Kordsa Teknik Tekstil Anonim Şirketi
and Its Subsidiaries

Convenience Translation into English
of the Consolidated Financial Statements
As at and for the Year Ended
31 December 2022
With Independent Auditor’s Report

(Originally issued in Turkish)

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

To the Shareholders of Kordsa Teknik Tekstil Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kordsa Teknik Tekstil Anonim Şirketi ("the Company")and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

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

Key Audit Matters

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

<u>*Revenue recognition*</u>

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>**
The Group's revenue is primarily generated from sales of industrial fabrics included in the structure of vehicle tires and industrial fabrics to the companies operating in tyre sector. Revenue is recognised when the control of the goods is transfered and the Group fulfilled performance obligations. Since sales contracts can be complex, the recognition of revenue in the relevant period depends on the accurate evaluation of the sales conditions specific to each situation. For this reason, there is a risk that the revenue will not be recognized in the correct period or amount for the products that may be returned from the products that have been produced and delivered, and for those whose invoices have not yet been issued to the customer and for those invoices have been issued but the control of the goods has not been transferred to the customers. Regarding to nature and size of Group's revenue transaction, the revenue recognition for export sales has been identified as one of key audit matters as the amount and timing revenue requires significant management judgment.	We have performed the following audit procedures to be responsive to this area: -Evaluation of the effectiveness of key internalcontrols for accounting of revenue in the consolidatedfinancial statements -Evaluation the timing of revenue recognition for thedifferent shipment arrangements by examining the terms oftrade and shipping conditions in the contracts made withcustomers -Examination of transfer of control through salesdocuments obtained for selected sample sales transactionsand evaluation of appropriateness of revenue recognition inthe appropriate financial reporting period -Verifying trade receivable balances of third parties by obtaining confirmation letters for selected samples and reconciling to the financial statements. -Performing analytical procedures to determine the existence of unusual transactions. -Testing of the subsequent sales returns transactions after the reporting period of financial statements whether they are accounted for in the appropriate financial reporting period by selecting the samples from subsequent sales returns after the reporting period and using substantive testing procedures. -Evaluation of the journal entries related to revenue that the Group has accounted for during the year. -Evaluation of the Group's disclosures regarding the revenue in the consolidated financial statements in accordance with TFRS 15 and disclosure requirements.

Business combinations and Goodwill impairment

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

The key audit matter	**How the matter was addressed in our audit**
In accordance with the final protocol regarding to share purchase agreements signed on August 5, 2022, Microtex took over 60% of the shares of Composites S.r.l.The Group applied acquisition accounting for this transaction in accordance with TFRS 3 "Business Combinations" in the accompanying consolidated financial statements. Purchase price allocation has been performed by an independent company in the scope of TFRS 3. As a result of the acquisition, this topic has been determined as one of the focus areas of audit because of the complexity of the purchase price allocation, and management estimations used in business combinations accounting. Additionally, non current assets of the Group mainly comprised of intangible assets and goodwill by the amount of TL 2.297.009.070 as at 31 December 2022. Regarding to TAS 36 Impairment on Assets Standart, impairment test on goodwill is required annually., Management has compared the book value of each cash generating unit which goodwill has been allocated to based on discounted cash flow estimates to determine whether any impairment is required to be recognised. The recoverable amount of the cash generating units calculated based on the higher of the value in use or the fair value less costs, was obtained from the discounted cash flow models. In those models too many basic assumptions has been used, such as future sales volumes and prices, operating expenses, final appreciation rates, and weighted average cost of capital ("WACC"). Goodwill is significant in the consolidated financial statements and determining the assumptions used in estimating recoverable amounts requires significant judgments. Therefore, this item has been identified as one of the key audit matters.	We have performed the following audit procedures to be responsive to this area: - Evaluation of the appropriateness of the estimates and assumptions used in thepurchase price allocation by discussing with the independent valuation company representatives and the management of the Group as well as by the assistance of our valuation experts - Controlling the mathematical appropriateness of the calculations used in the purchase price allocation. - Reconciling fair values of the acquired identifiable assets and liabilities to the financial statements of the related companies as at 5 August 2022.ğ - Evaluation of the appropriateness of the discount rates used in the work for each cash generating unit with the comparison of the sector WACC rates as well as by the assistance of our valuation experts Evaluation of the disclosures in accordance with the disclosure requirements of TFRS 3 - Evaluation of the discounted cash flow calculation model and controlling its mathematical calculation, - Controlling management analyzes regarding the sensitivity of the assumptions used to market conditions, - Analyzing of key inputs used in assumptions such as sales volume and long term growth rates. - Evaluation of the disclosures in accordance with the impairment included principal assumptions, judgments ve sensitivities.

Other Matter

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

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

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

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

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

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

Responsibilities of auditors in an audit are as follows:

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• 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, actions taken to eliminate threats or safeguards applied.

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code (“TCC”) numbered 6102; the Independent Auditor’s Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 23 February 2023.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2022 and 31 December 2022, 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

T.C.

Hakkı Özgür Sıvacı, SMMM
Partner
23 February 2023
Istanbul, Turkey

INDEX **PAGE**

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

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

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

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

Liabilities	**Notes**	**31 December 2022 USD (*)**	**31 December 2021 USD (*)**	**Audited 31 December 2022**	**Audited 31 December 2021**
Short term liabilities					
Short term borrowings	*7*	189.198.661	164.139.877	3.544.069.320	2.187.820.419
Short term portion of long-term borrowings	*7*	67.278.098	54.350.994	1.260.253.327	724.444.403
Short-term lease liabilities	*7*	2.831.616	1.283.841	53.041.833	17.112.312
Trade payables	*8*	158.632.785	144.600.806	2.971.509.321	1.927.384.146
Due to related parties	*28*	*3.893.958*	*2.683.555*	*72.941.629*	*35.769.109*
Due to third parties		*154.738.826*	*141.917.251*	*2.898.567.692*	*1.891.615.037*
Payables related to employee benefits	*18*	1.996.328	1.563.986	37.395.221	20.846.373
Other payables	*9*	4.355.868	4.763.091	81.594.124	63.487.242
Due to third parties		*4.355.868*	*4.763.091*	*81.594.124*	*63.487.242*
Deferred revenue		894.378	1.410.308	16.753.488	*18.797.992*
Deferred revenue from third parties	*11*	*894.378*	*1.410.308*	*16.753.488*	*18.797.992*
Current Tax Liabilities		4.480.109	1.388.308	83.921.401	18.504.653
Short term provisions		10.924.856	12.118.539	204.644.406	161.528.003
Short-term employee benefits	*18*	*8.859.991*	*9.432.195*	*165.965.351*	*125.721.726*
Other Short term provisions		*2.064.865*	*2.686.344*	*38.679.055*	*35.806.277*
Other short-term liabilities	*19*	12.339.893	11.064.093	231.150.884	147.473.289
Derivative financial instruments	*31*	287.976	16.614.995	5.394.369	221.461.266
Subtotal		**453.220.569**	**413.298.829**	**8.489.727.694**	**5.508.860.098**
Liability directly associated with the assets held for sale	*32*	**741.543**	**310.754**	**13.890.583**	**4.142.037**
Total short-term liabilities		**453.962.112**	**413.609.583**	**8.503.618.277**	**5.513.002.135**
Long term liabilities					
Long term borrowings	*7*	165.252.866	94.998.642	3.095.516.682	1.266.236.904
Long-term lease liabilities	*7*	26.249.266	17.894.085	491.701.254	238.510.264
Other payables	*9*	2.282.602	478.174	42.757.696	6.373.587
Due to third parties		*2.282.602*	*478.174*	*42.757.696*	*6.373.587*
Deferred income		1.053.407	-	19.732.428	-
Long term provisions		18.190.783	12.411.095	340.749.738	165.427.483
Long-term employee benefits	*18*	*18.163.271*	*11.540.010*	*340.234.400*	*153.816.787*
Other long-term provisions		*27.511*	*871.085*	*515.338*	*11.610.696*
Deferred tax liabilities	*26*	26.503.274	25.317.908	496.459.330	337.462.399
Other long-term liabilities	*19*	28.186.461	-	527.988.794	-
Derivative financial instruments	*31*	1.300.794	-	24.366.477	-
Total long-term liabilities		**269.019.453**	**151.099.905**	**5.039.272.399**	**2.014.010.637**
Total liabilities		**722.981.565**	**564.709.488**	**13.542.890.676**	**7.527.012.772**
Shareholder's equity					
Equity attributable to owners of the Company		**430.297.767**	**393.578.547**	**8.017.858.925**	**5.246.008.448**
Share capital	*20*	10.384.854	14.594.424	194.529.076	194.529.076
Share premium	*20*	3.312.666	4.655.477	62.052.856	62.052.856
Put option valuation fund on non-controlling interest		(28.175.800)	-	(527.789.084)	-
Other comprehensive income or expenses that will not be reclassified to profit or loss	*20*	(1.006.505)	2.593.781	(18.853.844)	34.572.510
Revaluation and remeasurement gain /(loss)		*(3.143.334)*	*(409.227)*	*(58.880.941)*	*(5.454.587)*
Defined benefit plans remeasurement fund		*(3.143.334)*	*(409.227)*	*(58.880.941)*	*(5.454.587)*
Revaluation and reclassification gain /(loss)		*2.136.830*	*3.003.008*	*40.027.097*	*40.027.097*
Other revaluation and reclassification gain/(loss)		*2.136.830*	*3.003.008*	*40.027.097*	*40.027.097*
Other comprehensive income or expenses that will be reclassified to profit or loss		263.792.396	188.531.320	5.121.164.667	2.897.296.363
Currency translation difference		*314.634.711*	*259.992.269*	*6.073.542.907*	*3.849.799.350*
Gain/loss on hedge reserve		*(50.827.893)*	*(71.440.681)*	*(952.108.089)*	*(952.232.836)*
Investment hedging losses related to foreign operations		*(50.936.122)*	*(71.583.422)*	*(954.135.431)*	*(954.135.431)*
Cash flow hedge gains/loss		*108.229*	*142.741*	*2.027.342*	*1.902.595*
Revaluation and reclassification gain /(loss)		(14.422)	(20.268)	*(270.151)*	*(270.151)*
Other revaluation and reclassification gain/(loss)		(14.422)	(20.268)	*(270.151)*	*(270.151)*
Restricted reserves	*20*	21.825.423	12.894.170	408.833.825	171.866.392
Retained earnings	*20*	79.474.900	83.812.017	1.488.723.818	1.117.130.373
Profit for the period		80.689.834	86.497.358	1.289.197.611	768.560.878
Total non-controlling interests	*20*	**107.220.611**	**92.847.809**	**2.008.456.479**	**1.237.568.448**
Total equity		**537.518.378**	**485.901.036**	**10.026.315.404**	**6.483.576.896**
Total equity and liabilities		**1.260.499.943**	**1.051.135.844**	**23.569.206.080**	**14.010.589.668**

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

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

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

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

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

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(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				
				Revaluation and reclassification gain/(loss)			Gain/(loss) on hedge reserve	Revaluation and reclassification gain/(loss)						
	Share capital	**Share premium**	**Put option valuation fund on non-controlling interest**	**Defined benefit plans remeasurement fund**	**Other revaluation and reclassification gain/(loss)**	**Currency translation differences**	**Cash flow hedge gains / (losses))**	**Other revaluation and reclassification gain/(loss)**	**Restricted reserves**	**Retained earnings**	**Net profit for the year**	**Equity attributable to owners of the Company**	**Total non-controlling interests**	**Total equity**
Balance on 1 January 2021	**194.529.076**	**62.052.856**	**(32.956.277)**	**(4.975.520)**	**40.027.097**	**1.446.673.823**	**(465.752.147)**	**(270.151)**	**171.866.392**	**1.016.959.255**	**152.970.598**	**2.581.125.002**	**696.997.365**	**3.278.122.367**
Transfer	-	-	-	-	-	-	-	-	-	152.970.598	(152.970.598)	-	-	-
Total comprehensive income	-	-	-	(479.067)	-	2.403.125.527	(486.480.691)	-	-	-	768.560.878	2.684.726.649	632.300.860	**3.317.027.509**
Gains/(losses) due to other changes (***)	-	-	32.956.277	-	-	-	-	-	-	(52.799.480)	-	(19.843.203)	-	**(19.843.203)**
Dividend paid (*)(**)	-	-	-	-	-	-	-	-	-	-	-	-	(91.729.777)	**(91.729.777)**
Balance on 31 December 2021	**194.529.076**	**62.052.856**	**-**	**(5.454.587)**	**40.027.097**	**3.849.799.350**	**(952.232.836)**	**(270.151)**	**171.866.392**	**1.117.130.373**	**768.560.878**	**5.246.008.448**	**1.237.568.448**	**6.483.576.896**
Balance on 1 January 2022	**194.529.076**	**62.052.856**	**-**	**(5.454.587)**	**40.027.097**	**3.849.799.350**	**(952.232.836)**	**(270.151)**	**171.866.392**	**1.117.130.373**	**768.560.878**	**5.246.008.448**	**1.237.568.448**	**6.483.576.896**
Transfer	-	-	-	-	-	-	-	-	236.967.433	531.593.445	(768.560.878)	-	-	-
Total comprehensive income	-	-	-	(53.426.354)	-	2.223.743.557	124.747	-	-	-	1.289.197.611	3.459.639.561	704.540.091	**4.164.179.652**
Increase / (decrease) due to other changes (***)	-	-	(527.789.084)	-	-	-	-	-	-	-	-	(527.789.084)	-	**(527.789.084)**
Subsidiary acquisition (****)	-	-	-	-	-	-	-	-	-	-	-	-	188.793.810	**188.793.810**
Dividend paid (**)	-	-	-	-	-	-	-	-	-	(160.000.000)	-	(160.000.000)	(122.445.870)	**(282.445.870)**
Balance on 31 December 2022	**194.529.076**	**62.052.856**	**(527.789.084)**	**(58.880.941)**	**40.027.097**	**6.073.542.907**	**(952.108.089)**	**(270.151)**	**408.833.825**	**1.488.723.818**	**1.289.197.611**	**8.017.858.925**	**2.008.456.479**	**10.026.315.404**

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

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

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

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

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 FLOW
FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Notes	1 January- 31 December 2022 USD (*)	1 January-31 December 2021 USD (*)	Audited 1 January- 31 December 2022	Audited 1 January- 31 December 2021
A.CASH FLOWS FROM (USED IN) / OPERATING ACTIVITIES		**58.904.468**	**54.670.936**	**941.128.468**	**485.771.396**
Profit for the period		94.456.326	96.306.381	1.509.147.612	855.717.662
Profit/(loss) for the period from continuing operations		*94.607.535*	*97.200.209*	*1.511.563.512*	*863.659.652*
Profit/(loss) from discontinuing operations		*(151.209)*	*(893.828)*	*(2.415.900)*	*(7.941.990)*
Adjustments to reconcile profit/(loss) for the period		**51.502.421**	**216.996.359**	**822.864.487**	**1.928.092.562**
Adjustments related to depreciation and amortization	*12, 13, 14*	38.234.896	39.391.956	610.886.573	350.012.038
Adjustments related to provisions for (reversal) of impairment		800.068	1.739.421	12.782.846	15.455.397
Adjustments related to provision for (reversal) of doubtful receivables	*8*	*(591.458)*	*992.930*	*(9.449.845)*	*8.822.547*
Adjustments related to provision for (reversal) of inventory allowances	*10*	*1.391.526*	*583.831*	*22.232.691*	*5.187.552*
Adjustments for impairment loss of property. plant and equipment		-	*162.660*	-	*1.445.298*
Adjustments related to provisions		*2.478.632*	*10.716.265*	*39.601.601*	*95.217.964*
Adjustments related to interest (income)/expense		*18.022.646*	*15.185.090*	*287.951.425*	*134.925.117*
Adjustments related to interest income	*24*	*(1.479.577)*	*(702.450)*	*(23.639.494)*	*(6.241.528)*
Adjustments related to interest expense	*25*	*18.638.611*	*14.971.976*	*297.792.810*	*133.031.524*
Adjustments related to unrealized finance expenses on credit purchases	*8*	*(955.731)*	*(929.112)*	*(15.269.909)*	*(8.255.502)*
Adjustments related to unrealized finance income on credit sales	*8*	*1.819.344*	*1.844.676*	*29.068.018*	*16.390.623*
Adjustments related to unrealized currency translation difference		456.757	115.678.537	7.297.703	1.027.846.230
Foreign exchange (gain) or loss(net)	25	(17.698.212)	(1.936.261)	(282.767.869)	(17.204.386)
Other finance (income)/expense(net)	25	2.108.186	1.731.715	33.682.916	15.386.920
Adjustments related to fair value changes		1.629.930	24.649.225	26.041.719	219.017.440
Adjustments related to fair value losses /(gains) of investment properties	*15*	1.180.759	(144.242)	*18.865.224*	*(1.281.645)*
Adjustments related to fair value losses /(gains) of derivatives	*25*	449.171	24.793.467	*7.176.495*	*220.299.085*
Adjustments related to tax (benefit)/expense	*26*	5.471.149	9.048.339	87.413.637	80.397.822
Adjustments related to losses /(gains) on disposal of non-current assets		111.285	439.070	1.778.025	3.901.296
Adjustments related to gains on disposal of tangible assets		*111.285*	*439.070*	*1.778.025*	*3.901.296*
Other		(112.916)	353.021	(1.804.089)	3.136.724
Changes in working capital		**(87.054.279)**	**(258.631.804)**	**(1.390.883.631)**	**(2.298.038.828)**
(Increase)/decrease in trade receivables		(2.999.094)	(169.441.830)	(47.917.117)	(1.505.553.062)
(Increase)/decrease in other receivables		(5.029.039)	(19.135.405)	(80.349.967)	(170.025.123)
(Increase)/decrease in inventories		(63.321.848)	(201.617.240)	(1.011.705.828)	(1.791.443.430)
(Increase) in prepaid expenses		(5.319.769)	(5.991.177)	(84.995.017)	(53.233.815)
Increase/(decrease) in trade payables		12.481.220	143.060.136	199.414.945	1.271.141.990
Increase(decrease) in retirement pay and employee benefit obligation		(485.646)	7.305.240	(7.759.266)	64.909.748
Increase/(decrease) in other payables		3.734.286	2.684.562	59.663.436	23.853.319
Decrease in deferred income		536.805	324.922	8.576.633	2.887.051
Other increase/(decrease) in working capital		(8.380.118)	(8.985.213)	(133.890.820)	(79.836.927)
Decrease/(increase) in other assets from operating activities		*(9.639.442)*	*(20.332.122)*	*(154.011.292)*	*(180.658.391)*
Increase/(decrease) in other liabilities from operating activities		*1.259.324*	*11.346.909*	*20.120.472*	*100.821.464*
Payments related to the provision of employee benefits	*18*	(1.391.126)	(1.404.426)	(22.226.300)	(12.478.843)
Income tax returns/(payments)		(17.470.287)	(9.886.871)	(279.126.265)	(87.848.489)
Net cash flows related from discontinued operations		590.337	4.455.499	9.431.935	39.588.753
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(87.964.974)**	**(30.871.584)**	**(1.405.433.989)**	**(274.305.390)**
Proceeds from sales of property. plant and equipment		452.566	2.854.004	7.230.740	25.358.874
Acquisition of sales of property. plant and equipment and intangible assets	*12. 13*	(55.612.545)	(28.519.776)	(888.532.754)	(253.408.715)
Securities Purchase		(3.643.096)	-	(58.206.477)	-
Acquisition of subsidiary and/or associates or cash outflow for capital increase of subsidiaries		(30.641.476)	(5.908.261)	(489.564.992)	(52.497.077)
Interest received	*24*	1.479.577	702.450	23.639.494	6.241.528
C. CASH FLOWS FROM FINANCING ACTIVITIES		**58.765.486**	**(63.005.089)**	**938.907.923**	**(559.823.418)**
Proceeds from borrowings	*7*	562.429.859	253.808.822	8.986.054.342	2.255.184.854
Cash inflows /(outflows) from borrowing transactions	*7*	(452.092.451)	(290.713.752)	(7.223.171.508)	(2.583.098.747)
Cash outflows for financial lease liabilities	7	(1.062.237)	(2.175.009)	(16.971.579)	(19.325.754)
Dividend paid	*20*	(10.014.270)	-	(160.000.000)	-
Interest paid		(16.546.961)	13.601.461	(264.374.111)	120.853.994
Cash outflows from derivatives (net)		(16.284.665)	-	(260.183.351)	-
Cash outflow for dividends paid to non-controlling interest and other financial instruments		(7.663.788)	(10.323.689)	(122.445.870)	(91.729.777)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)		**29.704.980**	**(39.205.737)**	**474.602.403**	**(348.357.412)**
D.IMPACT OF THE CURRENCY TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENT		**-**	**10.497.024**	**129.820.550**	**93.269.921**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	*5*	**21.924.279**	**50.632.993**	**194.805.294**	**449.892.785**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	*5*	**51.629.259**	**21.924.279**	**799.228.246**	**194.805.294**

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

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

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

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

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

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

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

Kordsa is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded in Borsa Istanbul ("BIST") since 1986. As of 31 December 2022, 28,89% of the Company's shares are listed on BIST. As of the same date, the shareholders owning the Company's shares and the percentage of the shares are as follows:

Shareholder Structure	**Shareholding %**	
	31 December 2022	**31 December 2021**
Sabancı Holding A.Ş.	71,11	71,11
Other	28,89	28,89
	100,00	**100,00**

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

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

The address of the registered office is as follows:

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

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

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

Subsidiaries

Geographical divisions in which the subsidiaries that are consolidated in the consolidated financial statements as at 31 December 2022 and 31 December 2021 in accordance with the operating country and segment reporting purpose are as follows:

31 December 2022

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

31 December 2021

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

(*) The Company's shares are traded on the Indonesia Stock Exchange ("IDX").
(**) According to the Group's Board of Directors, decision numbered 2015/29 dated 31 December 2015, Group's shares amounting to %51, Nile Kordsa Company for Industrial Fabrics S.A.E. %51 of rates, has been classified as "Assets Held for sale" in the consolidated statement of financial position as of 31 December 2015.
(***) Kordsa Inc., a subsidiary of the Group and a resident of the USA, owns 60% of Microtex company operating in Italy, which provides carbon fiber weaving and prepreg mainly to the luxury automotive industry and motorsports in Europe completed the purchase.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

The consolidated financial statements are presented in accordance with the TFRS Taxonomy Announcement and Financial Statements Example and User Guide published by CMB on 15 April 2019.

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

Approval of the Financial Statements

These consolidated financial statements have been approved to be issued during the meeting of the Board of Directors held on 23 February 2023, and have been signed by the General Manager İbrahim Yıldırım and Chief Finance Officer Volkan Özkan on behalf of the Board of Directors. General Assembly and related regulatory authorities have the right to make changes to these consolidated financial statements.

Functional and Presentation Currency

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

Conversion to presentation currency

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

a. Assets in the balance sheet are translated into TL using the USD buy exchange rate announced by the Central Bank of the Republic of Turkey and the liabilities are converted into TL using the foreign exchange selling rate. The capital account of the company is shown over the nominal capital amount, all other equity items are kept at their historical TL values and all differences are accounted for in the foreign currency translation differences account.

b. The profit or loss and other comprehensive income statement are translated into TL using the monthly average exchange rates.

c. All the resulting exchange differences are presented as a separate component of equity under the name of translation differences.

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

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

2.1 Basis of Presentation (continued)

Adjustment of Financial Statements in High Inflation Periods

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

Basis of Consolidation

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

Subsidiaries	**Direct and indirect ownership interest by the Group and its subsidiaries (%)**	**Proportion of effective interest (%)**
Nile Kordsa Company SAE	51,00	51,00
Kordsa Inc.	100,00	100,00
Fabric Development Inc.	100,00	100,00
Textile Products Inc.	100,00	100,00
Advanced Honeycomb Technologies Corporation	100,00	100,00
Axiom Materials Acquisition LLC	100,00	100,00
Kordsa Brasil S.A.	97,31	97,31
Microtex Composites S.r.l.	60,00	60,00
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

(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)

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

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

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

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

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

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

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

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

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

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

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

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

2.1 Basis of Presentation (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

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

There is no change in accounting policies while preparing the consolidated financial statements as of 31 December 2022.

2.3 Changes in Accounting Estimates and Errors

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

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

2.4 New and Revised Turkish Accounting Standards

Standards issued but not yet effective and not early adopted as of 31 December 2022

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

TFRS 17 Insurance Contracts

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

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

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

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

i. when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or

ii. an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2023. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

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

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

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

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

Definition of Accounting Estimates (Amendments to TAS 8)

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

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

Developing an accounting estimate includes both:

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

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

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

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

Disclosure of Accounting Policies (Amendments to TAS 1)

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

The key amendments to TAS 1 include:

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

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

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

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

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

The amendments confirm the following:

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

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

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

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

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

Amendments are effective on 1 January 2022

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

1- Annual Improvements to TFRS Standards 2018–2020 -Amendment to TFRS 1 First-time Adoption of International Financial Reporting Standards, TFRS 9 Financial Instruments, TAS 41 Agriculture
2- Reference to the Conceptual Framework – Amendments to TFRS 3 Business Combinations
3- Property, Plant and Equipment – Proceeds before Intended Use: Amendments to TAS 16 Property, Plant and Equipment
4- Onerous Contracts – Cost of Fulfilling a Contract: Amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets

These newly adopted amendments to standards have not been a significant impact on the consolidated financial statements of the Group.

2.5 Summary of Significant Accounting Policies

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

a) Revenue

<u>The general model for accounting of revenue</u>

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

Step 1: Identify the contract

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

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

Step 2: Identify the performance obligations

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

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

b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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

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

2.5 Summary of Significant Accounting Policies (continued)

a) Revenue (continued)

Step 3: Determine the transaction price

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

Significant financing component

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. A significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer.

Step 4: Allocate the transaction price

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

Step 5: Recognize revenue

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

- Customer simultaneously receives and consumes the benefits as the entity performs, or

- Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or

- Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

a) Revenue (continued)

<u>Contract modifications</u>

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

b) Inventories

Inventories are valued based on the lower of acquisition cost or net realizable value. The cost of inventories includes all acquisition costs, conversion costs, and other costs incurred in bringing the inventories to their current state and location. The unit cost of inventories is determined on the moving weighted average basis (Note 10). The net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in the statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down. In line with the purpose of their use spare parts are reclassified under other non-current assets.

c) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment if any (Note 12). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economically useful lives of such assets, are as follows:

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

d) Intangible assets

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

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

The estimated useful lives of these assets are as follows:

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

Internally generated intangible assets – research and development expenses

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

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

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

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

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

Derecognition of intangible assets

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments

i) Recognition and measurement

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

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

ii) Classification and subsequent measurement

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

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

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

Financial assets- Business model assessment

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

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

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

A prepayment feature is consistent with the 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 meet the sole payments of principal and interest criteria. It is managed in accordance with the business model based on a collection of these receivables.

ii) Classification and subsequent measurement (continued)

<u>*Financial assets- Subsequent measurement and gains and losses*</u>

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

Financial liabilities - Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortized cost and at FVTPL. If a financial liability meets the definition of held for trading, it is classified as FVTPL. A financial liability is classified as a financial liability held for trading if it is a derivative instrument or if it is defined in this way at the time of first registration. Financial liabilities, whose fair value is reflected in profit or loss, are measured at their fair value and net gains and losses, including interest income, are recognized in profit or loss. Following their initial recording, other financial liabilities are measured by deducting impairments over the amortized cost values of future principal and interest cash flows at effective interest rates. Interest expenses and exchange differences are recognized in profit or loss. 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.

iii) Derecognition

Financial assets

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

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

Financial liability

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

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

iv) Offsetting

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

v) Derivative financial instruments and hedge accounting

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

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

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

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

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

Hedge accounting- cash flow hedge

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

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

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

The amount accumulated in the hedge reserve and the cost of hedging are included directly in the initial cost of the non-financial asset or liability if a hedged transaction results in a non-financial asset or liability which is subsequently recognized in the financial statements.

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

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

2.5 Summary of Significant Accounting Policies (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 as profit or loss.

f) Impairment of assets

i. Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost

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

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

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

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

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

Measurement of ECL

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets (continued)

i. Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

Credit-impaired financial assets

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

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

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

Presentation of impairment in the statement of financial position

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

Write-off

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

g) Borrowing costs

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

h) Business combinations

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

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

2.5 Summary of Significant Accounting Policies (continued)

h) Business combinations (continued)

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

h) Business combinations (continued)

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

i) Goodwill

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

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

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

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

j) Due date income / (charges)

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

k) Provisions, contingent assets and liabilities

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

l) Impairment of non-financial assets

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

Intangible assets with indefinite useful lives such as goodwill are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher fair value fewer 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 the inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a certain period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.

b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.

c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use, and

d) the Group has the right to direct use of the asset. The Group concludes to have the right of use when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:

i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;

ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

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

2.5 Summary of Significant Accounting Policies (continued)

m) Leases transactions (continued)

The Group – as a lessee (continued)

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

Right of use asset

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

a) amount of the initial measurement of the lease liability;

b) any lease payments made at or before the commencement date, less any lease incentives received;

c) any initial direct costs incurred by the Group; and

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

a) less any accumulated depreciation and any accumulated impairment losses; and

b) adjusted for any remeasurement of the lease liability.

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

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

Lease Liability

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

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

a) fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

b) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

c) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

a) increasing the carrying amount to reflect interest on the lease liability;

b) reducing the carrying amount to reflect the lease payments made; and

c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

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

2.5 Summary of Significant Accounting Policies (continued)

l) Leases transactions (continued)

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

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

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.

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)

Short-term leases and low-value leases

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

The Group – as a lessor

All the 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 for in the consolidated profit or loss in equal amounts for the leasing period. Rental income is accounted for in the consolidated profit or loss for the leasing period on a straight-line basis.

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

n) Provision for post-employment benefits

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

In determining the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the Group attributes benefit on a straight-line basis from the date when service by the employee first leads to benefits under the plan until the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases (Note 18).

o) Government grants

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

p) Equity items

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

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

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

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

In the restatement of shareholders' equity items added to share capital, the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 20).

r) Taxes on income

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

r) Taxes on income (continued)

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

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

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

Current and deferred tax for the period

Current tax and deferred tax for the period, excluding those that are associated with items that are directly accounted as receivables or debts in equity or arising from the initial registration of business combinations, are accounted as expenses or income in the statement of profit or loss. In business combinations, in the calculation of goodwill or in determining the portion exceeding the purchase cost of the share acquired by the purchaser in the fair value of the identifiable assets, liabilities and contingent liabilities of the purchased subsidiary, the tax effect is taken into consideration.

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

Tax risk

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

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

2.5 Summary of Significant Accounting Policies (continued)

s) Effect of changes in foreign exchange rates

Foreign Currency Transactions and Balances

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

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

• Exchange differences related to assets under construction for future use and included in the cost of such assets, treated as an adjustment to interest costs on foreign currency denominated liabilities,

• Exchange differences arising from transactions carried out to provide financial hedging against foreign currency risks (accounting policies for financial hedging are explained below),

• Exchange differences arising from monetary debts and receivables from foreign operations that form part of the net investment in foreign operations, recognized in translation reserves and attributed to profit or loss on the sale of the net investment.

Financial Statements of Foreign Subsidiaries

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

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

2.5 Summary of Significant Accounting Policies (continued)

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 a 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 a related party of the reporting entity when the following criteria are met:

   (i) If the entity and the reporting entity are within the same group. (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others).
   (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 is a joint venture of a third party while the other entity is a subsidiary of this third party.
   (v) If an entity has plans of post-employment benefits for employees of reporting entity or a related party of a reporting entity. If the reporting entity has its plans, sponsor employers are also considered related parties.
   (vi) If the entity is controlled or jointly controlled by an individual defined in article (a).
   (vii) If an individual defined in clause (i) of the article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity).

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration. For these consolidated financial statements, shareholders of Hacı Ömer Sabancı Holding A.Ş. Group Companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties The Group determined its top management as the board of directors, the president (CEO) and vice presidents, and the general managers of the subsidiaries (Note 28).

u) Earnings per share

Earnings per share are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly, the weighted average number of shares used in earnings per share computations is derived by giving retrospective effect to the issuances of the shares without consideration (Note 27).

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

2.5 Summary of Significant Accounting Policies (continued)

v) Statement of cash flows

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

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

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

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

y) Share premium

Share premium represents the difference between the nominal value of the Group’s shares and the net proceeds from the offering of the Group’s shares to the public (Note 20).

z) Investment property

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

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

Transfers are made when there is a change in the use of investment properties. When the use of a property change such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, Plant and Equipment” up to the date of use change (Note 15).

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

aa) Segment reporting

The Group has four operating segments, which include the information used by the management to evaluate their performance and decide on resource allocation. These segments are managed separately, as they are affected by different economic situations and different geographic locations in terms of risk and return. Group management has determined the operating profit as the most appropriate method while evaluating the performance of the segments (Note 4).

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

2.5 Summary of Significant Accounting Policies (continued)

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

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

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

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

ac) Events after reporting period

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

2.6 Critical accounting estimates and assumptions

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

a) Impairment test of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in Note 2.5. The recoverable amount of cash-generating units have been determined based on value-in-use calculations. These value-in-use calculations include the discounted after-tax cash flow projections, and these projections are based on USD financial budgets approved by KordsaManagement covering ten years.

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

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

As at 31 December 2022, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions.

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

2.6 Critical accounting estimates and assumptions (continued)

b) Net realisable value

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

c) Useful lives of tangible and intangible assets

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

d) Provisions

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

e) Deferred tax

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences at Kordsa Brazil, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether all or a portion of the deferred tax assets will probably be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, the Group believes that taxable profit will not be available sufficiently to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized. The Group recognized deferred tax assets for Kordsa Türkiye's operating loss carry-forwards The Group has not recognized deferred tax assets for Kordsa Brazil's operating loss carry-forwards because it is not apparent that taxable profit will be available sufficiently to recognize deferred tax assets. According to Brazilian tax legislation, there is no time limit for carrying forward operating losses. However, the maximum deductible balance is limited to 30% of total taxable income for the related year. If future results of operations exceed the Group's current expectations, the existing unrecognized deferred tax assets may be recognized, resulting in future tax benefits.

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

2.6 Critical accounting estimates and assumptions (continued)

f) Internally-generated intangible assets

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

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

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

NOTE 3 – BUSINESS COMBINATIONS

3.1 Microtex Composites S.r.l. purchase

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

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

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

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

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

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

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

NOTE 4 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External revenue

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

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

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

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

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

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

NOTE 4 - SEGMENT REPORTING (continued)

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

	Europe, Middle East and Africa(**)	North America	South America	Asia	Elimination (*)	Total
External revenue	6.329.635.523	5.308.971.587	1.982.887.669	4.818.249.128	-	18.439.743.907
Intersegment revenue	443.485.267	2.014.440.089	624.702	426.596.309	(2.885.146.367)	-
Revenue	6.773.120.790	7.323.411.677	1.983.512.370	5.244.845.437	(2.885.146.367)	18.439.743.907
Segment operating expenses	(6.139.344.659)	(7.188.169.936)	(1.846.520.035)	(4.569.089.398)	2.953.441.288	(16.789.682.740)
Segment operating results	633.776.131	135.241.741	136.992.336	675.756.039	68.294.920	1.650.061.167
Operating profit	**633.776.131**	**135.241.741**	**136.992.336**	**675.756.039**	**68.294.920**	**1.650.061.167**

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

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

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

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

f) Capital expenditure	1 January – 31 December 2022	1 January – 31 December 2021
Europe, Middle East and Africa	424.379.094	113.150.485
North America	306.485.230	81.419.294
South America	22.188.674	7.929.089
Asia	135.479.756	50.909.847
	888.532.754	**253.408.715**

g) Depreciation and amortization expense	1 January – 31 December 2022	1 January – 31 December 2021
Europe, Middle East and Africa	103.928.925	70.833.540
North America	300.008.498	155.739.524
South America	31.761.203	17.762.589
Asia	175.187.947	105.676.385
	610.886.573	**350.012.038**

h) Provision/(reversal) for doubtful receivables	1 January – 31 December 2022	1 January – 31 December 2021
South America	513.519	34.138
Europe, Middle East and Africa	60.938	4.516.290
North America	(10.024.302)	4.272.119
	(9.449.845)	**8.822.547**

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

NOTE 4 - SEGMENT REPORTING (continued)

i) Provision/ (reversal) for inventory obsolescence	**1 January – 31 December 2022**	**1 January – 31 December 2021**
Europe, Middle East and Africa	7.173.592	4.429.015
North America	15.402.247	2.587.033
South America	(1.073.815)	(6.423.680)
Asia	730.667	4.595.184
	22.232.691	**5.187.552**

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

a) External revenue	**1 Ocak – 31 Aralık 2022**	**1 Ocak – 31 Aralık 2021**
Industrial Yarn and Cord Fabric	15.396.331.917	6.787.247.023
Advanced Composite Materials	2.086.792.100	773.582.758
Other	956.619.890	330.801.782
	18.439.743.907	**7.891.054.563**

b) Capital expenditures	**1 Ocak – 31 Aralık 2022**	**1 Ocak – 31 Aralık 2021**
Industrial Yarn and Cord Fabric	631.166.035	154.100.666
Advanced Composite Materials	111.090.017	53.715.426
Other	146.276.702	45.592.623
	888.532.754	**253.408.715**

NOTE 5 – CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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

NOTE 6 – FINANCIAL INVESTMENTS

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

Detail of the common stocks are as follows:

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

NOTE 7 – BORROWINGS

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

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

NOTE 7 – BORROWINGS (continued)

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

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

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

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

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

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

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

NOTE 7 – BORROWINGS (continued)

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

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

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

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

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

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES

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

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

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

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES (continued)

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

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

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

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

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

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

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

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

NOTE 9 – OTHER RECEIVABLES AND OTHER PAYABLES

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

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

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

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

Other short-term payables	**31 December 2022**	**31 December 2021**
Taxes and duties payable	69.777.473	63.487.242
Other	11.816.651	-
	81.594.124	**63.487.242**

Other long-term payables	**31 December 2022**	**31 December 2021**
Taxes and duties payable (***)	42.757.696	6.373.587
	42.757.696	**6.373.587**

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

NOTE 10 – INVENTORIES

	31 December 2022	**31 December 2021**
Finished Goods	2.109.464.542	975.096.958
Raw materials and suppliers	2.305.202.178	1.458.531.806
Semi-finished goods	202.550.585	262.713.647
Spare parts	206.372.217	117.592.102
Intermediate goods	687.239.826	134.711.314
Other inventories	103.018.881	104.414.189
	5.613.848.229	**3.053.060.016**
Less: Provision for obsolescence	(116.576.248)	(64.279.766)
	5.497.271.981	**2.988.780.250**

The allocation of the impairment of inventories for the years ended 31 December 2022 and 2021 are as follows:

	31 December 2022	**31 December 2021**
Finished goods	23.301.091	19.379.222
Spare parts	53.124.649	33.388.599
Semi-finished and intermediate goods	4.185.205	2.038.172
Other inventories	28.728.413	9.326.767
Raw materials and suppliers	7.236.890	147.006
Balance on 31 December	**116.576.248**	**64.279.766**

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

NOTE 10 – INVENTORIES (continued)

Movement schedules for impairment of inventories for the years ended 31 December 2022 and 2021 are as follows:

	1 January-31 December 2022	**1 January-31 December 2021**
Balance on 1 January	**64.279.766**	36.303.991
Additions	29.091.742	6.269.659
Reversals	(6.859.051)	(1.082.107)
Currency translation differences	30.063.791	22.788.223
Balance on 31 December	**116.576.248**	**64.279.766**

The amount of provision for impairment of inventory charged to the cost of goods sold for the year 2022 is TL 22.232.691 (2021: TL 5.187.552).

NOTE 11 – PREPAYMENTS AND DEFERRED INCOME

Short-term prepaid expenses	**31 December 2022**	**31 December 2021**
Prepaid expenses	135.696.423	49.294.992
Advance expenses	63.241.082	47.357.207
Other prepaid expenses	4.540.817	4.002.506
	203.478.322	**100.654.705**

Long-term prepaid expenses	**31 December 2022**	**31 December 2021**
Advances given	42.872.540	4.843.384
Other prepaid expenses	12.690.504	1.380.725
	55.563.044	**6.224.109**

Deferred revenue	**31 December 2022**	**31 December 2021**
Deferred revenue (*)	16.753.488	18.797.992
	16.753.488	**18.797.992**

(*) Deferred revenue comprises advances received from customers.

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended 31 December 2022 is as follows:

	1 January 2022	Additions	Disposals	Transfers	Acquisition of Subsidiary(**)	Currency translation differences	31 December 2022
Cost:							
Land and land improvements	171.833.973	12.363.202	-	-	-	68.900.981	253.098.156
Buildings	1.236.777.638	9.847.710	-	25.645.057	-	499.148.980	1.771.419.385
Machinery and equipment	6.446.687.486	138.651.998	(16.042.637)	111.189.877	102.452.300	2.684.610.391	9.467.549.415
Motor vehicles	6.435.329	254.286	(1.025.032)	-	-	2.539.993	8.204.576
Furniture and fixtures	218.707.451	1.959.286	(1.292.712)	10.899.860	6.323.637	96.873.349	333.470.871
Construction in progress	175.413.174	711.341.754	(6.479.240)	(187.444.550)	-	160.218.778	853.049.916
	8.255.855.051	**874.418.236**	**(24.839.621)**	**(39.709.756)**	**108.775.937**	**3.512.292.472**	**12.686.792.319**
Accumulated depreciation:							
Land improvements	36.590.096	1.536.536	-	-	-	15.070.734	53.197.366
Buildings	634.023.961	41.007.625	-	-	-	259.058.232	934.089.818
Machinery and equipment	3.626.704.011	385.724.906	(14.021.792)	-	45.136.769	1.550.113.222	5.593.657.116
Motor vehicles	2.568.773	296.810	(1.025.032)	-	-	973.732	2.814.283
Furniture and fixtures	170.710.995	21.539.222	(784.032)	-	2.005.342	75.996.575	269.468.102
	4.470.597.836	**450.105.099**	**(15.830.856)**	**-**	**47.142.111**	**1.901.212.495**	**6.853.226.685**
Net book value	**3.785.257.215**						**5.833.565.634**

(*) In the twelve months ended 31 December 2022, TL 39.709.756 has been transferred to other intangible assets.
(**) The net effect of TL 61.633.826 resulting from the acquisition of Microtex.

TL 470.985.529 (31 December 2021: 280.106.423 TL) of depreciation and amortization expenses related to tangible fixed assets, intangible assets and asset usage rights in the current period is to cost of goods sold, TL 3.156.819 (31 December 2021: 5.436.721 TL) to research and development expenses, 133.134.499 TL (31 December 2021: 64.468.894 TL) to general administrative expenses,- and 3.609.726 TL (31 December 2021: - TL) to marketing, sales and distribution expenses.

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)

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

	1 January 2021	Additions	Disposals	Transfers	Impairment	Currency translation differences	31 December 2021
Cost:							
Land and land improvements	117.423.876	1.082.335	-	41.500	-	53.286.262	171.833.973
Buildings	805.435.210	2.598.832	(1.590.784)	5.762.938	-	424.571.442	1.236.777.638
Machinery and equipment	4.044.504.360	55.442.262	(191.131.466)	160.591.214	(1.445.298)	2.378.726.414	6.446.687.486
Motor vehicles	3.932.952	-	(434.321)	323.781	-	2.612.917	6.435.329
Furniture and fixtures	146.616.048	972.601	(26.007.672)	14.157.771	-	82.968.703	218.707.451
Construction in progress	148.650.440	191.197.208	-	(206.975.825)	-	42.541.351	175.413.174
	5.266.562.886	**251.293.238**	**(219.164.243)**	**(26.098.621)**	**(1.445.298)**	**2.984.707.090**	**8.255.855.051**
Accumulated depreciation:							
Land improvements	24.962.988	2.891.258	-	-	-	8.735.850	36.590.096
Buildings	403.245.297	23.162.117	(1.187.288)	-	-	208.803.835	634.023.961
Machinery and equipment	2.252.913.112	216.123.236	(163.768.727)	-	-	1.321.436.390	3.626.704.011
Motor vehicles	1.935.761	653.844	(338.655)	76.676	-	241.147	2.568.773
Furniture and fixtures	111.515.748	15.565.551	(25.856.995)		-	69.486.691	170.710.995
	2.794.572.906	**258.396.006**	**(191.151.665)**	**76.676**	**-**	**1.608.703.913**	**4.470.597.836**
Net book value	**2.471.989.980**						**3.785.257.215**

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

NOTE 13 – INTANGIBLE ASSETS

	1 January 2022	Additions	Disposals	Transfers	Acquisition of Subsidiary(**)	Currency translation differences	31 December 2022
Cost:							
Rights	44.028.408	1.526.617	-	-	14.002.292	19.452.536	79.009.853
Technology licences	195.617.354	-	(14.242.636)	-	32.483.613	77.416.982	291.275.313
Capitalized development costs	99.213.650	-	-	37.354.215	-	46.327.809	182.895.674
Computer software	48.078.389	12.587.901	(4.874.919)	582.180	-	20.510.163	76.883.714
Customer relationships	1.035.789.621	-	-	-	220.227.884	426.603.152	1.682.620.657
Trademarks	323.981.491	-	-	-	64.233.132	133.350.662	521.565.285
Other intangible assets	57.526.170	-	-	1.773.361	-	23.475.203	82.774.734
	1.804.235.083	**14.114.518**	**(19.117.555)**	**39.709.756**	**330.946.921**	**747.136.507**	**2.917.025.230**
Accumulated Depreciation							
Rights	18.827.438	4.777.161	-	-	4.412.448	10.805.969	38.823.016
Technology licences	79.117.316	25.156.322	(14.242.636)	-	-	33.237.389	123.268.391
Capitalized development costs	44.825.151	23.045.134	-	-	-	21.981.609	89.851.894
Computer software	53.175.928	4.585.086	(4.874.919)	-	-	23.385.084	76.271.179
Customer relationships	130.550.131	61.076.441	-	-	-	62.991.115	254.617.687
Trademarks	-	700.922	-	-	-	231.749	932.671
Other intangible assets	25.475.761	1.552.858	-	-	-	9.222.703	36.251.322
	351.971.725	**120.893.924**	**(19.117.555)**	**-**	**4.412.448**	**161.855.618**	**620.016.160**
Net book value	**1.452.263.358**						**2.297.009.070**

(*) Net TL 326.534.472 resulting from the acquisition of Microtex is shown as the effect.

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

NOTE 13 – INTANGIBLE ASSETS (continued)

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

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

NOTE 14 – RIGHT OF USE ASSETS

	1 January 2022	Addition	Disposals	Transfer	Acquisition of Subsidiary(*)	Currency translation differences	31 December 2022
Cost							
Properties	270.654.717	74.391.144	-	(2.477.069)	73.553.856	127.213.038	543.335.686
Fixtures	459.062	-	-	(4.214.289)	-	3.891.986	136.759
Vehicles	16.110.793	30.213.277	(1.825.173)	(2.434.941)	-	16.327.113	58.391.069
Other	15.074.944	8.928.338	-	9.126.299	-	7.119.612	40.249.193
	302.299.516	**113.532.759**	**(1.825.173)**	**-**	**73.553.856**	**154.551.749**	**642.112.707**
Accumulated depreciation							
Properties	47.565.091	24.771.083	-	(1.810.305)	-	26.186.644	96.712.513
Fixtures	323.618	66.536	-	(533.806)	-	604.846	461.194
Vehicles	12.938.314	8.839.401	(1.825.173)	1.029.684	-	2.539.010	23.521.236
Other	8.472.347	6.210.530	-	1.314.427	-	4.007.224	20.004.528
	69.299.370	**39.887.550**	**(1.825.173)**	**-**	**-**	**33.337.724**	**140.699.471**
Net book value	**233.000.146**						**501.413.236**

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

(*) Net TL 73.553.856 resulting from the acquisition of Microtex is shown as the effect.

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

NOTE 15 – INVESTMENT PROPERTIES

	31 December 2022	31 December 2021
Balance on 1 January	**319.699.817**	**175.005.149**
Gain / (loss) from fair value adjusments (Note24) (*)	(18.865.224)	1.281.645
Currency translation differences	125.571.289	143.413.023
Balance on 31 December	**426.405.882**	**319.699.817**

(*) As of 31 December 2022 and 2021, the fair value of the Group's investment property in PT Indo Kordsa Company in the Asia Pacific Region has been revalued by independent experts who are not related to the Group and have appropriate qualifications and recent experience in the valuation of properties. The estimated fair values of lands owned have been determined by taking reference of the market transaction prices of similar properties. When determining the fair values of the lands the highest value in use has been considered. In the current period, no different valuation methodology is performed. As of 31 December 2022, the fair value hierarchy level of investment properties measured by the revaluation method is 2.

NOTE 16 – GOODWILL

The goodwill by amount of USD 134.508.928 (2021: USD 123.002.910) as of 31 December 2022 consisted of USD 3.193.789 (2021: USD 3.193.789), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş on 30 September 1999, USD 226.961 (2021: USD 226.961), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006, respectively USD 9.656.000 (2021: USD 9.656.000) and USD 19.893.604 (2021: USD 19.893.604) which accrued in consequence of the acquisition of the Fabric Development Inc. ("FDI") and Textile Products, Inc.("TPI") on 13 July 2018, USD 1.268.000 (2021: USD 1.268.000) accrued in consequence of the acquisition of the Advanced Honeycomb Technologies Corporation ("AHT") on 1 October 2018 and USD 88.764.556 (2021: USD 88.764.556) which accrued in consequence of the acquisition of the Axiom Materials Acquisition ("Axiom") on 23 July 2019and USD 11.506.020 (31 December 2021: None.) consists of Microtex acquisition.

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

	31 December 2022	31 December 2021
Balance on 1 January	**1.639.505.779**	**923.388.013**
Acquisitions during the year (Note 3)	**206.374.277**	**-**
Microtex	*206.374.277*	**-**
Currency translation difference	669.208.232	716.117.766
Balance on 31 December	**2.515.088.288**	**1.639.505.779**

As disclosed in Note 2.6 in detail, there is no change in the book value of the goodwill after assessment for the impairment, which is TL 2.515.088.288 and TL 1.639.505.779 for the year ended as of 31 December 2022 and 2021 respectively.

The cash-generating unit value has been tested for the sensitivity of cash flows to the weighted average cost of capital ("WACC") of +1%/-1% and growth rate together(31 December 2021: +1%/-1%). As a result of the impairment test, it has been determined that there is no impairment in the cash-generating unit value.

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

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

a) Guarantees given	**31 December 2022**	**31 December 2021**
Pledges given to banks	430.111.866	598.989.671
Securities (*)	1.308.881.004	1.451.380.001
Letter of credits	458.554.055	129.824.530
Letter of guarantees	397.949.890	379.037.448
Commitments	1.073.780	648.983
	2.596.570.595	**2.559.880.633**

(*) Kordsa Teknik Tekstil A.Ş. has participated in Kordsa Inc.'s loans amounting to USD 7.777.778 (TL 145.431.226) as of 13 July 2018 and USD 62.222.222 (TL 1.163.449.778) as of 17 July 2019 as joint guarantor.

b) Guarantees received	**31 December 2022**	**31 December 2021**
Letter of guarantees	44.797.956	9.780.586
Cheques and notes received as collateral	331.350	31.350
	45.129.306	**9.811.936**

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

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (continued)

31 December 2022	TL Equivalent	TL	USD	EUR	Thai Baht	TL Equivalent
A. Total amount of GPMs given in the name of its legal entity	1.287.689.591	119.020.392	41.882.814	10.711.400	140.328.493	103.301.056
B. Total amount of GPMs given on behalf of subsidiaries consolidated in full	1.308.881.004	-	70.000.000	-	-	-
C. GPM given fo ther continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-	-
i. Total amount of GPM given on behalf of the majority shareholders	-	-	-	-	-	-
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	-	-	-	-	-	-
iii. Total amount of GPM given to on behalf of third parties which are not in the scope of clause C	-	-	-	-	-	-
E. Total amount of GPMs given in the name of its own legal entity	-	-	-	-	-	-
F. Total amount of GPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-
G. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
H. Total amount of other GPM	-	-	-	-	-	-
iv. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-	-
	2.596.570.595	**119.020.392**	**111.882.814**	**10.711.400**	**140.328.493**	**103.301.056**

31 December 2021	TL Equivalent	TL	USD	EUR	Thai Baht	TL Equivalent
A. Total amount of GPMs given in the name of its own legal entity	1.108.500.632	42.732.408	58.923.297	18.511.135	1.827.200	378.911
B. Total amount of GPMs given on behalf of subsidiaries consolidated in full	1.451.380.001	-	108.888.889	-	-	-
C. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-	-
i. Total amount of GPM given on behalf of the majority shareholders	-	-	-	-	-	-
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	-	-	-	-	-	-
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	-	-	-	-	-	-
E. Total amount of GPMs given in the name of its own legal entity	-	-	-	-	-	-
F. Total amount of GPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-
G. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
H. Total amount of other GPM	-	-	-	-	-	-
iv. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-	-
	2.559.880.633	**42.732.408**	**167.812.186**	**18.511.135**	**1.827.200**	**378.911**

(*) Group equity ratio to other GPM given by the Group is 0 % as of 31 December 2022 (31 December 2021: 0%).

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

NOTE 18 – SHORT TERM PROVISIONS

Short-term provisions for employee benefits	**31 December 2022**	**31 December 2021**
Provision for unused vacation	65.461.747	40.432.271
Provision for bonus accrual	86.757.373	71.735.707
Provision for capital contribution plan (*)	13.746.231	13.553.748
	165.965.351	**125.721.726**

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

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

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

	1 January- 31 December 2022	**1 January- 31 December 2021**
Balance on 1 January	40.432.271	15.953.189
Increase during the year	10.643.753	4.305.342
Decrease during the year	(3.820.331)	(1.538.239)
Currency translation differences	18.206.054	21.711.979
Balance on 31 December	**65.461.747**	**40.432.271**

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Long-term provisions for employee benefits	**31 December 2022**	**31 December 2021**
Provision for employment termination benefits (*)	256.985.439	85.925.990
Accruals for employee retirement benefit plans (**)	83.248.961	67.890.797
	340.234.400	**153.816.787**

(*) Provision for employment termination benefits

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

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

As at 31 December 2022 the amount payable consists of one month's salary limited to a maximum of TL 15.371,40 (31 December 2021: TL 8.284,51) for each year of service.

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

NOTE 18 – SHORT TERM PROVISIONS (continued)

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

	2022	2021
Discount rate (%)	0,5	3,91
The probability of retirement (%)	95,79	95,86

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 19,982.83 (1 January 2021: TL 10.848,59), which is effective from 1 January 2022, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

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

	1 January- 31 December 2022	1 January- 31 December 2021
Balance on 1 January	**85.925.990**	**63.177.753**
Increase during the year	50.064.398	26.050.784
Payment during the year	(7.753.139)	(3.302.547)
Actuarial (gain)/loss	66.130.475	-
Currency translation differences	62.617.715	-
Balance on 31 December	**256.985.439**	**85.925.990**

(**) Provision for employee retirement benefits plans:

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

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

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

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

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

NOTE 18 – SHORT TERM PROVISONS (continued)

The movement schedule of provision for employee retirement benefit plans is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Balance on 1 January	67.890.797	43.794.659
Addition during the year	1.119.750	(169.971)
Payment during the year	(10.652.830)	(7.638.058)
Actuarial (gain)/loss	1.086.520	1.474.434
Currency translation differences	23.804.724	30.429.733
Balance on 31 December	**83.248.961**	**67.890.797**

Employee benefit obligations	**31 December 2022**	**31 December 2021**
Wage accruals	7.382.099	12.038.926
Due to personnel	30.013.122	8.807.447
	37.395.221	**20.846.373**

Other Short Term Provision	**31 December 2022**	**31 December 2021**
Lawsuit provision	38.679.055	35.806.277
	38.679.055	**35.806.277**

NOTE 19 – OTHER ASSETS AND LIABILITIES

Other current assets	**31 December 2022**	**31 December 2021**
Deferred VAT	191.590.679	30.683.250
Deductible VAT	110.294.899	77.202.491
Prepaid taxes and funds	51.944.906	40.504.150
Other	17.499.647	-
	371.330.131	**148.389.891**

Other non-current assets	**31 December 2022**	**31 December 2021**
Long-term spare parts	208.944.839	137.794.110
Long-term deposits	2.798.773	9.270.299
	211.743.612	**147.064.409**

Other current liabilities	**31 December 2022**	**31 December 2021**
Expense accruals	119.772.429	50.809.339
Sales discounts and commission accruals (*)	24.005.212	12.832.563
Other tax accruals (**)	12.085.886	13.402.514
Other	75.287.357	70.428.873
	231.150.884	**147.473.289**

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

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

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

NOTE 19 – OTHER ASSETS AND LIABILITIES (continued)

Other long-term liabilities	**31 December 2022**	**31 December 2021**
Other (*)	527.988.794	-
	527.988.794	**-**

(*) The Group has the option to buy/sell the remaining 40% of Microtex's shares from non-controlling shares, according to the shareholder agreement regarding the purchase of shares. The option to buy/sell shares will expire on August 05, 2027. The mentioned share buy/sell option is recorded under other long-term liabilities at EBITDA value (31 December 2022: 527.789.084 TL) in the consolidated financial statements of the Group and is shown separately under equity attributable to owners of the Company.

NOTE 20 - EQUITY

Paid-in share capital

The Group's authorized and issued capital consists of 19.452.907.600 shares at 1 share of Kr nominal value (2021: 19.452.907.600 shares). All shares are paid and there is no preferred stock. The Group's shareholders and their shares on 31 December 2022 and 2021 are as follows:

	2022	**Ownership interest %**	**2021**	**Ownership interest %**
Sabancı Holding A.Ş.	138.327.614	71,11	138.327.614	71,11
Other	56.201.462	28,89	56.201.462	28,89
Paid-in capital total	**194.529.076**	**100,00**	**194.529.076**	**100,00**

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

Revalution and hedging reserves

	31 December 2022	**31 December 2021**
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	(952.108.089)	(952.232.836)
	(952.378.240)	**(952.502.987)**

Financial Assets Fair Value Reserve:

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

Hedging Reserve:

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

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

NOTE 20 - EQUITY (continued)

Movements of Hedging Reserve:

	1 January- 31 December 2022	1 January- 31 December 2021
Balance on 1 January	**(952.232.836)**	**(465.752.147)**
Increases/decreases	155.933	(607.881.671)
Income tax related to gains /losses recognized in other comprehensive income	(31.186)	121.400.980
Balance on 31 December	**(952.108.089)**	**(952.232.836)**

Share Premiums

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

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

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

Restricted Reserves

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

As at 31 December 2022 restricted reserves comprised legal reserves amounting to TL 408.833.825 (31 December 2021: TL 171.866.392).

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

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

Revaluation gains on property, plant and equipment

The amount for property, plant and equipment that is not recognized in profit or loss is recognized as other comprehensive income. As at 31 December 2022, the gains arising from the fair value changes arising from the parcels and lands transferred from the lands of PT Indo Kordsa in the Asia Pacific Region to the investment properties.

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

NOTE 20 - EQUITY (continued)

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

Revaluation gains on property, plant and equipment (continued)

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

	2022	2021
Balance at the beginning of the period	40.027.097	40.027.097
Balance on the closing of the period	**40.027.097**	**40.027.097**

Defined Benefit Plans Remeasurement Fund

As at 31 December 2022, TL 58.880.941 (31 December 2021: TL 5.454.587) consists of actuarial gain or loss of long-term employee benefits and retirement plan provision (Turkey,Indonesia and Thailand) recognized as other comprehensive income.

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

Currency translation difference

Currency translation difference consists of foreign currency difference arising from translating to reporting currency from the functional currency of financial statements of the Group's subsidiaries in the foreign country and exchange difference arising from net investment hedge. There is a currency translation difference amounting to TL 6.073.542.907 (31 December 2021: TL 3.849.799.350) in the Group's accompanying consolidated financial statements.

Dividend Payments

Public companies distribute profit in accordance with Profit Share Communique no II-19.1 issued by CMB effective from 1 February 2014. Ventures distribute their profit due to profit distribution policies set by the general assembly in accordance with the related legislation verdicts with a general assembly minute. Within the extent of the communique mentioned above a minimal distribution rate is not designated. Companies distribute their profits in accordance with their main agreements of profit distribution policies.

Retained Earnings

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

Net Profit for the Period

As of 31 December 2022, the Group has a net profit of TL 1.509.147.612 (2021: TL 855.717.662).

Non-controlling Interest

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

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

NOTE 20 - EQUITY (continued)

Non-controlling Interest (continued)

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

	2022	2021
Balance at the beginning of the period	**1.237.568.448**	**696.997.365**
The portion of total comprehensive income attributed to non-controlling interest	704.540.091	632.300.860
Acquisition of subsidiary	188.793.810	-
Dividend paid to non-controlling interest	(122.445.870)	(91.729.777)
Closing at the beginning of the period	**2.008.456.479**	**1.237.568.448**

NOTE 21 - REVENUE AND COST OF SALES

	1 January-31 December 2022	1 January-31 December 2021
Sales income (gross)	18.749.858.467	8.019.706.304
Sales returns (-)	(60.200.799)	(20.408.722)
Sales discounts (-)	(52.574.783)	(30.022.999)
Other sales discounts (-)	(197.338.978)	(78.220.020)
Sales income (net)	**18.439.743.907**	**7.891.054.563**
Cost of sales (-)	(15.080.471.396)	(6.159.087.633)
Gross Profit	**3.359.272.511**	**1.731.966.930**

NOTE 22 - EXPENSES BY NATURE

	1 January-31 December 2022	1 January-31 December 2021
Raw material and supply expenses	11.203.572.521	4.142.544.057
Personnel expenses	1.828.430.903	1.045.849.959
Energy expenses	1.232.344.709	597.690.237
Distribution expenses	625.282.833	289.236.230
Depreciation and amortization expenses	610.886.573	350.012.038
Packaging expenses	286.560.716	153.722.487
Consultancy expenses	176.170.379	90.336.215
Maintenance expenses	31.948.110	8.802.099
Idle mill expenses	30.988.603	9.285.928
Rent expenses	1.927.944	6.843.224
Other	870.567.054	329.174.047
	16.898.680.345	**7.023.496.521**

General administrative expenses amounting to TL 851.605.657 (31 December 2021: TL 405.367.033), marketing expenses amounting to TL 897.852.011 (31 December 2021: TL 418.173.650), research and development expenses amounting to TL 68.751.281 (31 December 2021: TL 40.868.206) are shown in expenses according to their qualifications.

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

NOTE 22 - EXPENSES BY NATURE (continued)

Fees for Services Obtained from Independent Auditors/Independent Audit Firms

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

	2022(*)	**2021(*)**
Independent audit fee for the reporting period	13.156.319	5.174.239
Fee for tax consultancy services	3.842.658	-
Fee for other assurance services	3.339.247	62.198
	20.338.224	**5.236.437**

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

NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Finance income on trade receivables	210.499.899	74.494.461
Domestic production incentive income (*)	145.519.172	65.738.356
Income from lawsuit (**)	24.735.141	92.725.859
Export incentive income	19.864.285	3.747.069
Income from insurance claims	4.572.975	-
Foreign exchange gain/loss on trade receivables/payables - net	-	237.115.476
Rent income	-	1.379.729
Other	39.059.678	76.192.275
	444.251.150	**551.393.225**

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

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

Other operating expenses	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Foreign exchange gain/loss on trade receivables/payables - net	119.622.447	-
Finance expenses on credit purchases	78.369.288	26.976.610
Donations	42.376.895	742.569
Provision for litigation	36.571.314	16.796.711
Taxes and duties	20.305.217	10.672.017
Expenses of the customer damages	2.124.277	1.062.942
Other	35.884.107	36.342.905
	335.253.545	**92.593.754**

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

NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Interest income from investing activities	1 January- 31 December 2022	1 January- 31 December 2021
Interest income	23.639.494	6.241.528
Interest income from the fair value of investment properties (Note 15)	-	1.281.645
Gain on sale of property, plant and equipment	737.635	2.113.531
Other	1.804.089	-
	26.181.218	**9.636.704**

Losses from investing activities	1 January- 31 December 2022	1 January- 31 December 2021
Loss on sale of property, plant and equipment	2.515.660	6.014.827
Impairment losses on investment properties (Note 15)	18.865.224	-
	21.380.884	**6.014.827**

NOTE 25 - FINANCIAL INCOME AND EXPENSES

Finance income	1 January 31 December 2022	1 January 31 December 2021
Foreign exchange gain	560.358.580	158.544.223
Derivative financial instruments	5.329.294	-
	565.687.874	**158.544.223**

Finance expense	1 January- 31 December 2022	1 January- 31 December 2021
Interest expenses	297.792.810	133.031.524
Foreign exchange losses	277.590.711	175.748.609
Losses on derivative instruments	12.505.789	220.299.085
Other	33.682.916	15.386.920
	621.572.226	**544.466.138**

NOTE 26 - TAXATION ON INCOME

Corporate Tax

	31 December 2022	31 December 2021
Corporate tax payable	233.157.836	110.945.399
Less: Prepaid taxes	(260.845.188)	(92.440.746)
Current tax (asset)/ liability, net	**(27.687.352)**	**18.504.653**

The Group and its subsidiaries located in Turkey are subject to the tax legislation and practices in force in Turkey. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month.

NOTE 26 - TAXATION ON INCOME (continued)

Corporate Tax (continued)

In Turkey, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations in Turkey and by deducting the exemptions in the tax laws was applied as 20% after January 1, 2021. However, published and inured in 22 April 2022 Official Gazette the law no.7316 Law on the Procedure for the Collection of Public Receivables with the 11th article of Law on the Amendments of Law with the law no.5520 of the Provisional Article 13 added to the Corporate Tax Law has been arranged to be applied as 23% for corporate earnings for the 2022 taxation period.

Within the scope of the said amendment, the tax rate used in the deferred tax calculation as of 31 December 2022 is 20% (31 December 2021: 23% and 20% for the parts of temporary differences that will have tax effects in 2022 and the following periods, respectively).

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

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

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

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

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

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

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

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

NOTE 26 - TAXATION ON INCOME (continued)

Corporate Tax (continued)

Income tax withholding

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to a 15% withholding tax until December 22, 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the President's Decision No. 4936, published in the Official Gazette dated December 22, 2021 and numbered 31697, the withholding tax rate, which was 15% according to the Corporate Tax Law No. 5520, was reduced to 10% with the Income Tax Law No. 193.

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

Transfer pricing regulations

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

If the taxpayer buys or sells goods or services with related parties at the price or price they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing, in whole or in part. Disguised profit distribution through such transfer pricing is considered as a non-deductible expense for corporate tax.

The taxes on income reflected in consolidated income statements for the years ended 31 December 2022 and 2021 are summarized as follows:

	1 January- 31 December 2022	**1 January- 31 December 2021**
Current period corporate tax expense	(233.157.836)	(110.945.399)
Deferred tax income /(expense)	145.744.199	30.547.577
	(87.413.637)	**(80.397.822)**

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

NOTE 26 - TAXATION ON INCOME (continued)

Corporate Tax (continued)

The reconciliation of tax on the consolidated statement of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Profit before tax in the consolidated financial statements	1.598.977.149	943.833.474
Tax charge according to the parent company's tax rate of 23%	(367.764.744)	(235.958.369)
Tax rate differences between subsidiaries	(70.287.108)	14.692.257
Expected tax charge of the Group	**(438.051.852)**	**(221.266.112)**
Disallowable expenses	(36.340.353)	(11.844.314)
Lump-sum expense provision	3.888.684	2.466.838
Research and development incentive allowance	30.058.490	34.835.818
Use of losses from previous years for which no deferred tax has been calculated	44.806.447	70.338.907
Revaluation effect (*)	226.877.891	46.094.869
Effect of legal tax rate change on deferred tax amount	20.931.917	-
Non-taxable income	32.956.272	-
Other	27.458.867	(1.023.828)
Current period tax expense	**(87.413.637)**	**(80.397.822)**

(*) Changes in tangible and intangible assets mainly resulted from revaluation.

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

Deferred Tax

Deferred tax is calculated over the temporary differences between the recorded values of assets and liabilities in the financial statements and the values used in the tax base, excluding the goodwill that is not subject to a tax deduction and the first recorded asset and liability differences that are not subject to accounting and taxation.

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

Country	31 December 2022	31 December 2021
Turkey	%20	%20-%23
Egypt	%30	%30
United States of America	%25	%25
Brazil	%34	%34
Indonesia	%22	%22
Thailand	%20	%20

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

NOTE 26 – TAXATION ON INCOME (continued)

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided on 31 December 2022 and 31 December 2021 using the enacted tax rates are as follows:

	Deferred tax assets/(liabilities)	
	31 December 2022	**31 December 2021**
Derivative financial instruments	662.650	50.797.420
Trade receivable	44.108.317	2.785.222
Trade payable	39.020.907	1.857.469
Tangible and intangible assets	(376.753.043)	(335.783.123)
Tax incentive	28.307.833	-
Inventories	34.871.748	45.959.875
Provision for employment termination benefits	81.856.647	29.649.373
Prepaid expenses	38.380.848	10.055.102
Deductible financial losses	2.200.976	-
Finance income	17.969.071	13.228.732
Other, net	84.992.654	51.213.292
Net deferred tax liabilities	**(4.381.392)**	**(136.558.605)**

	1 January-31 December 2022	**1 January-31 December 2021**
Balance on 1 January	**(136.558.605)**	**(246.773.653)**
Current year deferred tax income – net	145.744.199	30.547.577
Charges to equity	13.433.941	121.697.418
Currency translation differences	(27.000.927)	(42.029.947)
Balance on 31 December	**(4.381.392)**	**(136.558.605)**

NOTE 27 – EARNINGS PER SHARE

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

	1 January-31 December 2022	**1 January-31 December 2021**
Net income attributable to equity holders of the parent	1.289.197.611	768.560.878
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	66,27	39,51
Earning per share from continuing operations		
Net income attributable to equity holders of the parent	1.290.429.720	772.611.293
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	66,34	39,72
Earning per share from discontinued operations		
Net income/(loss) attributable to equity holders of the parent	(1.232.109)	(4.050.415)
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	(0,06)	(0,21)

Nominal values of ordinary shares for the years ended 31 December 2022 and 2021 are assumed to be Kr 1 each.

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

NOTE 28 – RELATED PARTY DISCLOSURES

Bank balances:	**31 December 2022**	**31 December 2021**
Akbank T.A.Ş. – time deposit	17.091.110	106.420.060
Akbank T.A.Ş. – demand deposit	284.412.502	7.319.653
	301.503.612	**113.739.713**

	31 December 2022	**31 December 2021**
Akbank T.A.Ş. – bank borrowings	200.000.000	703.485.533
	200.000.000	**703.485.533**

Due from related party:	**31 December 2022**	**31 December 2021**
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. ("Brisa")	249.263.857	156.898.224
Temsa	454.513	-
Aksigorta A.Ş.("Aksigorta")	437.992	-
Akçansa	364.453	974.460
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	-	7.498
Çimsa	239.499	-
Other	75.520	51.725
	250.835.834	**157.931.907**

Due to related party:	**31 December 2022**	**31 December 2021**
Enerjisa	46.776.403	24.736.450
Sabancı Dx	25.232.759	10.594.796
Sabancı Holding	674.918	100.490
Other	257.549	337.373
	72.941.629	**35.769.109**

Product sales:	**1 January-31 December 2022**	**1 January-31 December 2021**
Brisa	574.218.417	231.196.557
Other	9.367.062	6.116.377
	583.585.479	**237.312.934**

Service received:	**1 January-31 December 2022**	**1 January-31 December 2021**
Enerjisa	452.249.233	139.397.113
SabancıDX	48.846.610	28.672.657
Aksigorta	38.755.130	-
Other	2.431.379	148.981
	542.282.352	**168.218.751**

Interest income:	**1 January-31 December 2022**	**1 January-31 December 2021**
Akbank T.A.Ş.	6.623.484	3.831.132

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

NOTE 28 – RELATED PARTY DISCLOSURES (continued)

Interest expense:	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Akbank T.A.Ş.	60.031.940	46.606.965

Foreign exchange gain /(losses), net	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Akbank T.A.Ş.	79.964.573	15.125.716

Other income	**1 January- 31 December 2022**	**1 January- 31 December 2021**
SabancıDX	1.446.653	111.101
Enerjisa	728.942	-
Akbank T.A.Ş.	482.091	-
	2.657.686	**111.101**

Transactions with key management personnel:

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

Details of the remunerations provided which consist of per diem payment, salary and other additional remunerations by the Group for 2022 and 2021 are as follows:

	1 January- 31 December 2022	**1 January- 31 December 2021**
Short-term employee benefits	40.592.669	31.595.945
Post-employment benefits	369.176	157.340
	40.961.845	**31.753.285**

Security and guarantee letters given

The Group does not have any quarantees and letters of guarantee given as of 31 December 2022 and 31 December 2021.

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

NOTE 29 - INTERESTS IN OTHER ENTITIES

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

	31 December 2022			
	Noncontrolling interest %	Net profit/loss attributable to noncontrolling interest	Accumulated profit/(loss) allocated to noncontrolling interests	Dividends distributed to noncontrolling interests
Subsidiaries				
PT Indo Kordsa Tbk (*)	38,42%	212.116.878	1.872.229.109	122.445.870
Other		7.833.123	136.227.370	
Total		**219.950.001**	**2.008.456.479**	

	31 December 2021			
	Noncontrolling interest %	Net profit/loss attributable to noncontrolling interest	Accumulated profit/(loss) allocated to noncontrolling interests	Dividends distributed to noncontrolling interests
Subsidiaries				
PT Indo Kordsa Tbk (*)	38,42%	84.524.909	1.240.349.702	91.729.777
Other		2.631.875	(2.781.254)	
Total		**87.156.784**	**1.237.568.448**	

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

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

Summary statement of financial position

	PT Indo Kordsa Tbk	
	31 December 2022	31 December 2021
Cash and cash equivalents	247.026.983	23.599.657
Other current assets	2.049.693.307	1.641.754.436
Non-current assets	3.311.825.487	2.427.363.517
Total assets	**5.608.545.777**	**4.092.717.610**
Short-term borrowings	115.651.847	219.584.292
Other short-term liabilities	878.681.671	618.259.773
Long-term borrowings	62.454.986	65.245.709
Other long-term liabilities	335.647.570	256.100.476
Total liabilities	**1.392.436.074**	**1.159.190.250**
Total equity	**4.216.109.703**	**2.933.527.360**
Total equity attributable to owners of the Company	**3.806.236.757**	**2.749.557.743**
Non-controlling interest (*)	**409.872.946**	**183.969.617**

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

NOTE 29 - INTERESTS IN OTHER ENTITIES (continued)

Summary statement of profit and loss:

	PT Indo Kordsa Tbk	
	1 January – 31 December 2022	**1 January – 31 December 2021**
Revenue	5.244.845.437	2.281.824.149
Cost of sales	(4.137.932.437)	(1.807.775.212)
Depreciation and amortization expense	(175.721.385)	(93.957.395)
Operating income	637.884.306	265.495.072
Finance income /(expense), net	2.548.350	15.390.305
Profit before tax	640.432.656	280.885.377
Tax expenses	(157.010.168)	(78.297.666)
Non-controlling interests (*)	(42.848.260)	(10.865.070)
Profit for the year	440.574.229	191.722.642

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk management

Financial risk factors

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

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

Financial risk management is carried out by the Finance department of Kordsa under policies approved by the board of directors. The finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

(a) ***Liquidity risk***

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

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

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

The analysis of the Group's financial liabilities to their maturities as of 31 December 2022 and 2021 is as follows:

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

31 December 2022	Carrying value	Contractual cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Borrowings	7.899.839.329	8.206.367.933	2.185.323.298	1.310.015.047	4.711.029.588	-
Lease liabilities	544.743.087	544.743.087	17.687.615	33.450.427	168.784.897	324.820.148
Trade payables	2.971.509.321	2.984.237.089	2.753.022.387	227.738.531	3.476.171	-
Other payables	124.351.820	129.154.589	129.154.589	-	-	
	11.540.443.557	**11.864.502.698**	**5.085.187.889**	**1.571.204.005**	**4.883.290.656**	**324.820.148**
Derivative financial liabilities						
Unrealized purchase/sale contracts (net)	(3.155.476)	(3.155.476)	(4.953.493)	1.798.017	-	-
	(3.155.476)	**(3.155.476)**	**(4.953.493)**	**1.798.017**	**-**	

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

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

(b) Market risk

Interest rate risk

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

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

As at 31 December 2022 and 31 December 2021, the interest rate profile of the Group interest-bearing financial instruments is as follows:

Fixed interest rate financial instruments	**31 December 2022**	**31 December 2021**
Financial Liabilities	4.128.775.416	2.964.081.732
Time Deposits	119.970.447	106.637.482

Variable interest rate financial instruments	**31 December 2022**	**31 December 2021**
Financial liabilities	3.771.063.913	1.214.419.994

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

On 31 December 2022, if interest rates on US Dollar denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 21.247.419 (2021: TL 11.795.389), mainly as a result of higher/lower interest expense on floating rate borrowings.
On 31 December 2022, there are no variable interest rate borrowings in EUR (2021: there are no variable interest rate borrowings in EUR).

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from coverting to USD (coverting to TL in 2021) of the amounts of debtor or creditor in foreign currency. Foreign Exchange risk is monitored with an analysis of foreign exchange positions.

Derivative financial instruments

The derivative financial instruments of the Group comprise foreign currency forward contracts. The Group entered into foreign currency forward transactions with a due date of 2022 to manage the risks emerging from the sales transactions which are expected to occur within 12 months following the reporting date. The carrying values of the items hedged against the non-financial risk will be adjusted once the expected sales will take place. The Group also entered into foreign currency forward transactions with the due date of 2023 to hedge its trade receivables and payables from the effects of the changes in foreign currency exchange rates.

As of December 31, 2022, Kordsa Inc. has an interest rate swap transaction (IRS) as a derivative instrument to manage the variable interest risk of USD 31.111.111 related to the repayment of the loan agreement amounting to USD 62.222.222. The fair value of the derivative instrument as of 31 December 2022 is 26.164.494. TL (2021: TL 381.569 loss) is profit.

As of 31 December 2022, Kordsa Inc. has IRS as a derivative instrument for the repayment of the loan agreement amounting to USD 110.000.000 , to manage the variable interest risk of USD 24.750.000. The fair value of the derivative instrument as of 31 December 2022 is TL 3.299.526 of income.

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

(b) Market risk (continued)

Derivative financial instruments (continued):

As of 31 December 2022, the net book values of derivative forward and clearing instruments are as follows:

Avro buy USD sell	Average Rate	Foreign Currency (Avro)	Contract Value (USD)	Fair Value (TL)
Between 0-3 months	1,0326	9.000.000	9.293.600	(6.368.866)
Between 3-6 months	1,0385	9.000.000	9.346.500	(6.355.536)
Between 6-9 months	1,0392	8.000.000	8.313.800	(6.204.265)
Between 9-12 months	1,0305	6.000.000	6.182.700	(6.046.974)
Total				**(24.975.641)**

BRL sell USD buy	Average Rate	Foreign Currency (USD)	Contract Value (BRL)	Fair Value (TL)
Between 6-9 months	5,4100	2.581.679	13.966.883	(4.952.703)
Total				**(4.952.703)**

USD sell JPY buy	Average Rate	Foreign Currency (JPY)	Contract Value (TL)	Fair Value (TL)
Between 18-24 months	1,1965	500.000.000	62.757.112	(2.691.152)
Total				**(2.691.152)**
Forward/Swap Net				**(32.619.496)**

As of 31 December 2021 Foreign exchange forward and swap contracts:

Avro buy USD sell	Average Rate	Foreign Currency (Avro)	Contract Value (USD)	Fair Value (TL)
Less than 3 months	1,1320	3.000.000	3.395.900	(24.767)
Between 3-6 months	1,1993	3.000.000	3.598.000	(53.785)
Between 6-9 months	1,1388	3.000.000	3.416.400	(22.888)
Between 9-12 months	1,1408	3.000.000	3.422.400	(45.255)
Total				**(146.695)**

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

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

Foreign currency position

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

Group's assets and liabilities denominated in foreign currencies on 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Assets	2.035.261.412	2.229.464.605
Liabilities	(2.440.610.018)	(2.298.711.905)
Net foreign currency position	**(405.348.606)**	**(69.247.300)**

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31 December 2022	**Total TL equivalent**	**TL (*)**	**Euro (*)**	**Indonesian Rupiah ('000) (*)**	**Other TL equivalent(**)**
Assets:					
Trade receivables	1.563.464.010	292.621.178	49.521.749	139.460.373.577	117.783.765
Cash and cash equivalent	344.762.232	286.755.185	570.379	30.523.233.549	10.338.009
Other monetary receivables and assets	105.346.515	1.029.821	1.149.322	65.356.009.761	3.682.934
Other non-monetary receivables and assets	-	-	-	-	-
Current assets	**2.013.572.757**	**580.406.184**	**51.241.450**	**235.339.616.887**	**131.804.708**
Non-current assets held for sale	-	-	-	-	-
Other monetary receivables and assets	21.688.655	11.396.366	23.244	8.265.069.254	-
Non-current assets	**21.688.655**	**11.396.366**	**23.244**	**8.265.069.254**	**-**
Total assets (a)	**2.035.261.412**	**591.802.551**	**51.264.694**	**243.604.686.141**	**131.804.708**
Liabilities:					
Trade payables	599.452.402	302.668.741	10.120.613	50.788.631.973	34.631.812
Financial liabilities	1.737.827.565	430.000.000	65.000.000	10.140.384.105	-
Other monetary payable and liabilities	73.348.595	-	293.927	56.750.775.732	497
Current liabilities	**2.410.628.561**	**732.668.741**	**75.414.540**	**117.679.791.810**	**34.632.308**
Financial liabilities	29.635.159	-	-	24.919.999.833	-
Other monetary receivables and assets	346.298	-	-	291.199.686	-
Non-current liabilities	**29.981.457**	**-**	**-**	**25.211.199.518**	**-**
Total liabilities (b)	**2.440.610.018**	**732.668.741**	**75.414.540**	**142.890.991.328**	**34.632.308**
Off-balance sheet derivative assets (c)	-	-	-	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
Net foreign currency asset /(liability) position (a-b+c-d)	**(405.348.606)**	**(140.866.191)**	**(24.149.846)**	**100.713.694.813**	**97.172.400**
Fair value of financial instruments used for foreign exchange hedge	(32.619.496)	-	-	-	-
Hedges amount of foreign currency amount	-	-	-	-	

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

(**) The amounts are in British Pound (GBP), Japanese Yen (JPY), Swiss Franc (CHF).

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

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

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

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

5

Foreign currency position (continued)

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

Closing rates	**31 December 2022**	**31 December 2021**
US Dollars (Buy/Sell)	18,6983/18,7320	13,3290
Euro	19,9349	15,0867
Indonesian Rupiah (1000 units)	1,18862	0,9341
Brazilian Real	3,5836	2,3885
Thai Baht	0,5410	0,3988
Egyptian Pound	0,7560	0,8499

Average rates	**31 December 2022**	**31 December 2021**
US Dollars	15,9772	8,8854
Euro	16,7663	10,4687
Indonesian Rupiah (1000 units)	1,0760	0,6210
Brazilian Real	3,0935	1,6470
Thai Baht	0,4557	0,2779
Egyptian Pound	0,8143	0,5669

Foreign currency position as of 31 December 2022 and 2021 regarding the 10% changes in foreign currency rates is depicted in the table below:

31 December 2022	**Profit / (Loss)**		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset/liability	(14.086.625)	14.086.625	-	-
2-Hedged portion of US Dollar amounts(-)	-	-	-	-
3-Net effect of US Dollar (1+2)	**(14.086.625)**	**14.086.625**	**-**	**-**
Increase/(decrease) 10% of EUR parity				
4-EUR net asset/liability	(48.142.474)	48.142.474	-	-
5-Hedged portion of EUR amounts(-)	-	-	-	-
6-Net effect of EUR (4+5)	**(48.142.474)**	**48.142.474**	**-**	**-**
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset/liability	21.694.238	(21.694.238)	-	-
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
9-Net effect of other foreign currencies (7+8)	**21.694.238**	**(21.694.238)**	**-**	**-**
TOTAL (3+6+9)	**(40.534.861)**	**40.534.861**	**-**	**-**

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

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

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

Export and import balances from Turkey as of 31 December 2022 and 2021 are as follows:

	31 December 2022		**31 December 2021**	
	Original Amount	**TL Equivalent**	**Original Amount**	**TL Equivalent**
Euro	191.552.415	3.211.629.543	118.617.010	1.241.760.266
US Dollars	97.248.096	1.553.757.949	90.902.882	807.705.587
Total export		**4.765.387.492**		**2.049.465.853**

	1 January-31 December 2022	**1 January-31 December 2021**
Total import	3.894.806.766	1.521.224.199

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

(c) Credit risk

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

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

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

Disclosures on the credit quality of financial assets

As at 31 December 2022 and 2021, banks, where the cash and cash equivalents within the financial assets that are neither past due nor impaired are kept; mainly have high credit and parties in the trade receivables comprise the customers/ related parties that are worked with for a long time and without significant collection problems.

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

As of 31 December 2022, the credit risks that the Group is exposed to by types of financial instruments are as follows:

	Trade Receivables		**Other Receivables (*)**	**Derivatives**	**Bank Deposits**	
31 December 2022	**Related Party**	**Third Party**	**Related Party**		**Related Party**	**Other**
As of reporting date, credit risk exposure (**)	**250.835.834**	**3.590.740.823**	**-**	**440.876**	**301.503.612**	**491.638.662**
- The part of maximum risk under guarantee with collateral	-	45.129.306	-	-	-	-
Net book value of financial assets that are neither past due nor impaired	250.835.834	3.139.323.385	-	-	301.503.612	491.638.662
Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	451.411.438	-	-	-	-
Net book value of impaired assets						
- *Past due (gross carrying amount)*	-	16.431.373	-	-	-	-
- *Impairment(-)*	-	(16.431.373)	-	-	-	-
- *The part under guarantee with collateral*	-	-	-	-	-	-

(*) Excludes taxes and other similar receivables.

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

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

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

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

(*) Excludes taxes and other similar receivables.

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

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

NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

(c) Credit risk (continued)

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

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

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

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

(d) Capital risk management

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

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

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

As at 31 December 2022 and 2021 net debt/(equity+net debt+non-controlling interest) ratio is:

	31 December 2022	31 December 2021
Total financial liabilities	7.899.839.329	4.178.501.726
Cash and cash equivalents	(799.228.246)	(194.805.294)
Net debt	**7.100.611.083**	**3.983.696.432**
Equity	8.017.858.925	5.246.008.448
Non-controlling interest	2.008.456.479	1.237.568.448
Equity+net debt+non-controlling interest	**17.126.926.487**	**10.467.273.328**
Net debt/(Equity+net debt +non-controlling interest) ratio	%41	%38

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

NOTE 31 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

31 December 2022 Financial assets	Financial assets at amortised cost	FVOCI	Financial liabilities at amortized cost	Derivative financial assets and liabilities	Carrying value (*)	Note
Cash and cash equivalents	799.228.246	-	-	-	799.228.246	5
Trade receivables	3.859.579.739	-	-	-	3.859.579.739	8
Receivables from related parties	250.835.834	-	-	-	250.835.834	28
Financial investments	-	1.227.282	-	-	1.227.282	6
Financial liabilities						
Borrowings	-	-	7.899.839.329	-	7.899.839.329	7
Lease Liabilities	-	-	544.743.087	-	544.743.087	7
Trade payables	-	-	2.971.509.321	-	2.971.509.321	8
Payables to related parties	-	-	72.941.629	-	72.941.629	28
Other financial liabilities (**)	-	-	81.594.124	-	81.594.124	9
Derivative financial instruments	-	-	-	5.394.369	5.394.369	30

31 December 2021 Financial assets	Financial assets at amortised cost	FVOCI	Financial liabilities at amortized cost	Derivative financial assets and liabilities	Carrying value (*)	Note
Cash and cash equivalents	194.805.294	-	-	-	194.805.294	5
Trade receivables	2.566.165.635	-	-	-	2.566.165.635	8
Receivables from related parties	157.931.907	-	-	-	157.931.907	28
Financial investments	-	875.043	-	-	875.043	6
Financial liabilities						
Borrowings	-	-	4.178.501.726	-	4.178.501.726	7
Lease Liabilities	-	-	255.622.576	-	255.622.576	7
Trade payables	-	-	1.927.384.146	-	1.927.384.146	8
Payables to related parties	-	-	35.769.109	-	35.769.109	28
Other financial liabilities (**)	-	-	63.487.242	-	63.487.242	9
Derivative financial instruments	-	-	-	221.461.266	221.461.266	30

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

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

NOTE 31 - FINANCIAL INSTRUMENTS (continued)

Monetary assets

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

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

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

Monetary liabilities

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

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

Fair value estimation

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

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

Fair value hierarchy of financial assets and liabilities:

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

Financial assets / Financial liabilities	**Fair Value**		**Fair value hierarchy**	**Valuation technique**
	31 December 2022	**31 December 2021**		
Foreign currency forward/swap contracts	(3.155.476)	(221.461.266)	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties' credit risk.

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

NOTE 32 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

According to The Group's Board of Management, decision numbered 2015/29 dated 31 December 2016, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. %51 of rates, would be classified as "Assets Held for Sale" in the balance sheet as of 31 December 2016. Hence, in the preparation of the consolidated financial statements as of 31 December 2022 and 31 December 2021, Nile Kordsa Company for Industrial Fabrics S.A.E. financials, non-current assets classified as held for sale in the statement of financial position (31 December 2022: None, 31 December 2021: TL 4.142.037) and liabilities related to asset groups classified as held for sale (31 December 2022: 13.890.583 TL, 31 December 2021: 4.142. 037 TL).

For the year ended 1 January- 31 December 2022 and 1 January- 31 December 2021, the result of the operating activities is shown at below:

NILE KORDSA	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Gross profit		
Revenue	-	-
Cost of sales	-	-
Operating profit	**-**	**-**
General and administrative expenses	-	-
Selling, marketing and distribution expenses	-	-
Research and development expenses	-	-
Other income from operating activities	-	-
Other expenses from operating activities (*)	(2.415.900)	(7.941.990)
Operating profit before finance costs	**(2.415.900)**	**(7.941.990)**
Gain from investing activities	-	-
Loss from investing activities	-	-
Profit before tax from continuing operations	**(2.415.900)**	**(7.941.990)**
Finance income	-	-
Finance costs	-	-
Tax expense/income from continuing operations	**(2.415.900)**	**(7.941.990)**
Current tax expense	-	-
Deferred tax benefit	-	-
Profit/ (Loss) for the period	**(2.415.900)**	**(7.941.990)**

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

NOTE 33 – EVENTS AFTER THE REPORTING PERIOD

Our indirect subsidiary PT Indo Kordsa Polyester was acquired by our subsidiary PT Indo Kordsa Tbk and the progress was completed to get approval relating the merger.

The merger process under the name of Axiom Materials Inc for Axiom Materials Inc and Advanced Honeycomb Technologies which are 100% subsidiaries of our subsidiary Kodsa Inc was completed.

The incorporation of Kordsa Advanced Materials Gmbh based on Munich, Germany was completed.