	31.350	15.000
	11.089.187	8.840.629

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

31 December 2020	TL Equivalent	TL	USD	EUR	Thai Baht	Other TL Equivalent
A. Total amount of GPMs given in the name of its own legal entity	745.781.283	42.508.926	70.160.238	20.003.635	1.778.000	7.635.877
B. Total amount of GPMs given behalf of subsidiaries consolidated in full	1.084.762.778	-	147.777.778	-	-	-
C. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other GPM						
i. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-	-
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	-	-	-	-	-	-
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	-	-	-	-	-	-
	1.830.544.061	42.508.926	217.938.016	20.003.635	1.778.000	7.635.877
31 December 2019	TL Equivalent	TL	USD	EUR	Thai Baht	
A. Total amount of GPMs given in the name of its own legal entity	626.385.744	29.911.724	76.555.272	21.303.491	200.000	
B. Total amount of GPMs given behalf of subsidiaries consolidated in full	1.016.434.222	-	171.111.111	-	-	
C. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	
D. Total amount of other GPM	-	-	-	-	-	
i. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-	
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	-	-	-	-	-	
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	-	-	-	-	-	
	1.642.819.966	29.911.724	247.666.383	21.303.491	200.000	

(*) Group equity ratio to other GPM given by the Group is 0 % as of 31 December 2020 (31 December 2019: 0%).

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NOTE 17 – EMPLOYEE BENEFITS

Short-term provisions for employee benefits	31 December 2020	31 December 2019
Provision for unused vacation	15.953.189	15.164.895
Provision for bonus accrual	12.727.891	26.814.192
Provision for capital contribution plan (*)	2.138.082	6.961.200
	30.819.162	48.940.287

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

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

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

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	15.164.895	13.901.403
Increase during the year	20.661.604	12.832.254
Decrease during the year	(13.489.369)	(8.236.758)
Currency translation differences	(6.383.941)	(3.332.004)
	15.953.189	15.164.895

Long-term provisions for employee benefits	31 December 2020	31 December 2019
Provision for employment termination benefits (*)	63.177.753	50.392.579
Accruals for employee retirement benefit plans (**)	43.794.659	35.724.022
	106.972.412	86.116.601

(*) Provision for employment termination benefits

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and achieves the retirement (age 60 for men 58 for women).

Also, possibility of saving severance payment for employees whose insurance-entry dates went back earlier than 8 September 1999 and before, and who had completed their 15th year in the company has been calculated as %100.

As at 31 December 2020 the amount payable consists of one month’s salary limited to a maximum of TL 7.638,96 (31 December 2019: TL 6.379,86) for each year of service.

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NOTE 17 – EMPLOYEE BENEFITS (continued)

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2020	2019
Discount rate (%)	3,91	4,26
The probability of retirement (%)	97,09	97,58

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 7.117,17 (1 January 2020: TL 6.730,15), which is effective from 1 January 2021, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

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

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	50.392.579	43.447.834
Increase during the year	14.356.304	12.299.320
Payment during the year	(3.592.978)	(5.354.575)
Actuarial (gain)/loss	2.021.848	-
Balance at 31 December	63.177.753	50.392.579

() Provision for employment retirement benefits plans:**

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

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

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

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

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NOTE 17 – EMPLOYEE BENEFITS (continued)

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

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	35.724.022	24.848.813
Addition during the year	4.279.459	7.899.720
Payment during the year	(3.677.463)	(2.511.921)
Actuarial (gain)/loss	(1.143.995)	1.367.698
Currency translation differences	8.612.636	4.119.712
Balance at 31 December	43.794.659	35.724.022

	31 December 2020	31 December 2019
Employee benefit obligations		
Wage accruals	9.296.180	3.825.533
Due to personnel	5.648.261	6.713.888
	14.944.441	10.539.421

NOTE 18 – OTHER ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
Other current assets		
Deferred VAT	10.453.633	26.676.481
Deductible VAT	23.683.982	23.256.206
Other	8.706.275	8.302.054
	42.843.890	58.207.881

	31 December 2020	31 December 2019
Other non-current assets		
Long-term spare parts	67.677.045	68.970.609
Long-term deposits	4.511.771	3.284.007
	72.188.816	72.254.616

	31 December 2020	31 December 2019
Other current liabilities		
Expense accruals	17.098.891	23.148.659
Sales discounts and commission accruals (*)	9.990.420	8.221.983
Other tax accruals (**)	2.896.659	5.763.587
Other personnel expense accruals	857.370	693.815
Lawsuit provision (***)	22.665.712	-
Other	31.579.686	15.880.598
	85.088.738	53.708.642

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

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

(***) Provision for customs related cases of the Group's Subsidiary in Indonesia.

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NOTE 18 – OTHER ASSETS AND LIABILITIES (continued)

Other long-term liabilities	31 December 2020	31 December 2019
Other (*)	43.941.705	33.681.278
	43.941.705	33.681.278

(*) It consists of the valuation of the put option liability of the non-controlling shares regarding Axiom Materials Acquisition LLC, a subsidiary of the Group.

NOTE 19 - EQUITY

Paid-in share capital

The Group’s authorized and issued capital consists of 19.452.907.600 shares at 1 shares of Kr1 nominal value (2019: 19.452.907.600 shares). All shares are paid and there is no preferred stock. The Group’s shareholders and their share at 31 December 2020 and 2019 are as follows:

	2020	Ownership interest %	2019	Ownership interest %
Hacı Ömer Sabancı Holding A.Ş.	138.327.614	71,11	138.327.614	71,11
Other	56.201.462	28,89	56.201.462	28,89
	194.529.076	100,00	194.529.076	100,00

Group has adopted the registered capital system in accordance with the provisions of the Capital Market Law No.6362 numbered 594 dated 21.09.1989 and has passed to this system with the permission of the Capital Market Board. The registered capital ceiling of the Company is TL 500.000.000 and consist of 50.000.000.000 shares each with a nominal value of Kr 1.

Revaluation and hedging reserves

	31 December 2020	31 December 2019
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	(4.928.395)	(2.727)
	(5.198.546)	(272.878)

Financial Assets Fair Value Reserve:

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

Hedging Reserve:

The Hedging Reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.

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NOTE 19 - EQUITY (continued)

Movements of Hedging Reserve:

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	(2.727)	(454.977)
Increases/decreases	47.037.325	6.365.438
Income tax related to gains /losses recognized in other comprehensive income	1.483.930	(122.557)
Amounts reclassified to profit or loss	(53.446.923)	(5.790.631)
Balance at 31 December	(4.928.395)	(2.727)

Share Premiums

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

After the decision of Kordsa Global and Kordsa Turkey’s merger through acquisition of Kordsa Global by Kordsa Turkey as a whole with its assets and liabilities as of 30 June 2006 in the Extraordinary General Assembly Meeting of Kordsa Turkey on 29 November 2006, the share premium of TL 57.856 was accounted as addition to share premium.

As of 23 January 2007, founding partners’ redeemed shares are acquired in return for TL 45.240.000 and this amount is accounted for as a deduction from additional paid-in capital.

Restricted Reserves

Reserves reserve for specific purposes other than profit from previous period, due to law or contractual obligations or other profit distributions. These reserves are shown in the amounts in the statutory records of the Group and difference arising in preparing the consolidated financials statements in accordance with TFRS are associated with prior years’ profit/loss.

As at 31 December 2020 restricted reserves comprised of legal reserves amounting to TL 171.866.392 (31 December 2019: TL 122.455.409).

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

Other comprehensive income that will not be reclassified to profit or loss

Revaluation gain on property, plant and equipment

The amount of property, plant and equipment that is not recognized in profit or loss is recognized as other comprehensive income. As at 31 December 2020, the gains arising from the fair value changes arise from the parcels and lands transferred from lands of PT Indo Kordsa in the Asia Pacific Region to the investment properties.

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NOTE 19 - EQUITY (continued)

Other comprehensive income that will not be reclassified to profit or loss (continued)

Revaluation gain on property, plant and equipment (continued)

For the years ended 31 December, movement of revaluation gains on tangible assets were as follows;

	2020	2019
Balance at beginning of the period	40.027.097	40.027.097
Gain from change of fair value	-	-
Balance at closing of the period	40.027.097	40.027.097

Defined Benefit Plans Remeasurement Fund

As at 31 December 2020, TL 4.975.520 (31 December 2019: TL 3.907.502) consists of actuarial gain or loss of long term employee benefits and retirement plan provision (Indonesia and Thailand) recognized as other comprehensive income.

Other accumulated comprehensive income or expenses that will be reclassified in profit or loss

Currency translation difference

Currency translation difference is consist of foreign currency difference arising from translating to reporting currency from functional currency of financial statements of Group’s subsidiaries in the foreign country and exchange difference arising from net investment hedge. There is currency translation difference amounting to TL 985.850.071 (31 December 2019: 742.290.484) in the Group’s accompanying consolidated financial statements.

Dividend Payments

Public companies distribute profit in accordance with Profit Share Communiqué 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 icommuniqué mentioned above a minimal distribution rate is not designated. Companies distribute their profits in accordance with their main agreements of profit distribution policies.

Retained Earnings

Accumulated gain and loss is shown in retaining earnings as net-off except net income for the period. Extraordinary reserves that are accumulated as profit/loss by their nature are also recognized as retained earnings shown.

Retained earnings in the Group’s consolidated financial statements were as follows:

	31 December 2020	31 December 2019
Accumulated profit or loss	935.441.228	735.584.943
Extraordinary reserve	81.518.027	39.672.493
Total retaining earnings	1.016.959.255	775.257.436

Net Profit for the Period

Distribution of net profit for the year of 2019 has been approved with the decision of Ordinary General Assembly Meeting which is held on 25 March 2020. According to decision, net period of TL 48.632.269 in accordance with the decision taken first and second dividends, to the shareholders of the Company as of 26 March 2020.

Net profit for the period of the Group amounting to TL 150.393.991 (2019: TL 378.487.928).

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NOTE 19 - EQUITY (continued)

Non-controlling Interest

The portion of the net assets of the subsidiaries that are not directly or indirectly controlled by the parent company is classified as a non-controlling interest in the Group’s consolidated financials statements.

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

	2020	2019
Balance at the beginning of the period	572.642.516	504.019.429
The portion of total comprehensive income attributed to non-controlling interest	150.336.530	115.420.833
Dividend paid to non-controlling interest	(25.981.681)	(46.797.746)
Closing at the beginning of the period	696.997.365	572.642.516

NOTE 20 - REVENUE AND COST OF SALES

	1 January- 31 December 2020	1 January- 31 December 2019
Sales income (gross)	4.611.790.406	5.219.160.078
Sales returns (-)	(16.300.905)	(14.520.519)
Sales discounts (-)	(30.876.468)	(24.442.992)
Other sales discounts (-)	(28.276.594)	(42.835.173)
Sales income (net)	4.536.336.439	5.137.361.394
Cost of sales (-)	(3.733.211.464)	(4.150.352.186)
Gross Profit	803.124.975	987.009.208

NOTE 21 - EXPENSES BY NATURE

	1 January- 31 December 2020	1 January- 31 December 2019
Raw materials and consumables used	2.264.379.814	2.781.909.076
Personnel expenses	687.877.040	636.172.158
Energy expenses	380.656.700	456.744.559
Depreciation and amortization expenses	284.684.540	206.195.077
Idle mill expenses	129.533.921	40.258.328
Distribution expenses	127.188.079	114.657.687
Packaging expenses	92.195.269	98.093.919
Consultancy expenses	60.631.172	55.755.136
Maintenance expenses	6.502.381	5.363.312
Rent expenses	4.936.395	4.362.368
Other	208.508.387	196.685.858
	4.247.093.698	4.596.197.478

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NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

	1 January- 31 December 2020	1 January- 31 December 2019
Other operating income		
Foreign exchange gain/loss on trade receivables/payables - net	71.441.354	30.409.189
Finance income on trade receivables	37.111.554	52.992.162
Domestic production incentive income (*)	36.431.868	39.158.298
Rent income	1.397.109	1.353.429
Export incentive income	3.297.731	1.757.055
Income from insurance claims	365.368	18.209
Other	24.008.975	22.396.263
	174.053.959	148.084.605

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

	1 January- 31 December 2020	1 January- 31 December 2019
Other operating expenses		
Provision for litigation (*)	37.157.372	-
Finance expense on credit purchases	16.275.743	28.257.268
Taxes and duties	12.697.961	8.756.413
Expenses of the customer damages	516.154	2.812.702
Donations	193.054	20.103.212
Other	12.583.213	15.062.251
	79.423.497	74.991.846

(*) It is the ongoing litigation expenses related to customs clearance of the Group's Subsidiary in Indonesia.

NOTE 23 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January- 31 December 2020	1 January- 31 December 2019
Interest income from investing activities		
Interest income	13.933.897	8.278.336
Interest income from fair value of investment properties (Note 14)	4.364.502	437.674
Gain on sale of property, plant and equipment	984.251	4.841.201
	19.282.650	13.557.211
Losses from investing activities		
Loss on sale of property, plant and equipment	531.715	489.227
	531.715	489.227

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NOTE 24 - FINANCIAL INCOME AND EXPENSES

	1 January- 31 December 2020	1 January- 31 December 2019
Finance income		
Foreign exchange gain	130.146.531	5.720.757
	130.146.531	5.720.757
Finance expense		
Interest expenses	160.048.641	122.747.643
Foreign exchange losses	129.319.282	33.718.368
Losses on derivative instruments	53.446.923	9.833.006
Other	10.025.779	2.405.268
	352.840.625	168.704.285

NOTE 25 - TAXATION ON INCOME

Corporate Tax

	31 December 2020	31 December 2019
Corporate tax payable	686.008	-
Less: Prepaid taxes	(5.278.265)	(4.312.390)
Current tax (asset)/ liability, net	(4.592.257)	(4.312.390)

Kordsa is subject to Turkish corporate taxes. Provision is made in the accompanying condensed consolidated financial statements for the estimated charge based on the Group’s results for the years and periods. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the condensed consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Corporate income tax is calculated on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes (carryforward losses, if any, and if utilized exemptions for investment incentives).

The corporation tax rate is 22% in Turkey (31 December 2019: 22%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exemption income and allowances.

In accordance with the regulation numbered 7061, published in official Gazette on 5 December 2017, “Law, amending to tax laws and other laws”, corporate tax rate for the years 2018, 2019 and has increased from 20% to 22%. Therefore, deferred tax asset and liabilities are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

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NOTE 25 – TAXATION ON INCOME (continued)

Corporate Tax (continued)

The taxes on income reflected to consolidated income statements for the years ended 31 December 2020 and 2019 are summarized as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Current period corporate tax expense	(7.956.412)	(54.355.565)
Deferred tax income /(expense)	(14.470.645)	(31.345.581)
	(22.427.057)	(85.701.146)

The reconciliation of tax on the consolidated statement of profit or loss for the years ended 31 December 2020 and 2019 is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Profit before tax in the consolidated financial statements	179.930.044	464.341.131
Tax charge according to parent company’s tax rate 22%	(39.584.612)	(102.155.049)
Tax rate differences of subsidiaries	(8.897.293)	(17.415.848)
Expected tax charge of the Group	(48.481.905)	(119.570.897)
Disallowable expenses	(1.510.615)	(1.425.063)
Other exempt income	-	4.814.698
Exemption of real estate sales	960.190	2.069.584
Lump-sum expense provision	1.257.441	1.370.240
Research and development incentive allowance	-	8.205.223
Use of losses from previous years for which no deferred tax has been calculated	30.517.421	16.692.095
The effect of the legal tax rate change on the deferred tax amount	(2.973.601)	-
Consolidation eliminations without tax effect	(2.195.988)	2.142.974
Current period tax expense	(22.427.057)	(85.701.146)

The Group recognised deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TFRS and their statutory tax financial statements.

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NOTE 25 – TAXATION ON INCOME (continued)

Corporate Tax (continued)

Tax rates used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method are mentioned below:

Country	31 December 2020	31 December 2019
Turkey	%20	%20 - %22
Egypt	%30	%30
United States of America	%25	%25
Brazil	%34	%34
Indonesia	%20-%22	%25
Thailand	%20	%20

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2020 and 31 December 2019 using the enacted tax rates are as follows:

	Deferred tax assets/(liabilities)	
	31 December 2020	31 December 2019
Provision for employment termination benefits	18.028.095	10.060.161
Prepaid expenses	10.962.329	13.056.512
Deductible financial losses	9.044.629	-
Finance income	529.295	1.010.005
Inventories	13.372.787	4.943.080
Other, net	20.539.962	15.214.879
Deferred tax assets	72.477.097	44.284.637
Property, plant and equipment	(301.876.793)	(291.705.451)
Other, net	(17.373.957)	(1.275.676)
Deferred tax liabilities	(319.250.750)	(292.981.127)
Net deferred tax liabilities	(246.773.653)	(248.696.490)

The maturity of the company's usable financial loss is 2025.

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NOTE 25 – TAXATION ON INCOME (continued)

Deferred Taxes

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	(248.696.490)	(117.724.380)
Current year deferred tax income – net	(14.470.645)	(31.345.581)
Charges to equity	1.331.239	214.368
Impact of other changes (*)	2.565.107	(43.948.074)
Currency translation differences	12.497.136	55.892.823
Balance at 31 December	(246.773.653)	(248.696.490)

(*) Other changes arise from differences due to from the adjustment of the indentified intangibles accounted for during TPI’s acquisition based on its tax return and also the put option revaluation funds for Axiom’s 4,14% non-controlling interest.

NOTE 26 – EARNINGS PER SHARE

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

	1 January- 31 December 2020	1 January- 31 December 2019
Net income attributable to equity holders of the parent	152.970.598	339.755.071
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	7,86	17,47
Earning per share from continuing operations		
Net income attributable to equity holders of the parent	156.596.187	339.832.620
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	8,05	17,74
Earning per share from discontinued operations		
Net income/(loss) attributable to equity holders of the parent	(3.625.589)	(77.549)
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	(0,19)	-

Nominal values of ordinary shares for the years ended 31 December 2020 and 2019 are assumed to be Kr 1 each.

NOTE 27 – RELATED PARTY DISCLOSURES

Bank balances:	31 December 2020	31 December 2019
Akbank T.A.Ş. – time deposit	247.820.230	98.871.580
Akbank T.A.Ş. – demand deposit	4.615.874	982.153
	252.436.104	99.853.733
	31 December 2020	31 December 2019
Akbank T.A.Ş. – bank borrowings	160.001.250	641.528.440
	160.001.250	641.528.440

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NOTE 27 – RELATED PARTY DISCLOSURES (continued)

Due from related party:	31 December 2020	31 December 2019
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	63.970.889	75.270.703
Akçansa	-	1.631.518
Enejisa Enerji Üretim A.Ş.	83.979	82.601
Other	144.790	477.044
	64.199.658	77.461.866
Due to related party:	31 December 2020	31 December 2019
Enerjisa Enerji Üretim A.Ş.	13.467.332	8.162.434
Sabancı Dx	5.120.151	2.935.505
Hacı Ö.Sabancı Holding A.Ş.	2.123.362	-
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	128.790	265.391
Aksigorta	57.412	612.052
Other	118.000	127.723
	21.015.047	12.103.105
Product sales:	1 January- 31 December 2020	1 January- 31 December 2019
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	136.690.233	135.863.930
Other	253.336	1.932.986
	136.943.569	137.796.916
Product purchase:	1 January- 31 December 2020	1 January- 31 December 2019
SabancıDX	698.502	494.130
	698.502	494.130
Service received:	1 January- 31 December 2020	1 January- 31 December 2019
Enerjisa Enerji Üretim A.Ş.	78.774.453	95.541.968
SabancıDX	18.227.620	9.581.539
Aksigorta	3.742.512	1.807.040
Other	788.429	245.697
	101.533.014	107.176.244
Property, plant and equipment purchases:	1 January- 31 December 2020	1 January- 31 December 2019
SabancıDX	223.815	1.098.701
Other	234.881	-
	458.696	1.098.701

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NOTE 27 – RELATED PARTY DISCLOSURES (continued)

	1 January- 31 December 2020	1 January- 31 December 2019
Interest income:		
Akbank T.A.Ş.	10.329.462	1.613.049
	10.329.462	1.613.049
Interest expense:		
Akbank T.A.Ş.	53.423.707	20.467.341
	53.423.707	20.467.341
Foreign exchange gain /(losses), net		
Akbank T.A.Ş.	(8.516.406)	(3.368.133)
	(8.516.406)	(3.368.133)
Rent income		
SabancıDX	111.101	82.246
	111.101	82.246

Transactions with key management personnel:

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

Details of the remunerations provided which is consist of per diem payment, salary and other additional remunerations by the Group for 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Short-term employee benefits	24.838.299	18.637.658
Post-employment benefits	322.544	334.238
	25.160.843	18.971.896

Security and guarantee letters given:

31 December 2020

None.

31 December 2019

None.

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NOTE 28 - INTERESTS IN OTHER ENTITIES

Financial information in respect of each of the Group’s subsidiaries that has material non-controlling interests is set out below:

31 December 2020				
Subsidiaries	Non-controlling interest %	Net profit/loss attributable to non-controlling interest	Accumulated profit/(loss) allocated to non-controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	38,42%	(4.291.971)	691.745.792	4.367.443
Other		1.715.364	5.251.573	
Total		(2.576.607)	696.997.365	

31 December 2019				
Subsidiaries	Non-controlling interest %	Net profit/loss attributable to non-controlling interest	Accumulated profit/(loss) allocated to non-controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	%38,42	36.174.220	583.473.659	46.797.746
Other		2.558.639	(10.831.143)	
Total		38.732.859	572.642.516	

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

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

Summary statement of financial position

	PT Indo Kordsa Tbk	
	31 December 2020	31 December 2019
Cash and cash equivalents	84.780.719	84.448.974
Other current assets	551.432.973	460.869.272
Non-current assets	1.406.908.182	1.173.862.934
Total assets	2.043.121.874	1.719.181.180
Short-term borrowings	77.874.290	11.861.846
Other short-term liabilities	186.225.416	184.972.442
Long-term borrowings	54.332.427	76.949.377
Other long-term liabilities	112.118.340	93.527.254
Total liabilities	430.550.473	367.310.919
Total equity	1.612.571.401	1.351.870.261
Total equity attributable to owners of the Company	1.495.332.265	1.247.802.212
Non-controlling interest (*)	117.239.136	104.068.049

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NOTE 28 - INTERESTS IN OTHER ENTITIES (continued)

Summary statement of profit and loss:	PT Indo Kordsa Tbk	
	1 January- 31 December 2020	1 January- 31 December 2019
Revenue	1.155.508.303	1.371.653.027
Cost of sales	(998.903.362)	(1.116.749.112)
Depreciation and amortization expense	(63.590.336)	(61.878.325)
Operating income	(14.485.330)	130.478.158
Finance income /(expense), net	(444.171)	18.428
Profit before tax	(14.929.501)	130.584.704
Tax expenses	6.527.586	(40.351.250)
Non-controlling interests (*)	1.727.761	(4.911.669)
Profit for the year	(6.674.155)	85.233.667

(*) Arises from the consolidation of Thai Indo Kordsa Co., Ltd. under PT Indo Kordsa Tbk.

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

Financial risk management

Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

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

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

(a) *Liquidity risk*

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

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

The analysis of the Group’s financial liabilities with respect to their maturities as of 31 December 2020 and 2019 is as follows:

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

Liquidity risk (continued)

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

31 December 2020	Carrying value	Contractual cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Borrowings	2.878.147.660	3.007.756.514	825.029.893	971.994.825	1.210.731.796	-
Lease liabilities	101.111.924	101.111.924	-	9.046.298	92.065.626	-
Trade payables	664.286.332	666.454.093	666.454.093	-	-	-
Other payables	45.286.763	59.764.168	59.764.168	-	-	-
	3.688.832.679	3.835.086.699	1.551.248.154	981.041.123	1.302.797.422	-

31 December 2019	Carrying value	Contractual cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Borrowings	3.029.126.061	3.609.223.321	1.199.836.613	1.099.539.039	1.309.847.669	-
Lease liabilities	84.983.513	84.983.513	-	9.592.693	75.390.820	-
Trade payables	620.387.291	621.213.944	621.213.944	-	-	-
Other payables	8.271.232	18.058.981	18.058.981	-	-	-
	3.742.768.097	4.333.479.759	1.839.109.538	1.109.131.732	1.385.238.489	-

- (1) Maturity analyses have been applied solely to financial instruments and exclude legal liabilities.
(2) The aforementioned cash flows are contractual and non-discounted amounts. Since the discount amounts for the balances with a maturity of less than 3 months are immaterial, the discounted amounts are equal to the carrying value.

(b) Market risk

Interest rate risk

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

The interest rate profile of the Group interest-bearing financial instruments is as follows:

Variable interest financial instruments	31 December 2020	31 December 2019
Financial liabilities	1.402.851.111	1.359.645.778

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

At 31 December 2020, if interest rates on US Dollar denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 6.337.074 (2019: TL 4.208.078), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2020, there is no variable interest rate borrowings in EUR (2019: there is no variable interest rate borrowings in EUR).

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

Financial risk management (continued)

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Turkish Lira. Foreign Exchange risk is monitored with an analysis of foreign exchange positions.

Derivative financial instruments

The derivative financial instruments of the Group comprise foreign currency forward contracts. The Group entered into foreign currency forward transactions with due date 2020 in order to manage the risks emerging from the sales transactions which are expected to occur within 12 months following the reporting date. The carrying values of the items hedged against the non-financial risk will be adjusted once the expected sales will take place. The Group also entered into foreign currency forward transactions with due date 2021 in order to hedge its trade receivables and payables from the effects of the changes in foreign currency exchange rates.

The Group also uses fair value hedge with its derivative portfolio to hedge its trade receivables and payables from the effects of the exchange rate differences in the markets. According to this, the net-off figures of the exchange rate change in the balance sheet and the exchange rate change of the derivative portfolio are presented in the income statement and the effectiveness of the hedge accounting is evaluated at each balance sheet date.

As of 31 December 2020, Kordsa Inc. has IRS as a derivative instrument for the repayment of the loan agreement amounting to USD 140.000.000, to manage the variable interest risk of USD 75.000.000. The fair value of the derivative instrument as of 31 December 2020 is TL 4.384.084 of loss.

Foreign exchange forward and swap contracts:

Avro buy USD sell	Average Rate	Foreign Currency (Avro)	Contract Value (USD)	Fair Value (TL)
Less than 3 months	1,1918	3.000.000	3.575.300	(844.824)
Between 3-6 months	1,1940	3.000.000	3.581.900	(845.805)
Between 6-9 months	1,1966	3.000.000	3.589.800	(846.259)
Between 9-12 months	1,1982	3.000.000	3.594.500	(867.460)
BRL sell USD buy	Average Rate	Foreign Currency (USD)	Contract Value (BRL)	Fair Value (TL)
Between 6-9 months	5,3000	555.095	2.942.004	(1.032.111)
Between 9-12 months	5,4000	11.525.800	62.239.320	1.112.447
Forward/Swap Net				(3.324.012)

Hedges of net investments in foreign operations:

In case there are derivative financial instruments or non-derivative financial liabilities designated to hedge against the financial risks resulting from net investments in foreign operations;

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

Hedges of net investments in foreign operations (continued):

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation.

The Company subjected the net investment in its foreign subsidiaries and the US Dollar and Euro borrowings in other subsidiaries to the hedge of a net investment in foreign operations. The Company accounted for the foreign exchange losses arising from the related borrowings amounting to TL 199.208.689 (31 December 2019: TL 77.143.406) under Currency Translation Reserves in Equity in accordance with TFRS 9 and TFRS Interpretation 16.

Foreign currency position

Group's assets and liabilities denominated in foreign currencies at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Assets	1.698.239.189	1.450.790.809
Liabilities	(1.568.186.703)	(1.394.350.199)
Net foreign currency position	130.052.486	56.440.610

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

31 December 2020

Assets:	Total TL equivalent	US Dollars (*)	Euro (*)	Indonesian Rupiah (‘000) (*)	Other TL equivalent
Trade receivables	478.512.456	17.358.460	31.790.180	124.380.560	-
Cash and cash equivalent	208.941.653	23.513.820	3.957.012	966.009	191.358
Other monetary receivables and assets	-	-	-	-	-
Other non- monetary receivables and assets	30.733.534	230.170	47.207	54.627.103	189.796
Current assets	718.187.643	41.102.450	35.794.399	179.973.672	381.155
Non-current asset held for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
Non-current assets	-	-	-	-	-
Total assets (a)	718.187.643	41.102.450	35.794.399	179.973.672	381.155
Liabilities:					
Trade payables	253.028.764	23.186.899	6.471.578	41.189.260	3.094.363
Financial liabilities	1.016.471.765	42.833.740	73.276.196	80.677.513	-
Other monetary payable and liabilities	38.483.482	-	-	73.947.213	-
Current liabilities	1.307.984.011	66.020.639	79.747.774	195.813.986	3.094.363
Financial liabilities	260.202.692	28.888.889	5.000.000	5.965.016	-
Other monetary receivables and assets	-	-	-	-	-
Non-current liabilities	260.202.692	28.888.889	5.000.000	5.965.016	-
Total liabilities (b)	1.568.186.703	94.909.528	84.747.773	201.779.002	3.094.363
Off-balance sheet derivative assets (c)	980.051.546	60.575.755	59.436.185	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
Net foreign currency asset /(liability) position	130.052.486	6.768.677	10.482.811	(21.805.330)	(2.713.208)
Fair value of financial instruments used for foreign exchange hedge	(7.708.095)	-	-	-	-
Hedges amount of foreign currency assets	-	-	-	-	-
Hedges amount of foreign currency liabilities	980.051.546	60.575.755	59.436.185	-	-

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

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

31 December 2019

Assets:	Total TL equivalent	US Dollars (*)	Euro (*)	Indonesian Rupiah ('000) (*)	Other TL equivalent
Trade receivables	409.157.118	17.119.965	40.439.945	90.122.265	-
Cash and cash equivalent	600.297.075	11.080.186	80.172.019	2.963.680	20.077
Other monetary receivables and assets	-	-	-	-	-
Other non- monetary receivables and assets	24.775.170	-	8.970	57.838.184	-
Current assets	1.034.229.363	28.200.151	120.620.934	150.924.129	20.077
Non-current asset held for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
Non-current assets	-	-	-	-	-
Total assets (a)	1.034.229.363	28.200.151	120.620.934	150.924.129	20.077
Liabilities:					
Trade payables	293.657.624	32.610.245	12.026.579	30.357.148	6.990.015
Financial liabilities	823.783.971	15.838.930	109.525.073	3.019.043	-
Other monetary payable and liabilities	11.852.994	-	4.000	27.358.458	135.527
Current liabilities	1.129.294.589	48.449.175	121.555.652	60.734.649	7.125.542
Financial liabilities	265.055.610	43.333.333	-	17.895.045	-
Other monetary receivables and assets	-	-	-	-	-
Non-current liabilities	265.055.610	43.333.333	-	17.895.045	-
Total liabilities (b)	1.394.350.199	91.782.508	121.555.652	78.629.695	7.125.542
Off-balance sheet derivative assets (c)	416.561.446	81.126.615	(9.825.711)	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
Net foreign currency asset /(liability) position	56.440.610	17.544.258	(10.760.429)	72.294.434	(7.105.465)
Fair value of financial instruments used for foreign Exchange hedge	(6.682.174)	-	-	-	-
Hedges amount of foreign currency assets	-	-	-	-	-
Hedges amount of foreign currency liabilities	416.561.446	81.126.615	(9.825.711)	-	-

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

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

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

Closing rates	31 December 2020	31 December 2019
US Dollars	7,3405	5,9402
Euro	9,0079	6,6506
Indonesian Rupiah (1000 units)	0,5204	0,4273
Brazilian Real	1,4125	1,4737
Thai Baht	0,2444	0,1970
Egyptian Pound	0,4674	0,3711

Average rates	31 December 2020	31 December 2019
US Dollars	7,0090	5,6708
Euro	8,0278	6,3477
Indonesian Rupiah (1000 units)	0,4807	0,4009
Brazilian Real	1,3594	1,4373
Thai Baht	0,2240	0,1826
Egyptian Pound	0,4445	0,3394

Foreign currency position as of 31 December 2020 and 2019 in regard to the 10% changes in foreign currency rates is depicted in the table below:

	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2020				
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset / liability	4.968.548	(4.968.548)	4.968.548	(4.968.548)
2-Hedged portion of US Dollar amounts(-)	-	-	-	-
3-Net effect of US Dollar (1+2)	4.968.548	(4.968.548)	4.968.548	(4.968.548)
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	9.442.811	(9.442.811)	9.442.811	(9.442.811)
5-Hedged portion of EUR amounts(-)	-	-	-	-
6-Net effect of EUR (4+5)	9.442.811	(9.442.811)	9.442.811	(9.442.811)
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	(1.406.110)	1.406.110	(1.406.110)	1.406.110
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
9-Net effect of other foreign currencies (7+8)	(1.406.110)	1.406.110	(1.406.110)	1.406.110
TOTAL (3+6+9)	13.005.249	(13.005.249)	13.005.249	(13.005.249)

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

	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2019				
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset / liability	10.421.640	(10.421.640)	10.421.640	(10.421.640)
2-Hedged portion of US Dollar amounts(-)	-	-	-	-
3-Net effect of US Dollar (1+2)	10.421.640	(10.421.640)	10.421.640	(10.421.640)
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	(7.156.331)	7.156.331	(7.156.331)	7.156.331
5-Hedged portion of EUR amounts(-)	-	-	-	-
6-Net effect of EUR (4+5)	(7.156.331)	7.156.331	(7.156.331)	7.156.331
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	2.378.752	(2.378.752)	2.378.752	(2.378.752)
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
9-Net effect of other foreign currencies (7+8)	2.378.752	(2.378.752)	2.378.752	(2.378.752)
TOTAL (3+6+9)	5.644.061	(5.644.061)	5.644.061	(5.644.061)

Export and import balances from Turkey as of 31 December 2020 and 2019 is as follows:

	31 December 2020		31 December 2019	
	Original Amount	TL Equivalent	Original Amount	TL Equivalent
Euro	98.683.551	792.208.285	138.467.958	878.954.440
US Dollars	58.461.067	409.755.380	77.866.051	441.565.137
TL	-	-	-	-
Total export		1.201.963.665		1.320.519.577

	1 January- 31 December 2020	1 January- 31 December 2019
Total import	779.764.304	971.235.232

(c) Credit risk

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

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

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

(c) Credit risk (continued)

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

Disclosures on the credit quality of financial assets

As at 31 December 2020 and 2019, banks, where the cash and cash equivalents within the financial assets that are neither past due nor impaired are kept; mainly have high credit and parties in the trade receivables comprise of the customers/ related parties that are worked with for a long time and without significant collection problems.

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

31 December 2020	Receivables					Bank Deposits	
	Trade Receivables		Other Receivables (**)		Derivatives	Related Party	Third Party
	Related Party	Third Party	Related Party	Third Party			
As of reporting date, credit risk exposure (A+B+C+D) (**)	64.199.658	1.026.912.477	-	-	80.336	252.436.104	197.456.681
- The part of maximum risk under guarantee with collateral	-	11.089.187	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	64.199.658	927.628.541	-	-	-	252.436.104	197.456.681
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	93.860.522	-	-	-	-	-
C. Net book value of impaired assets							
- Past due (gross carrying amount)							
- Impairment(-)	-		-	-	-	-	-
- The part under guarantee with collateral	-		-	-	-	-	-
- Not past due (gross carrying amount)							
- Impairment (-)	-	5.423.414	-	-	-	-	-
- The part under guarantee with collateral	-	(5.423.414)	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

The Grup’s credit risk has been shown at below:

(*) Excludes taxes and other similar receivables.

(**) Amounts are determined by excluding received guarantees during the assessment of credibility.

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

	Receivables					Bank Deposits	
	Trade Receivables		Other Receivables (**)		Derivatives	Related Party	Third Party
31 December 2019	Related Party	Third Party	Related Party	Third Party			
As of reporting date, credit risk exposure (A+B+C+D) (**)	77.461.866	891.749.048	-	-	8.146.818	99.853.733	629.730.770
- The part of maximum risk under guarantee with collateral	-	8.840.629	-	-	-		
A. Net book value of financial assets that are neither past due nor impaired	77.461.866	803.102.942	-	-	-	99.853.733	629.730.770
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	84.669.620	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	3.976.486	-	-	-	-	-
- Impairment(-)	-	(3.976.486)	-	-	-	-	-
- The part under guarantee with collateral	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part under guarantee with collateral	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(*) Excludes taxes and other similar receivables.

(**) Amounts are determined by excluding received guarantees during the assessment of credibility.

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

(c) Credit risk (continued)

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

The Group did not make any provisions for doubtful receivables since the overdue receivables are to be collected from the corporate customers who did not delay any collections in the previous periods, and even if they delayed, eventually managed to pay their debts. In addition, when the maturity composition of the receivables which are not impaired are analyzed, it is seen that a little time longer than three months has passed since the maturity date of most of them.

The aging table of the Group's overdue but not impaired trade receivables including the due from related parties which takes into account the overdue terms is as follows:

	31 December 2020	31 December 2019
Less than 1 month	60.153.088	56.222.363
Between 1-3 months	25.528.942	22.770.619
Between 3-12 months	5.479.778	3.649.013
Up to 5 years	2.698.714	2.027.625
	93.860.522	84.669.620

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the debt/(total capital+net debt+non-controlling interest) ratio. Net debt is calculated as total borrowings (including borrowings as shown in the balance sheet) less cash and cash equivalents.

As at 31 December 2020 and 2019 net debt/(equity+net debt+non-controlling interest) ratio is:

	31 December 2020	31 December 2019
Total financial liabilities	2.979.259.584	3.114.109.574
Cash and cash equivalents	(449.892.785)	(729.636.576)
Net debt	2.529.366.799	2.384.472.998
Equity	2.581.125.002	2.246.916.091
Non-controlling interest	696.997.365	572.642.516
Equity+net debt+non-controlling interest	5.807.489.166	5.204.031.605
Net debt/(Equity+non-controlling interest) ratio	44%	46%

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NOTE 30 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Methodology and assumptions used for determining fair value of the financial instruments are as follows:

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group can realize in a current market exchange.

31 December 2020	Financial assets at amortised cost		Financial liabilities at amortized cost	Derivative financial assets and liabilities	Carrying value (*)	Note
Financial assets	FVOCI					
Cash and cash equivalents	-	449.892.785	-	-	449.892.785	4
Trade receivables	-	1.026.912.477	-	-	1.026.912.477	7
Receivables from related parties	-	64.199.658	-	-	64.199.658	27
Finansal yatırımlar	644.844	-	-	-	644.844	5
Derivative financial instruments	-	-	-	80.336	80.336	29
Finansal yükümlülükler						
Borrowings	-	-	2.878.147.660	-	2.878.147.660	6
Lease Liabilities	-	-	101.111.924	-	101.111.924	6
Trade payables	-	-	643.271.285	-	643.271.285	7
Payables to related parties	-	-	21.015.047	-	21.015.047	27
Other financial liabilities (**)	-	-	36.756.822	-	36.756.822	8
Derivative financial instruments	-	-	-	7.788.431	7.788.431	29

31 December 2019	Financial assets at amortised cost		Financial liabilities at amortized cost	Derivative financial assets and liabilities	Carrying value (*)	Note
Financial assets	FVOCI					
Cash and cash equivalents	-	729.636.576	-	-	729.636.576	4
Trade receivables	-	891.749.048	-	-	891.749.048	7
Receivables from related parties	-	77.461.866	-	-	77.461.866	27
Financial investments	585.981	-	-	-	585.981	5
Derivative financial instruments	-	-	-	8.146.818	8.146.818	29
Financial liabilities						
Borrowings	-	-	3.029.126.061	-	3.029.126.061	6
Lease Liabilities	-	-	84.983.513	-	84.983.513	6
Trade payables	-	-	608.284.186	-	608.284.186	7
Payables to related parties	-	-	12.103.105	-	12.103.105	27
Other financial liabilities (**)	-	-	42.283.219	-	42.283.219	8
Derivative financial instruments	-	-	-	14.828.992	14.828.992	29

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

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

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NOTE 30 - FINANCIAL INSTRUMENTS (continued)

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates to TL, are considered to approximate carrying values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Monetary liabilities

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Since, long term foreign currency loans generally have floating rate, fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 6).

Fair value estimation

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- First level: The fair value of financial assets and financial liabilities with quoted market prices.
- Second level: The fair value of financial assets and financial liabilities are determined with direct or indirect observable inputs for the assets or liabilities other than quoted prices in market.
- Third level: The fair value of financial assets and financial liabilities are determined with inputs for the assets and liabilities where observable market data cannot be determined.

Fair value hierarchy of financial assets and liabilities:

Certain financial assets and liabilities of the Group are accounted for their fair values on each balance sheet date in the financial statements. The table below is the detail on how the fair value of the financial assets and liabilities aforementioned are determined:

Financial assets / Financial liabilities	Fair Value		Fair value hierarchy	Valuation technique
	31 December 2020	31 December 2019		
Foreign currency forward/swap contracts	(7.708.095)	(6.682.174)	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties' credit risk.

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NOTE 31 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

According to The Group’s Board of Management decision numbered 2015/29 dated 31 December 2016, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. %51 of rates, would be classified as “Assets Held for Sale” in the balance sheet as of 31 December 2016. Hence, these companies were classified as “Assets Held for Sale” in preparation for financial tables in 31 December 2020 and 31 December 2019 as assets held for sale (31 December 2020: 2.925.808 TL, 31 December 2019: 7.347.731 TL) and liabilities regarding asset groups held for sale (31 December 2020: 4.026.883 TL, 31 December 2019: 3.116.609 TL).

For the year ended 1 January- 31 December 2020 and 1 January- 31 December 2019, the result of the operating activities shown at below:

Nile Kordsa	1 January - 31 December 2020	1 January - 31 December 2019
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
General and administrative expenses	-	-
Selling, marketing and distribution expenses	-	-
Research and development expenses	-	-
Other income from operating activities	-	-
Other expense from operating activities (*)	(7.108.996)	(152.057)
Operating profit	(7.108.996)	(152.057)
Gain from investing activities	-	-
Loss from investing activities	-	-
Operating profit before finance costs	-	-
Finance income	-	-
Finance costs	-	-
Profit before tax from continuing operations	(7.108.996)	(152.057)
Tax expense/income from continuing operations	-	-
<i>Current tax expense</i>	-	-
<i>Deferred tax benefit</i>	-	-
Profit/ (Loss) for the period	(7.108.996)	(152.057)

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

NOTE 32 – EVENTS AFTER THE REPORTING PERIOD

None.