

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

CONVENIENCE TRANSLATION INTO ENGLISH
OF THE CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 30 JUNE 2016 TOGETHER WITH
AUDITOR'S REVIEW REPORT

(ORIGINALLY ISSUED IN TURKISH)

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.

Introduction

We have reviewed the accompanying condensed consolidated statement of balance sheet of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries (together will be referred as the "Group") as of 30 June 2016 and the related condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated changes in equity and condensed consolidated cash flows for the six-month period then ended. Group management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 "Interim Financial Reporting".

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Berkman Özata, SMMM
Partner

Istanbul, 9 August 2016

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**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

**REVIEWED CONDENSED CONSOLIDATED
BALANCE SHEET AT 30 JUNE 2016**

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

| | Notes | Limited Reviewed 30 June 2016 | Audited 31 December 2015 |
|---|-------|--|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | | 40,399,036 | 17,783,491 |
| Trade Receivables | | 354,961,324 | 296,897,640 |
| <i>Trade Receivables from Related Parties</i> | 17 | 18,323,937 | 13,686,077 |
| <i>Trade Receivables from Third Parties</i> | | 336,637,387 | 283,211,563 |
| Other Receivables | 5 | 5,039,827 | 14,602,727 |
| <i>Other Receivables from Third Parties</i> | | 5,039,827 | 14,602,727 |
| Derivative Financial Instruments | 18 | 4,148,587 | 12,233,648 |
| Inventories | 6 | 468,275,009 | 424,724,533 |
| Prepaid Expenses | | 22,124,862 | 15,514,156 |
| Assets Related to Current Tax | | - | 2,450,765 |
| Financial Investments | | 93,114 | 93,564 |
| Other Current Assets | | 30,301,847 | 46,186,420 |
| Subtotal | | 925,343,606 | 830,486,944 |
| Assets Classified as Held for Sale | | 93,323,509 | 114,221,125 |
| Current Assets | | 1,018,667,115 | 944,708,069 |
| Financial Investments | | 320,345 | 290,589 |
| Other Receivables | 5 | 16,014,486 | 13,197,714 |
| <i>Other Receivables from Third Parties</i> | | 16,014,486 | 13,197,714 |
| Investment Property | 8 | 28,055,112 | 28,190,850 |
| Property, Plant and Equipment | 7 | 1,096,639,679 | 1,045,102,304 |
| Intangible Assets | | 74,902,959 | 77,294,572 |
| <i>Goodwill</i> | | 45,595,167 | 45,595,167 |
| <i>Other Intangible Assets</i> | | 29,307,792 | 31,699,405 |
| Prepaid Expenses | | 5,762,871 | 9,245,107 |
| Deferred Tax Assets | 15 | 30,691,130 | 29,046,999 |
| Other Non-Current Assets | | 26,819,182 | 26,955,612 |
| Non-Current Assets | | 1,279,205,764 | 1,229,323,747 |
| Total Assets | | 2,297,872,879 | 2,174,031,816 |

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

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

**REVIEWED CONDENSED CONSOLIDATED
BALANCE SHEET AT 30 JUNE 2016**

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

| | Notes | Limited Reviewed 30 June 2016 | Audited 31 December 2015 |
|---|-------|-------------------------------------|--------------------------------|
| LIABILITIES | | | |
| Short Term Borrowings | 4 | 354,688,789 | 326,242,736 |
| Short Term Portion of Long Term Borrowings | 4 | 36,436,652 | 33,933,108 |
| Trade Payables | | 243,489,552 | 172,067,527 |
| <i>Trade Payables to Related Parties</i> | 17 | 12,554,390 | 4,084,181 |
| <i>Trade Payables to Third Parties</i> | | 230,935,162 | 167,983,346 |
| Employee Benefit Obligations | | 7,528,091 | 4,154,702 |
| Other Payables | 5 | 16,585,931 | 12,697,782 |
| <i>Other Payables to Third Parties</i> | | 16,585,931 | 12,697,782 |
| Deferred Income | | 1,439,754 | 375,186 |
| Profit Tax Liabilities | 15 | 4,036,845 | - |
| Short Term Provisions | | 15,504,156 | 14,958,111 |
| <i>Short Term Provisions for Employee Benefits</i> | | 15,456,096 | 14,910,051 |
| <i>Other Short Term Provisions</i> | | 48,060 | 48,060 |
| Other Current Liabilities | | 28,082,397 | 18,044,320 |
| Subtotal | | 707,792,167 | 582,473,472 |
| Assets Classified as Held for Sale | | 45,896,103 | 45,928,028 |
| Current Liabilities | | 753,688,270 | 628,401,500 |
| Long Term Borrowings | 4 | 159,641,229 | 194,119,724 |
| Other Payables | 5 | 9,500,508 | 8,687,324 |
| <i>Other Trade Payables to Third Parties</i> | | 9,500,508 | 8,687,324 |
| Long Term Provisions | | 45,507,147 | 43,418,506 |
| <i>Long Term Provisions for Employee Benefits</i> | | 45,507,147 | 43,418,506 |
| Deferred Tax Liabilities | 15 | 81,838,495 | 83,386,108 |
| Non-Current Liabilities | | 296,487,379 | 329,611,662 |
| Total Liabilities | | 1,050,175,649 | 958,013,162 |
| SHAREHOLDERS' EQUITY | | | |
| Equity Attributable to Owners of the Company | | 998,280,630 | 966,481,558 |
| Share Capital | | 194,529,076 | 194,529,076 |
| Share Premium | | 62,052,856 | 62,052,856 |
| Shareholders' Contribution | | 375,895,300 | 375,895,300 |
| Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss | | | |
| <i>Financial Assets Fair Value Reserve</i> | | (270,151) | (270,151) |
| <i>Currency Translation Differences</i> | | 166,939,837 | 156,866,115 |
| <i>Hedging Reserve</i> | | 3,330,241 | 9,540,417 |
| Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss | | | |
| <i>Defined Benefit Plans Remeasurement Fund</i> | | (5,555,385) | (6,546,696) |
| Restricted Reserves | | 46,763,317 | 30,757,308 |
| Retained Earnings | | 67,036,064 | 44,406,426 |
| Net Income for the Period | | 87,559,475 | 99,250,907 |
| Non-Controlling Interests | | 249,416,600 | 249,537,096 |
| Total Equity | | 1,247,697,230 | 1,216,018,654 |
| Total Liabilities and Equity | | 2,297,872,879 | 2,174,031,816 |

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

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS FOR THE PERIOD 1 JANUARY - 30 JUNE 2016**

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

| | Notes | Limited Reviewed 1 January- 30 June 2016 | Non-audited 1 April- 30 June 2016 | Limited Reviewed 1 January- 30 June 2015 | Non-audited 1 April- 30 June 2015 |
|---|-------|--|---|--|---|
| PROFIT OR LOSS | | | | | |
| Sales | 10 | 960,446,638 | 472,734,797 | 828,150,886 | 442,164,214 |
| Cost of Sales (-) | 10 | (760,280,000) | (369,649,920) | (693,769,685) | (365,100,390) |
| GROSS PROFIT | | 200,166,638 | 103,084,877 | 134,381,201 | 77,063,824 |
| Marketing Expenses (-) | 11 | (38,806,344) | (20,231,080) | (32,196,765) | (16,792,456) |
| General and Administrative Expenses (-) | 11 | (40,080,746) | (19,663,278) | (41,135,941) | (22,827,534) |
| Research and Development Expenses (-) | 11 | (2,300,716) | (1,181,558) | (859,891) | (523,118) |
| Other Operating Income | 12 | 102,241,877 | 59,959,813 | 75,049,534 | 35,526,247 |
| Other Operating Expenses (-) | 12 | (96,376,153) | (61,219,909) | (66,362,268) | (29,372,026) |
| OPERATING PROFIT | | 124,844,556 | 60,748,865 | 68,875,870 | 43,074,937 |
| Income From Investing Activities | 13 | 4,089,570 | 656,619 | 2,760,968 | 1,588,572 |
| Expenses From Investing Activities (-) | 13 | (1,753,287) | (28,166) | (1,135,724) | (328,137) |
| OPERATING PROFIT BEFORE FINANCIAL EXPENSE | | 127,180,839 | 61,377,318 | 70,501,114 | 44,335,372 |
| Financial Income | 14 | 13,565,447 | 6,555,021 | - | - |
| Financial Expenses (-) | 14 | (12,107,717) | (5,275,119) | (23,328,023) | (12,660,272) |
| CONTINUING OPERATIONS | | 128,638,569 | 62,657,220 | 47,173,091 | 31,675,100 |
| Tax Expense: | | | | | |
| - Current Tax Expense | 15 | (17,023,686) | (9,790,803) | (2,428,496) | (1,767,623) |
| - Deferred Tax Income/ (Expense) | 15 | 1,048,313 | (244,262) | (4,838,974) | (4,120,201) |
| NET INCOME BEFORE TAX FROM CONTINUING OPERATIONS | | 112,663,196 | 52,622,155 | 39,905,621 | 25,787,276 |
| DISCONTINUED OPERATIONS | | | | | |
| Net Income/Loss After Tax From Discontinued Operations | 19 | (11,826,374) | (8,400,181) | 7,867,924 | 8,460,417 |
| PROFIT FOR THE PERIOD | | 100,836,822 | 44,221,974 | 47,773,545 | 34,247,693 |
| NET PROFIT ATTRIBUTABLE TO: | | | | | |
| - Owners of the Parent | | 87,559,475 | 37,056,802 | 35,507,733 | 24,832,936 |
| - Non-Controlling Interests | | 13,277,347 | 7,165,172 | 12,265,812 | 9,414,757 |
| Earnings per 1,000 ordinary shares | | | | | |
| - thousand shares TL | 16 | 4.50 | 1.90 | 1.83 | 1.28 |
| Earnings per share from continuing operations; | | | | | |
| - thousand shares TL | 16 | 5.11 | 2.34 | 1.42 | 0.69 |
| Earnings per share from discontinuing operations; | | | | | |
| - thousand shares TL | 16 | (0.61) | (0.44) | 0.41 | 0.59 |

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

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF OTHER
COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 30 JUNE 2016**

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

| | Limited Reviewed 1 January- 30 June 2016 | Non-audited 1 April- 30 June 2016 | Limited Reviewed 1 January- 30 June 2015 | Non-audited 1 April- 30 June 2015 |
|---|---|---|---|---|
| PROFIT FOR THE PERIOD | 100,836,822 | 44,221,974 | 47,773,545 | 34,247,693 |
| Other Comprehensive Income: | | | | |
| Income or Expenses That Will Not Be Reclassified to Profit or Loss | 991,311 | 991,311 | - | - |
| Defined benefit plans revaluation fund | 991,311 | 991,311 | - | - |
| Income or Expenses That Will Be Reclassified to Profit or Loss | 1,857,410 | 27,034,919 | 81,204,476 | 8,269,695 |
| Currency translation differences | 8,067,586 | 24,780,871 | 74,650,683 | 14,835,769 |
| Hedging reserve gains | (7,762,720) | 2,817,560 | 8,493,970 | (8,280,876) |
| Tax income / (expense) related to other comprehensive income items (*) | 1,552,544 | (563,512) | (1,940,177) | 1,714,802 |
| OTHER COMPREHENSIVE INCOME/ (EXPENSE) | 2,848,721 | 28,026,230 | 81,204,476 | 8,269,695 |
| TOTAL COMPREHENSIVE INCOME | 103,685,543 | 72,248,204 | 128,978,021 | 42,517,388 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| - Owners of the Parent | 92,367,910 | 61,512,630 | 87,387,932 | 29,556,510 |
| - Non-Controlling Interests | 11,317,633 | 10,794,076 | 41,590,089 | 12,960,878 |

(*) Tax income / (expense) related to other comprehensive income accounts consists of the deferred taxes of hedging reserves.

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

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 30 JUNE 2016**

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

| | Share Capital | Share Premium | Shareholders' Contribution | Share Value | Hedging Reserve | Currency Translation Differences | Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss | Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss | Retained Earnings | | | | Equity Attributable to Owners of the Company | Non-Controlling Interests | Total Equity | | |
|---------------------------------|---------------|---------------|----------------------------|-------------|-----------------|----------------------------------|--|--|-------------------|--------------------|--------------------|---------------------|--|---------------------------|--------------|-------------------|---------------------------|
| | | | | | | | | | Financial Assets | Fair Value Reserve | Remeasurement Fund | Restricted Reserves | | | | Retained Earnings | Net Income for the Period |
| | | | | | | | | | | | | | | | | | |
| Previously reported balances at | | | | | | | | | | | | | | | | | |
| 1 January 2015 | 194,529,076 | 62,052,856 | 375,895,300 | (270,151) | 1,511,419 | 113,415,666 | (3,079,114) | 30,757,308 | 34,748,037 | 77,159,978 | 77,159,978 | 886,720,375 | 200,100,178 | 1,086,820,553 | | | |
| Transfers | - | - | - | - | - | - | - | - | 77,159,978 | (77,159,978) | - | - | - | - | | | |
| Dividends paid | - | - | - | - | - | - | - | - | (67,805,064) | - | - | (67,805,064) | (7,251,348) | (75,056,412) | | | |
| Total comprehensive income (*) | - | - | - | - | 6,553,793 | 45,326,405 | - | - | - | 35,507,734 | 35,507,734 | 87,387,932 | 41,590,089 | 128,978,021 | | | |
| Balances at | 194,529,076 | 62,052,856 | 375,895,300 | (270,151) | 8,065,212 | 158,742,071 | (3,079,114) | 30,757,308 | 44,102,951 | 35,507,734 | 35,507,734 | 906,303,243 | 234,438,919 | 1,140,742,162 | | | |
| Previously reported balances at | | | | | | | | | | | | | | | | | |
| 1 January 2016 | 194,529,076 | 62,052,856 | 375,895,300 | (270,151) | 9,540,417 | 156,866,115 | (6,546,696) | 30,757,308 | 44,406,426 | 99,250,907 | 99,250,907 | 966,481,558 | 249,537,096 | 1,216,018,654 | | | |
| Transfers | - | - | - | - | - | - | - | 16,006,009 | 83,244,898 | (99,250,907) | - | - | - | - | | | |
| Dividends paid (**) | - | - | - | - | - | - | - | - | (60,615,260) | - | - | (60,615,260) | (11,438,129) | (72,053,389) | | | |
| Total comprehensive income | - | - | - | - | (6,210,176) | 10,073,722 | 991,311 | - | - | 87,559,475 | 87,559,475 | 92,441,332 | 11,317,633 | 103,731,965 | | | |
| Balances at | 194,529,076 | 62,052,856 | 375,895,300 | (270,151) | 3,330,241 | 166,939,837 | (5,555,385) | 46,763,317 | 67,036,064 | 87,559,475 | 87,559,475 | 998,280,630 | 249,416,600 | 1,247,697,230 | | | |

(*) It was resolved at Ordinary General Assembly Meeting for 2014 of the Group, held on 24 March 2015, to distribute 34.70% gross, 33.4769% net profit share to shareholders representing TL 194,529,076 capital in accordance with their legal status, amounting to TL 67,501,589. In accordance with the resolution, the dividend payments commenced on 29 May 2015.

(**) It was resolved at Ordinary General Assembly Meeting for 2015 of the Group, held on 23 March 2016, to distribute 31.16% gross, 26.486% net profit share to shareholders representing TL 194,529,076 capital in accordance with their legal status, amounting to TL 60,615,260. In accordance with the resolution, the dividend payments commenced on 4 April 2016.

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

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS FOR THE PERIOD 1 JANUARY - 30 JUNE 2016**

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

| | Notes | Limited Reviewed 1 January - 30 June 2016 | Limited Reviewed 1 January - 30 June 2015 |
|---|-------|--|--|
| A. CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Profit for the year | | 100,836,822 | 47,773,545 |
| Profit for the period from continuing operations | | 112,663,196 | 47,773,545 |
| Profit / loss from discontinued operations | | (11,826,374) | - |
| Adjustments to reconcile profit / loss for the period | | | |
| Adjustments related to depreciation and amortization expenses | 7 | 39,361,078 | 42,652,724 |
| Adjustments related to impairment | | 4,781,345 | 1,577,674 |
| <i>(Reversal of) provision for doubtful receivables</i> | | 1,554,622 | (1,202) |
| <i>(Reversal of) provision for decrease in value of inventories</i> | 6 | 3,226,717 | 1,192,654 |
| <i>(Reversal of) provision for impairment on property, plant and equipment</i> | | 6 | 386,222 |
| Adjustments related provisions | | 12,050,159 | 19,001,035 |
| <i>(Reversal of) provision for employment termination benefits</i> | | 12,010,373 | 19,130,336 |
| <i>Adjustments related to other provisions</i> | | 39,786 | (129,301) |
| Adjustments related to interest (income) / expense | | 7,629,476 | 6,245,832 |
| <i>Adjustments related to interest income</i> | 13 | (984,816) | (1,859,763) |
| <i>Adjustments related to interest expense</i> | 14 | 10,402,340 | 10,819,893 |
| <i>Adjustments related to unrealized finance expenses on credit purchases</i> | | 1,862,269 | 1,629,866 |
| <i>Adjustments related to unearned finance income on credit sales</i> | | (3,650,317) | (4,344,164) |
| Adjustments related to redemption of government grants | | - | (84,269) |
| Adjustments related to unrealized foreign exchange (gains) / losses | | 2,260,087 | 1,490,482 |
| Adjustments related to fair value changes of derivative financial instruments | | (876,847) | (2,980,815) |
| Adjustments related to tax expense | 15 | 15,975,373 | 7,206,868 |
| Adjustments related to (gain) / loss on sale of property, plant and equipment | | (1,351,467) | (3,968,068) |
| Changes in working capital | | | |
| Adjustments related to (increase) / decrease in trade receivables | | 6,213,204 | (65,189,238) |
| Adjustments related to (increase) / decrease in other receivables associated with operating activities | | (60,180,634) | (43,942,500) |
| Adjustments related to (increase) / decrease in other receivables associated with operating activities | | (7,836,356) | 4,483,073 |
| Change in derivative instruments | | 7,994,634 | (9,170,965) |
| Adjustments related to (increase) / decrease in inventories | | (46,055,752) | (16,604,740) |
| Changes in prepaid expenses | | (3,128,470) | (7,653,325) |
| Adjustments related to increase / (decrease) in trade payables | | 75,072,342 | 15,973,445 |
| Adjustments related to increase / (decrease) in employee benefit liabilities | | 3,919,435 | 975,954 |
| Adjustments related to (increase) / decrease in other payables associated with operating activities | | 813,184 | 414,580 |
| Change in deferred income | | 1,064,568 | (2,731,164) |
| Adjustments related to increase / (decrease) in working capital | | 35,308,798 | (3,470,504) |
| <i>Changes in other assets associated with operating activities</i> | | 26,324,320 | 572,515 |
| <i>Changes in other liabilities associated with operating activities</i> | | 8,984,478 | (4,043,019) |
| Provision for employment termination benefits paid | | (8,637,395) | (1,149,427) |
| Tax refunds (payment) | | (12,986,841) | (2,313,665) |
| Net cash flows related to discontinued operations | | 20,865,691 | - |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of property, plant and equipment | | (72,020,742) | (24,788,168) |
| Purchase of property, plant, equipment and intangible assets | | 1,609,410 | 13,601,864 |
| Purchase of property, plant, equipment and intangible assets | | (74,614,968) | (40,249,795) |
| Ödenen geliştirme giderleri | | - | - |
| Interest received | 13 | 984,816 | 1,859,763 |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash obtained from borrowings | | (87,953,245) | (4,293,716) |
| Cash used for repayment of borrowings | | - | 81,582,589 |
| Cash used for repayment of borrowings | | (5,399,784) | - |
| Change in factoring financial debts | | (97,732) | - |
| Dividends paid | | (60,615,260) | (67,805,064) |
| Interest paid | 14 | (10,402,340) | (10,819,893) |
| Cash outflow from contributions (dividends) and other financial instruments | | (11,438,129) | (7,251,348) |
| NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENT BEFORE THE CURRENCY TRANSLATION DIFFERENCE IMPACT (A+B+C) | | 26,905,243 | 24,643,886 |
| D. CURRENCY TRANSLATION DIFFERENCE IMPACT ON CASH AND CASH EQUIVALENTS | | (4,289,698) | (15,608,448) |
| NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENT (A+B+C+D) | | 22,615,545 | 9,035,438 |
| E. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD | | 17,783,491 | 13,677,842 |
| CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (A+B+C+D+E) | | 40,399,036 | 22,713,280 |

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

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret Anonim Şirketi ("Kordsa Global" or the "Group") was established on 9 February 2006 as a subsidiary of Hacı Ömer Sabancı Sabancı Holding A.Ş. ("Sabancı Holding") and is registered in İstanbul, Turkey. The Company operates under Turkish Commercial Code.

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 Global is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded in Borsa İstanbul ("BIST") since 1991. As of 30 June 2016, 28.89% of the Group's shares are listed on BIST. As of the same date, the shareholders owning the Group's shares and the percentage of the shares are as follows:

| Shareholder Structure | Capital Share % | |
|--------------------------------|-----------------|---------------------|
| | 30 June 2016 | 31 December 2015 |
| Hacı Ömer Sabancı Holding A.Ş. | 71.11 | 71.11 |
| Other | 28.89 | 28.89 |
| | 100.00 | 100.00 |

Average number of employees within the Group is 3,931 (31 December 2015: 4,073).

The address of the registered office is as follows:

Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.
Sabancı Center Kule 2
Kat: 17
34330 4. Levent
İstanbul

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (cont'd)

Subsidiaries

In accordance with the operating country and segment reporting purpose, geographical divisions in which the subsidiaries that are consolidated in the consolidated financial statements as at 30 June 2016 and 31 December 2015 are as follows:

30 June 2016

| Subsidiaries | Country | Geographical division | Area of activity |
|------------------------------|--------------------------|--------------------------------|--|
| InterKordsa GmbH (**) | Germany | Europe, Middle East and Africa | Single cord manufacture, industrial yarn and cord fabric trade |
| 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 |
| Kordsa Brezilya S.A. | Brazil | South America | Industrial yarn and cord fabric manufacture and trade |
| PT Indo Kordsa Tbk (*) | Indonesia | Asia | Industrial yarn and cord fabric manufacture and trade |
| PT Indo Kordsa Polyester (*) | Indonesia | Asia | Industrial yarn manufacture and trade |
| Thai Indo Kordsa Co., Ltd. | Thailand | Asia | Cord fabric manufacture and trade |

31 December 2015

| Subsidiaries | Country | Geographical division | Area of activity |
|------------------------------|--------------------------|--------------------------------|--|
| InterKordsa GmbH (**) | Germany | Europe, Middle East and Africa | Single cord manufacture, industrial yarn and cord fabric trade |
| 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 |
| Kordsa Brezilya S.A. | Arjantin | Güney Amerika | Endüstriyel iplik üretimi ve ticareti |
| Kordsa Brezilya S.A. | Brazil | South America | Industrial yarn 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 manufacture and trade |
| Thai Indo Kordsa Co., Ltd. | Thailand | Asia | Cord fabric manufacture and trade |

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

(**) According to The Group's Board of Management decision numbered 2015/29 dated December 31 2015, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. and Interkordsa GmbH with 51% and 100% of rates respectively, would be classified as "Assets Held for sale" in the balance sheet as of December s 2015.

Approval of the Financial Statements

These interim condensed consolidated financial statements have been approved to be issued during the meeting of the Board of Directors held on 9 August 2016, and have been signed by the Chief Financial Officer and Chief Operating Officer, South America Fatma Arzu Ergene and Financial Affairs Manager Ümit Coşkun.

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
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**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2016**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

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.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

Moreover, financial tables and notes are presented in accordance with the format declared by CMB on 7 June 2013.

The Group issued the condensed financial statements as of 30 June 2016 in accordance with Turkish Accounting Standard No: 34 "Interim Financial Reporting".

Based on this Communiqué, explanations and disclosures which are required in the annual consolidated financial statements prepared in accordance with TAS / TFRS have been summarized or not presented to comply with TAS 34. The accompanying condensed interim consolidated financial statements should be read in conjunction with the consolidated statements for the year ended 31 December 2015. Interim financial results are not solely indicators of the results for the year end.

Functional and Presentation Currency

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

Preparation of Financial Statements in Hyperinflationary Periods

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

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
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**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Basis of Consolidation

The table below sets out all Subsidiaries and shows their shareholding rates at 30 June 2016:

| Subsidiaries | Direct and indirect ownership interest by the Group and its subsidiaries (%) | Proportion of effective interest (%) |
|--------------------------|---|---|
| InterKordsa GmbH | 100.00 | 100.00 |
| Nile Kordsa Company | 51.00 | 51.00 |
| Kordsa, Inc. | 100.00 | 100.00 |
| Kordsa Brazil | 97.31 | 97.31 |
| PT Indo Kordsa Tbk | 60.21 | 60.21 |
| PT Indo Kordsa Polyester | 99.97 | 60.20 |
| Thai Indo Kordsa | 64.19 | 38.65 |

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2015:

| Subsidiaries | Direct and indirect ownership interest by the Group and its subsidiaries (%) | Proportion of effective interest (%) |
|--------------------------|---|---|
| InterKordsa GmbH | 100.00 | 100.00 |
| Nile Kordsa Company | 51.00 | 51.00 |
| Kordsa, Inc. | 100.00 | 100.00 |
| Kordsa Brazil | 97.31 | 97.31 |
| PT Indo Kordsa Tbk | 60.21 | 60.21 |
| PT Indo Kordsa Polyester | 99.97 | 60.20 |
| Thai Indo Kordsa | 64.19 | 38.65 |

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.

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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

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 give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that 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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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 TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.2 Changes in Accounting Policies

Significant changes in the accounting principles and significant accounting errors should be applied retrospectively and prior period financial statements should be restated.

2.3 Changes in Accounting Estimates and Errors

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

Identified accounting errors are corrected in financial statements retrospectively.

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
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**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TAS affecting amounts reported and/or disclosures in the consolidated financial statements

None.

b) New and revised TAS applied with no material effect on the consolidated financial statements

| | |
|--|---|
| Amendments to TAS 16 and TAS 38 | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹ |
| Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 | <i>Agriculture: Bearer Plants</i> ¹ |
| Amendments to TFRS 11 and TFRS 1 Annual Improvements to 2011-2013 Cycle | <i>Accounting for Acquisition of Interests in Joint operations</i> ¹ |
| Amendments to TAS 1 Annual Improvements to 2012-2014 Cycle | <i>TFRS 1</i> ² |
| Amendments to TAS 27 | <i>Disclosure Initiative</i> ² |
| Amendments to TFRS 10 and TAS 28 | <i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> ² |
| Amendments to TFRS 10, TFRS 12 and TAS 28 | <i>Equity Method in Separate Financial Statements</i> ² |
| TFRS 14 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ² |
| | <i>Investment Entities: Applying the Consolidation Exception</i> ² |
| | <i>Regulatory Deferral Accounts</i> ² |

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards (cont'd)

- b) New and revised TAS applied with no material effect on the consolidated financial statements (cont'd)

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 Agriculture: Bearer Plants

This amendment include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

Amendments to TFRS 11 and TFRS 1 Accounting for Acquisition of Interests in Joint operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

Annual Improvements 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

Amendments to TAS 1 Disclosure Initiative

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the consolidated financial statements (cont'd)

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

Amendments to TAS 27 Equity Method in Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10, TFRS 12 and TAS 28 Investment Entities: Applying the Consolidation Exception

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
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**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards (cont'd)

- b) New and revised TAS applied with no material effect on the consolidated financial statements (cont'd)

TFRS 14 Regulatory Deferral Accounts

TFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

- c) New and revised TAS in issue but not yet effective

The Group has not applied the following new and revised TAS that have been issued but are not yet effective:

| | |
|---------------------------------|--|
| TFRS 9 | <i>Financial Instruments</i> |
| Amendments to TFRS 9 and TFRS 7 | <i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i> |

TFRS 9 Financial Instruments

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to TFRS 9 and TFRS 7 Mandatory Effective Date of TFRS 9 and Transition Disclosures

The mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

2.5 Summary of Significant Accounting Policies

The condensed consolidated interim financial statements for the period ended on 30 June 2016 have been prepared in accordance with TAS 34, the standard on the preparation and presentation of interim period financial statements. The accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended 30 June 2016 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2015. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the consolidated statements for the year ended 31 December 2015.

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
VE KORD BEZİ SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.6 Critical Accounting Judgments, Estimates and Assumptions

Preparation of the consolidated financial statements in accordance with Public Oversight Accounting and Auditing Standards Authority necessitates the usage of estimations and assumptions that can affect amounts of reported assets and liabilities as of balance sheet date, the explanation for the contingent assets and liabilities and income and expenses reported during the accounting period. Although these estimations and assumptions are based on the best judgement of the Group management related with the current conditions and transactions, actual results may differ from these estimations. Estimations are revised on a regular basis; necessary adjustments and corrections are made; and they are included in the income statement when they accrue Critical accounting estimates and assumptions used in the condensed consolidated financial statements as of 30 June 2016 are consistent with the critical accounting estimates and assumptions used in the consolidated financial statements as of 31 December 2015.

NOTE 3 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) Segment analysis for the period 1 January – 30 June 2016

| | Europe, Middle East and Africa | North America | South America | Asia | Intersegment elimination | Total |
|----------------------------|-----------------------------------|------------------|------------------|---------------|-----------------------------|--------------------|
| External revenues | 354,636,986 | 199,730,790 | 136,135,138 | 269,943,724 | - | 960,446,638 |
| Intersegment revenues | 14,963,604 | 14,414,808 | - | 33,396,107 | (62,774,519) | - |
| Revenues | 369,600,590 | 214,145,598 | 136,135,138 | 303,339,831 | (62,774,519) | 960,446,638 |
| Segment operating expenses | (296,039,437) | (204,382,490) | (124,389,709) | (250,337,299) | 66,496,981 | (808,651,954) |
| Segment operating result | 73,561,153 | 9,763,108 | 11,745,429 | 53,002,532 | 3,722,462 | 151,794,684 |
| Unallocated expenses (*) | | | | | | (26,950,128) |
| | | | | | | 124,844,556 |

(*) Income and expenses of Corporate Office, R&D Center and other unallocated consolidation adjustments are included in this line.

**KORDSA GLOBAL ENDÜSTRİYEL İPLİK
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (cont'd)

b) Segment analysis for the period 1 April – 30 June 2016

| | Europe, Middle East and Africa | North America | South America | Asia | Intersegment elimination | Total |
|----------------------------|-----------------------------------|------------------|------------------|---------------|-----------------------------|-------------------|
| External revenues | 175,309,704 | 86,410,599 | 73,349,148 | 137,665,346 | - | 472,734,797 |
| Intersegment revenues | 9,210,522 | 9,055,105 | - | 20,475,883 | (38,741,510) | - |
| Revenues | 184,520,226 | 95,465,704 | 73,349,148 | 158,141,229 | (38,741,510) | 472,734,797 |
| Segment operating expenses | (150,557,987) | (90,995,936) | (69,520,532) | (128,517,953) | 38,424,080 | (401,168,328) |
| Segment operating result | 33,962,239 | 4,469,768 | 3,828,616 | 29,623,276 | (317,430) | 71,566,469 |
| Unallocated expenses (*) | | | | | | (10,817,604) |
| | | | | | | 60,748,865 |

c) Segment analysis for the period 1 January – 30 June 2015

| | Europe, Middle East and Africa | North America | South America | Asia | Intersegment elimination | Total |
|----------------------------|-----------------------------------|------------------|------------------|---------------|-----------------------------|-------------------|
| External revenues | 306,635,956 | 155,375,277 | 120,892,127 | 245,247,526 | - | 828,150,886 |
| Intersegment revenues | 37,753,808 | 17,758,775 | - | 19,997,544 | (75,510,127) | - |
| Revenues | 344,389,764 | 173,134,052 | 120,892,127 | 265,245,070 | (75,510,127) | 828,150,886 |
| Segment operating expenses | (270,598,035) | (186,290,888) | (125,371,957) | (233,770,619) | 76,712,819 | (739,318,680) |
| Segment operating result | 73,791,729 | (13,156,836) | (4,479,830) | 31,474,451 | 1,202,692 | 88,832,206 |
| Unallocated expenses (*) | | | | | | (19,956,336) |
| | | | | | | 68,875,870 |

(*) Income and expenses of Corporate Office, R&D Center and other unallocated consolidation adjustments are included in this line.

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NOTE 3 - SEGMENT REPORTING (cont'd)

d) Segment analysis for the period 1 April – 30 June 2015

| | Europe, Middle East and Africa | North America | South America | Asia | Intersegment elimination | Total |
|----------------------------|-----------------------------------|------------------|------------------|---------------|-----------------------------|-------------------|
| External revenues | 174,659,081 | 74,522,257 | 64,313,073 | 128,669,803 | - | 442,164,214 |
| Intersegment revenues | 25,854,629 | 6,439,642 | - | 12,124,413 | (44,418,684) | - |
| Revenues | 200,513,710 | 80,961,899 | 64,313,073 | 140,794,216 | (44,418,684) | 442,164,214 |
| Segment operating expenses | (151,537,232) | (90,971,849) | (62,797,400) | (121,781,474) | 39,370,811 | (387,717,144) |
| Segment operating result | 48,976,478 | (10,009,950) | 1,515,673 | 19,012,742 | (5,047,873) | 54,447,070 |
| Unallocated expenses (*) | | | | | | (12,122,387) |
| | | | | | | 42,324,683 |

(*) Income and expenses of Corporate Office, R&D Center and other unallocated consolidation adjustments are included in this line.

e) Segment Assets

| | 30 June 2016 | 31 December 2015 |
|---|----------------------|----------------------|
| Europe, Middle East and Africa | 833,774,692 | 703,559,429 |
| Asia | 811,793,534 | 786,602,283 |
| South America | 236,666,861 | 221,700,694 |
| North America | 332,371,814 | 327,692,304 |
| Segment assets (*) | 2,214,606,901 | 2,039,554,710 |
| Unallocated assets (**) | 86,789,909 | 137,140,733 |
| Less: Intersegment eliminations | (3,523,931) | (2,663,627) |
| Total assets per consolidated financial statements | 2,297,872,879 | 2,174,031,816 |

(*) Segment assets comprise mainly of operating assets and exclude deferred income tax assets, time deposits and available for sale financial assets.

(**) Income and expenses of Corporate Office, R&D Center and other unallocated consolidation adjustments are included in this line.

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NOTE 3 - SEGMENT REPORTING (cont'd)

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

a) External revenues

| | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Fabric | 725,812,460 | 366,755,237 | 631,063,615 | 339,314,241 |
| Nylon Yarn | 200,644,732 | 85,439,781 | 147,746,486 | 76,066,972 |
| Other | 33,989,446 | 20,539,779 | 49,340,785 | 26,783,001 |
| | 960,446,638 | 472,734,797 | 828,150,886 | 442,164,214 |

b) Segment Assets

| | 30 June 2016 | 31 December 2015 |
|---|-------------------------|-----------------------------|
| Fabric | 1,037,523,946 | 956,667,781 |
| Nylon Yarn | 547,244,600 | 569,912,490 |
| Polyester Yarn | 272,788,662 | 268,111,646 |
| Other | 40,345,489 | 38,065,830 |
| Segment assets | 1,897,902,697 | 1,832,757,747 |
| Unallocated assets | 451,564,698 | 310,345,709 |
| Less: Intersegment eliminations | (51,594,516) | 30,928,360 |
| Total assets per consolidated financial statements | 2,297,872,879 | 2,174,031,816 |

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NOTE 4 - BORROWINGS

| | 30 June 2016 | 31 December 2015 |
|---|--------------------|---------------------|
| Short-term borrowings | 354,688,789 | 326,242,736 |
| Short-term portion of long term borrowings | 36,436,652 | 33,933,108 |
| Total short-term financial liabilities | 391,125,441 | 360,175,844 |
| Long-term borrowings | 159,641,229 | 194,119,724 |
| Total long-term financial liabilities | 159,641,229 | 194,119,724 |
| Total financial liabilities | 550,766,670 | 554,295,568 |

Bank borrowings

| | 30 June 2016 | | 31 December 2015 | |
|---|--|--------------------|--|--------------------|
| | Weighted average effective interest rate % | TL | Weighted average effective interest rate % | TL |
| Short-term borrowings | | | | |
| TL borrowings | - | 2,566,770 | - | 234,067 |
| USD borrowings | 3.80 | 38,135,936 | 3.78 | 82,953,560 |
| Euro borrowings | 1.06 | 302,917,640 | 0.78 | 214,593,428 |
| Other borrowings (*) | 10.44 | 11,068,443 | 11.57 | 28,461,681 |
| | | 354,688,789 | | 326,242,736 |
| Short-term portion of long-term borrowings | | | | |
| USD borrowings | 5.03 | 36,436,652 | 4.94 | 33,933,108 |
| | | 36,436,652 | | 33,933,108 |
| Total short-term borrowings | | 391,125,441 | | 360,175,844 |
| Long-term borrowings | | | | |
| USD borrowings | 5.03 | 91,211,712 | 4.94 | 129,296,683 |
| Euro borrowings | 3.10 | 65,369,760 | 3.10 | 64,823,041 |
| Other borrowings (*) | 10.50 | 3,059,757 | | - |
| Total long-term borrowings | | 159,641,229 | | 194,119,724 |

(*) Other borrowings are consist of credits whom currency is Indonesian Rupiah.

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NOTE 4 – BORROWINGS (cont'd)

The redemption schedules of borrowings are summarized below:

| | 30 June 2016 | 31 December 2015 |
|--------------|--------------------|---------------------|
| Up to 1 year | 391,125,441 | 360,175,844 |
| 1 to 2 years | 80,916,601 | 63,316,564 |
| 2 to 3 years | 18,504,880 | 97,358,094 |
| 3 to 4 years | 18,504,880 | 32,535,054 |
| 4 to 5 years | 38,867,816 | 847,903 |
| Over 5 years | 2,847,052 | 62,109 |
| | 550,766,670 | 554,295,568 |

NOTE 5 – OTHER RECEIVABLES AND PAYABLES

| | 30 June 2016 | 31 December 2015 |
|-------------------------------------|------------------|---------------------|
| Other short-term receivables | | |
| Taxes and other dues (*) | 4,282,423 | 12,453,232 |
| Other | 757,404 | 2,149,495 |
| | 5,039,827 | 14,602,727 |

(*) Prepaid taxes and other deductions to be mainly arising from Kordsa Global's domestic production incentive and other tax receivables which are not collected yet.

| | 30 June 2016 | 31 December 2015 |
|---------------------------------------|-------------------|---------------------|
| Other long-term receivables | | |
| Litigation guarantee receivables (**) | 14,059,205 | 11,259,218 |
| Other | 1,955,281 | 1,938,496 |
| | 16,014,486 | 13,197,714 |

(**) This amount related to Lawsuits against Kordsa Brazil, includes guarantees paid to Brazilian Law Units. The cases are continuing if they will be concluded in favor of Kordsa Brazil; amount will be recollected.

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NOTE 5 – OTHER RECEIVABLES AND PAYABLES (cont'd)

| | 30 June 2016 | 31 December 2015 |
|----------------------------------|-------------------------|-----------------------------|
| Other short-term payables | | |
| Taxes and duties payable | 14,295,339 | 9,972,774 |
| Other | 2,290,592 | 2,725,008 |
| | 16,585,931 | 12,697,782 |

| | 30 June 2016 | 31 December 2015 |
|---------------------------------|-------------------------|-----------------------------|
| Other long-term payables | | |
| Taxes and duties payable (***) | 9,500,508 | 8,687,324 |
| | 9,500,508 | 8,687,324 |

(***) Taxes and duties payables mainly comprise of long term social security contributions and other tax payables of Kordsa Brazil.

NOTE 6 - INVENTORIES

| | 30 June 2016 | 31 December 2015 |
|----------------------------------|-------------------------|-----------------------------|
| Finished goods | 181,060,309 | 199,251,029 |
| Raw materials and supplies | 156,776,040 | 127,632,135 |
| Semi-finished goods | 61,189,784 | 50,743,474 |
| Spare parts | 26,056,788 | 21,966,897 |
| Intermediate goods | 19,587,792 | 13,078,568 |
| Other inventories | 37,825,049 | 23,767,907 |
| | 482,495,762 | 436,440,010 |
| Less: Provision for obsolescence | (14,220,753) | (11,715,477) |
| | 468,275,009 | 424,724,533 |

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NOTE 6 – INVENTORIES (cont'd)

Movement schedules for provision for obsolescence for the years ended 30 June 2016 and 30 June 2015 are as follows:

| | 1 January- 30 June 2016 | 1 January- 30 June 2015 |
|----------------------------------|------------------------------------|------------------------------------|
| Balances at 1 January | 11,715,477 | 9,002,927 |
| Additions | 4,742,408 | 3,650,656 |
| Reversals | (1,515,692) | (2,458,002) |
| Currency translation differences | (721,440) | 1,080,157 |
| Balance at 30 June | 14,220,753 | 11,275,738 |

The amount of provision for inventory obsolescence classified to cost of goods sold for the periods 30 June 2016 and 30 June 2015.

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NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended 30 June 2016 is as follows:

| | 1 January 2016 | Additions | Disposals | Transfers | Currency translation differences | 30 June 2016 |
|----------------------------------|----------------------|-------------------|--------------------|------------------|----------------------------------|----------------------|
| Cost: | | | | | | |
| Land and land improvements | 67,742,656 | - | (149,249) | - | 243,467 | 67,836,874 |
| Buildings | 312,608,157 | 51,418 | - | 128,721 | 3,370,120 | 316,158,416 |
| Machinery and equipment | 1,688,749,258 | 5,287,423 | (398,996) | 7,997,004 | 32,091,303 | 1,733,725,992 |
| Motor vehicles | 3,554,077 | - | (492,840) | - | 92,951 | 3,154,188 |
| Furniture and fixtures | 53,754,289 | 47,041 | (25,411) | 1,535,431 | 2,927,069 | 58,238,419 |
| Construction in progress | 81,741,753 | 68,881,740 | - | (9,851,969) | 440,797 | 141,212,321 |
| | 2,208,150,190 | 74,267,622 | (1,066,496) | (190,813) | 39,165,707 | 2,320,326,210 |
| Accumulated depreciation: | | | | | | |
| Land improvements | 27,713,224 | 325,824 | - | - | (17,223) | 28,021,825 |
| Buildings | 174,611,578 | 3,213,872 | - | - | 2,348,524 | 180,173,974 |
| Machinery and equipment | 918,092,164 | 30,699,865 | (297,773) | - | 21,119,033 | 969,613,289 |
| Motor vehicles | 2,717,971 | 221,462 | (486,915) | - | 137,739 | 2,590,257 |
| Furniture and fixtures | 39,912,949 | 1,723,159 | (23,864) | - | 1,674,942 | 43,287,186 |
| | 1,163,047,886 | 36,184,182 | (808,552) | - | 25,263,015 | 1,223,686,531 |
| Net book value | 1,045,102,304 | | | | | 1,096,639,679 |

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NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

The movement of property, plant and equipment for the year ended 30 June 2015 is as follows:

| | 1 January 2015 | Additions | Disposals | Provision for losses | Transfers | Currency translation differences | 30 June 2015 |
|----------------------------------|----------------------|-------------------|---------------------|----------------------|--------------------|----------------------------------|----------------------|
| Cost: | | | | | | | |
| Land and land improvements | 66,766,539 | - | - | - | - | 3,554,541 | 70,321,080 |
| Buildings | 299,268,144 | 288,838 | - | - | 6,195,056 | 19,224,444 | 324,976,482 |
| Machinery and equipment | 1,599,176,509 | 9,132,659 | (46,552,133) | - | 40,105,898 | 111,822,609 | 1,713,685,542 |
| Motor vehicles | 3,597,938 | - | (66,818) | - | - | 364,686 | 3,895,806 |
| Furniture and fixtures | 50,371,149 | 226,976 | (1,304,892) | - | 266,082 | 2,811,985 | 52,371,300 |
| Construction in progress | 74,948,739 | 30,044,322 | - | - | (48,360,975) | 5,851,746 | 62,483,832 |
| | 2,094,129,018 | 39,692,795 | (47,923,843) | - | (1,793,939) | 143,630,011 | 2,227,734,042 |
| Accumulated depreciation: | | | | | | | |
| Land improvements | 24,553,467 | 483,976 | - | - | - | 1,592,804 | 26,630,247 |
| Buildings | 164,531,820 | 3,394,010 | - | - | - | 7,293,548 | 175,219,378 |
| Machinery and equipment | 878,738,996 | 34,592,540 | (36,859,307) | 386,222 | 32,990 | 43,535,095 | 920,426,536 |
| Motor vehicles | 2,397,050 | 271,262 | (66,818) | - | - | 268,728 | 2,870,222 |
| Furniture and fixtures | 38,152,659 | 1,325,571 | (1,285,175) | - | - | 2,255,040 | 40,448,095 |
| | 1,108,373,992 | 40,067,359 | (38,211,300) | 386,222 | 32,990 | 54,945,215 | 1,165,594,478 |
| Net book value | 985,755,026 | | | | | | 1,062,139,564 |

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NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

Current period depreciation and amortisation expenses consists of TL 35,858,890 (30 June 2015: TL 34,043,922) cost of sales, TL 664,563 (30 June 2015: TL 804,453) research and development expenses and TL 2,837,627 (30 June 2015: TL 2,986,566) in general administrative expenses.

NOTE 8 – INVESTMENT PROPERTY

Movement schedule of investment properties for the interim periods ended at 30 June 2016 and 30 June 2015 is as follows:

| | 30 June 2016 | 30 June 2015 |
|--------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | 28,190,849 | 22,332,047 |
| Currency translation differences | (135,737) | 3,538,227 |
| Closing balance | 28,055,112 | 25,870,274 |

Investment properties belongs to PT Indo Kordsa that is located in Asia Pacific Reigon.

NOTE 9 - PROVISIONS, 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:

| | 30 June 2016 | 31 December 2015 |
|---|--------------------|---------------------|
| Pledges given to banks | 195,140,037 | 205,390,746 |
| Letter of guarantees | 24,220,884 | 25,692,680 |
| Letter of credits | 1,948,032 | 2,010,166 |
| Pledges | 1,502,465 | 891,831 |
| Pledges given for machinery and equipment | 8,011,000 | 8,553,000 |
| Other guarantees given | 66,216 | 69,642 |
| | 230,888,634 | 242,608,065 |

b) Guarantees received:

| | 30 June 2016 | 31 December 2015 |
|--|-------------------|---------------------|
| Letter of guarantees | 10,272,757 | 11,433,234 |
| Cheques and notes received as collateral | 962,699 | 975,613 |
| | 11,235,456 | 12,408,847 |

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NOTE 9 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

| 30 June 2016 | TL Equivalent | TL | USD | EUR | Thai Baht | Other TL Equivalent |
|---|----------------------|------------|------------|------------|------------------|----------------------------|
| A. Total of GPMs given on behalf of own legal personality | 230,888,634 | 17,801,457 | 64,056,329 | 8,160,233 | 18,466,840 | 66,217 |
| B. Total of GPMs given on behalf of subsidiaries consolidated in full | 13,565,197 | - | 4,688,000 | - | - | - |
| 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 shareholder | - | - | - | - | - | - |
| ii. Total amount of GPM given to on behalf of other Group companies which are not in scope of B and C | - | - | - | - | - | - |
| iii. Total amount of GPM given on behalf of third parties which are not in scope of clause C | - | - | - | - | - | - |
| | 244,453,831 | 17,801,457 | 68,744,329 | 8,160,233 | 18,466,840 | 66,217 |
| 31 December 2015 | TL Equivalent | TL | USD | EUR | Thai Baht | Other TL Equivalent |
| A. Total of GPMs given on behalf of own legal personality | 242,608,065 | 18,850,279 | 64,187,715 | 8,019,731 | 10,858,014 | 69,643 |
| B. Total of GPMs given on behalf of subsidiaries consolidated in full | 23,777,303 | - | 7,813,000 | - | - | - |
| 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 shareholder | - | - | - | - | - | - |
| ii. Total amount of GPM given to on behalf of other Group companies which are not in scope of B and C | - | - | - | - | - | - |
| iii. Total amount of GPM given on behalf of third parties which are not in scope of clause C | - | - | - | - | - | - |
| | 266,385,368 | 18,850,279 | 72,000,715 | 8,019,731 | 10,858,014 | 69,643 |

The percentage of the Group's other GPMs to the Group's equity as of 30 June 2016 is 0% (31 December 2015: 0%).

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NOTE 10 - SALES AND COST OF GOODS SOLD

| | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|---------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| Sales income (gross) | 974,900,433 | 479,567,208 | 842,977,611 | 449,524,712 |
| Sales returns (-) | (3,781,433) | (1,810,964) | (3,941,889) | (2,376,937) |
| Sales discounts (-) | (7,792,034) | (3,695,547) | (7,529,659) | (3,314,065) |
| Other sales discounts (-) | (2,880,328) | (1,325,900) | (3,355,177) | (1,669,496) |
| Sales Income (Net) | 960,446,638 | 472,734,797 | 828,150,886 | 442,164,214 |
| Cost of sales (-) | (760,280,000) | (369,649,920) | (693,769,685) | (365,100,390) |
| Gross Profit | 200,166,638 | 103,084,877 | 134,381,201 | 77,063,824 |

NOTE 11 - EXPENSES BY NATURE

| | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| Personnel expenses | 28,786,073 | 14,806,999 | 26,740,765 | 13,735,508 |
| Distribution expenses | 21,344,433 | 10,951,583 | 18,562,347 | 9,492,930 |
| Consultancy expenses | 6,781,447 | 3,297,369 | 7,877,188 | 5,745,364 |
| Depreciation and amortization expenses | 3,502,190 | 1,776,278 | 3,788,988 | 1,920,402 |
| Rent expenses | 1,242,390 | 654,964 | 1,138,287 | 595,099 |
| Service, maintenance expenses | 1,240,198 | 731,564 | 798,830 | 525,533 |
| Other | 18,291,075 | 8,857,159 | 15,286,192 | 8,128,272 |
| | 81,187,806 | 41,075,916 | 74,192,597 | 40,143,108 |

NOTE 12 - OTHER OPERATING INCOME AND EXPENSES

| | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Other operating income | | | | |
| Foreign exchange gains/ losses on trade receivables (net) | 85,702,321 | 52,115,024 | 58,083,893 | 26,687,837 |
| Domestic production incentive income (*) | 8,323,473 | 4,589,088 | 5,839,058 | 2,528,503 |
| Unearned finance income on credit sales | 3,650,317 | 1,893,665 | 4,344,164 | 2,084,516 |
| Rent income | 75,421 | 34,211 | 63,790 | 31,895 |
| Income from insurance claims | 68,056 | 16,639 | 2,451,227 | 2,451,227 |
| Other | 4,422,289 | 1,311,186 | 4,267,402 | 1,742,269 |
| | 102,241,877 | 59,959,813 | 75,049,534 | 35,526,247 |

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

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NOTE 12 - OTHER OPERATING INCOME AND EXPENSES (cont'd)

| Other operating expenses | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| Foreign exchange gains/ losses on trade payables (net) | 77,261,763 | 48,061,399 | 52,719,187 | 19,807,047 |
| Donations | 5,678,892 | 2,600,650 | 2,901,579 | 2,200,200 |
| Taxes and duties | 5,065,117 | 3,434,010 | 5,096,775 | 3,053,967 |
| Unrealized finance expense on credit purchases | 1,862,269 | 992,829 | 1,629,866 | 855,930 |
| Allowance for bad debts | 1,554,622 | 1,369,258 | - | - |
| Expenses of the customer damages | 234,208 | 166,982 | 351,913 | 226,917 |
| Property, plant and equipment impairment loss | - | - | 3,076,124 | 3,076,124 |
| Other | 4,719,282 | 4,594,781 | 586,824 | 151,841 |
| | 96,376,153 | 61,219,909 | 66,362,268 | 29,372,026 |

NOTE 13 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

| Income from investing activities | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Gain on sale of property, plant and equipment (*) | 3,104,754 | 6,693 | 905,361 | 31,465 |
| Interest income | 984,816 | 649,926 | 1,855,607 | 1,557,107 |
| | 4,089,570 | 656,619 | 2,760,968 | 1,588,572 |

(*) The profit on sale of fixed assets as of the date of 30 June 2016, in Izmit outside of the area in which the company operates, was obtained from the sale of the land.

| Expenses from investing activities | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Loss on sale of property, plant and equipment(**) | 1,753,287 | 28,166 | 1,135,724 | 328,137 |
| | 1,753,287 | 28,166 | 1,135,724 | 328,137 |

(**) The profit on sale of fixed assets as of the date of 30 June 2016, in Izmit outside of the area in which the company operates, was obtained from the sale of the land and idle machinery and equipment.

NOTE 14 - FINANCIAL INCOME AND EXPENSES

| Finance income | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| Foreign exchange gains | 13,565,447 | 6,555,021 | - | - |
| | 13,565,447 | 6,555,021 | - | - |

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NOTE 14 - FINANCIAL INCOME AND EXPENSES (cont'd)

| | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|----------------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| Finance expenses | | | | |
| Interest expenses | 10,402,340 | 4,705,715 | 10,340,423 | 5,665,308 |
| Derivative financial instruments | 1,344,175 | 382,622 | - | - |
| Foreign exchange losses | - | - | 12,607,681 | 6,741,445 |
| Other | 361,202 | 186,782 | 379,919 | 253,519 |
| | 12,107,717 | 5,275,119 | 23,328,023 | 12,660,272 |

NOTE 15 - TAXATION ON INCOME AND EXPENSE

Corporate Tax

| | 30 June 2016 | 31 December 2015 |
|-----------------------|------------------|---------------------|
| Corporate tax payable | 17,023,686 | 19,381,975 |
| Less: Prepaid taxes | (12,986,841) | (19,381,975) |
| | 4,036,845 | - |

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax rate for tax accrual on taxable income is applied to the taxable profit which is calculated by adding non-deductible expenses and deducting certain exemptions that take place in tax laws (carryforward losses and if utilized exemptions for investment incentives).

The taxes on income reflected to consolidated income statements for the years ended 30 June 2016 and 2015 are summarized as follows:

| | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|--------------------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| Current period corporate tax expense | (17,023,686) | (9,790,803) | (2,428,496) | (1,767,623) |
| Deferred tax income / (expense) | 1,048,313 | (244,262) | (4,893,974) | (4,120,201) |
| | (15,975,373) | (10,035,065) | (7,322,470) | (5,887,824) |

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NOTE 15 - TAXATION ON INCOME AND EXPENSE (cont'd)

Deferred Taxes

| | 30 June 2016 | 31 December 2015 |
|-------------------------------------|-------------------------|-----------------------------|
| Deferred tax assets | 30,691,130 | 29,046,999 |
| Deferred tax liabilities | (81,838,495) | (83,386,108) |
| Deferred tax liability (net) | (51,147,365) | (54,339,109) |

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

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 | 30 June 2016 | 31 December 2015 |
|--------------------------|-------------------------|-----------------------------|
| Turkey | 20.0% | 20.0% |
| Egypt | 30.0% | 30.0% |
| Germany | 30.0% | 30.0% |
| United States of America | 35.0% | 35.0% |
| Brasil | 21.5% | 21.5% |
| Indonesia | 25.0% | 25.0% |
| Thailand | 20.0% | 20.0% |

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NOTE 15 - TAXATION ON INCOME AND EXPENSE (cont'd)

Deferred Taxes (cont'd)

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 30 June 2016 and 31 December 2015 using the enacted tax rates are as follows:

| | Cumulative temporary differences | | Deferred tax assets/(liabilities) | |
|---|-------------------------------------|------------------|--------------------------------------|---------------------|
| | 30 June 2016 | 31 December 2015 | 30 June 2016 | 31 December 2015 |
| Provision for employment termination benefits | 43,034,160 | 46,954,050 | 9,112,159 | 10,186,781 |
| Inventories | 9,559,192 | 15,268,148 | 2,765,074 | 4,139,099 |
| Doubtful receivable provision | 826,807 | 749,427 | 312,037 | 282,834 |
| Consignment sales adjustment | 5,256,635 | 2,247,637 | 1,051,327 | 449,527 |
| Unearned credit finance income | 413,135 | 451,861 | 82,627 | 90,372 |
| Other | 49,343,492 | 33,280,054 | 17,367,906 | 13,898,386 |
| Deferred tax assets | | | 30,691,130 | 29,046,999 |
| Property, plant and equipment and intangibles | 180,922,427 | 187,222,450 | (71,324,698) | (70,317,894) |
| Other | 52,568,986 | 59,502,106 | (10,513,797) | (13,068,214) |
| Deferred tax liabilities | | | (81,838,495) | (83,386,108) |
| Net deferred tax liability | | | (51,147,365) | (54,339,109) |

Since it is not anticipated to be able to offset the financial losses of the Group's subsidiary Kordsa Brazil, which amounted to TL 144,427,744 as of 30 June 2016 (31 December 2015: TL 144,427,744), no deferred tax asset has been calculated and included in the above table. According to the Brazilian tax system, there is no time limitation for the carry forward of the financial losses. However, the maximum amount which can be offset within any given year is limited to the 30% of the total profit, which is subject to tax, of the related year.

| | 30 June 2016 | 31 December 2015 |
|---|-----------------|---------------------|
| Deferred tax assets that are expected to be benefited from after one year | 9,112,159 | 10,186,781 |
| Deferred tax liabilities that are expected to be realized after one year | 81,838,495 | 83,386,108 |

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NOTE 15 - TAXATION ON INCOME AND EXPENSE (cont'd)

Deferred Taxes (cont'd)

Movement tables of deferred tax as of 30 June 2016 and 2015 is as follows:

| | 1 January- 30 June 2016 | 1 January- 30 June 2015 |
|--|----------------------------|----------------------------|
| Balances at 1 January | (54,339,106) | (50,313,015) |
| Current year deferred tax income (net) | 1,048,313 | (4,893,203) |
| Accounted for under equity | 1,552,544 | (1,940,177) |
| Currency translation differences | 590,884 | (5,057,739) |
| Balances at 30 June | (51,147,365) | (62,204,134) |

NOTE 16 – 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- 30 June 2016 | 1 January- 30 June 2015 |
|---|----------------------------|----------------------------|
| Net income attributable to equity holders of the parent | 87,559,475 | 35,507,733 |
| Weighted average number of ordinary shares | 19,452,907,600 | 19,452,907,600 |
| Per 1.000 units of common stocks | 4.50 | 1.83 |
| Earning per share from continuing operations | | |
| Net income attributable to equity holders of the parent | 99,385,849 | 27,639,809 |
| Weighted average number of ordinary shares | 19,452,907,600 | 19,452,907,600 |
| Per 1.000 units of common stocks | 5.11 | 1.42 |
| Earning per share from discontinuing operations | | |
| Net income attributable to equity holders of the parent | -11,826,374 | 7,867,924 |
| Weighted average number of ordinary shares | 19,452,907,600 | 19,452,907,600 |
| Per 1.000 units of common stocks | (0.61) | 0.41 |

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NOTE 17 – RELATED PARTY DISCLOSURES

| | 30 June 2016 | 31 December 2015 |
|---------------------------------|-------------------------|-----------------------------|
| Bank balances: | | |
| Akbank T.A.Ş. – demand deposits | 218,119 | 51,253 |
| | 218,119 | 51,253 |

| | 30 June 2016 | 31 December 2015 |
|---------------------------------|-------------------------|-----------------------------|
| Akbank T.A.Ş. – bank borrowings | 131,702,530 | 80,945,107 |

| | 30 June 2016 | 31 December 2015 |
|---|-------------------------|-----------------------------|
| Due from related parties: | | |
| Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. ("Brisa") | 17,842,797 | 13,621,568 |
| Aksigorta A.Ş. | 390,650 | - |
| Enerjisa Enerji Üretim A.Ş. ("Enerjisa") | 66,006 | 61,410 |
| Bimsa | 21,933 | - |
| Akbank A.G. | 2,551 | 3,099 |
| | 18,323,937 | 13,686,077 |

| | | |
|---|-------------------|------------------|
| Sabancı Üniversitesi | 5,600,000 | - |
| Enerjisa Enerji Üretim A.Ş. ("Enerjisa") | 4,466,155 | 3,722,716 |
| Enerjisa Doğalgaz Toptan Satış A.Ş. ("Gasco") | 1,469,535 | - |
| Bimsa | 737,630 | 310,506 |
| Aksigorta A.Ş. | 266,867 | 6,861 |
| Temsa Global Sanayi ve Ticaret A.Ş. ("Temsa") | 11,750 | - |
| Brisa | 789 | 44,098 |
| Diğer | 1,664 | - |
| | 12,554,390 | 4,084,181 |

| | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|----------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Product sales | | | | |
| Brisa | 30,528,480 | 14,984,984 | 29,100,498 | 14,739,738 |

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NOTE 17 – RELATED PARTY DISCLOSURES (cont'd)

| Service sales | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|----------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| Enerjisa Enerji Üretim A.S | - | - | 15,084 | - |
| | - | - | 15,084 | - |

Service sales arise from invoicing of common services incurred for the above companies which operate in the same area.

| Product purchases | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Enerjisa Enerji Üretim A.Ş. ("Enerjisa") | 22,653,714 | 11,422,021 | 19,514,768 | 9,882,626 |
| Enerjisa Doğalgaz Toptan Satış A.Ş. ("Gazco") | 8,636,456 | 4,115,619 | - | - |
| | 31,290,170 | 15,537,640 | 19,514,768 | 9,882,626 |

| Services received | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|---------------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| Aksigorta | 3,283,453 | 7,878 | 2,199,000 | 1,156,570 |
| Bimsa | 2,428,271 | 1,565,960 | 1,967,131 | 1,439,947 |
| AvivaSA Emeklilik ve Hayat A.Ş. | 651,975 | 6,097 | 487,258 | 595 |
| Sabancı Üniversitesi | 274,981 | 140,750 | 44,323 | 17,161 |
| Sabancı Holding | 13,825 | - | 323 | - |
| TeknoSA | - | - | 536 | 282 |
| Diğer | 29,584 | 29,584 | 235,049 | 120,801 |
| | 6,682,089 | 1,750,269 | 4,933,620 | 2,735,356 |

| Property, plant and equipment purchases | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Bimsa | 227,260 | 47,315 | 471,908 | 224,005 |
| Teknosa | 1,282 | 1,282 | - | - |
| | 228,542 | 48,597 | 471,908 | 224,005 |

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NOTE 17 – RELATED PARTY DISCLOSURES (cont'd)

| | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| Interest income | | | | |
| Akbank T.A.Ş. | 184,237 | 168,475 | 37,371 | - |
| Interest expense | | | | |
| Akbank T.A.Ş. | 1,543,153 | 932,752 | - | - |
| Foreign exchange gains / (losses) - net | | | | |
| Akbank T.A.Ş. | 486,017 | 136,593 | 2,898,018 | 1,820,978 |
| Rent expense | | | | |
| Sabancı Holding | 179,790 | 89,895 | 170,778 | 85,389 |
| Rent income | | | | |
| Bimsa | 27,333 | 10,933 | 30,580 | 15,290 |
| Donations | | | | |
| Sabancı Üniversitesi | 5,600,000 | 2,600,000 | 5,114,501 | 5,114,501 |

Remunerations:

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

Details of the remunerations provided by the Group for 30 June 2016 and 2015 are as follows:

| | 1 January- 30 June 2016 | 1 April- 30 June 2016 | 1 January- 30 June 2015 | 1 April- 30 June 2015 |
|-------------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| Short-term employee benefits | 6,066,340 | 3,227,345 | 5,278,705 | 2,869,942 |
| Other long-term benefits | 60,713 | 31,547 | 66,693 | 35,281 |
| Employee termination benefits | - | - | 87,433 | 87,433 |
| Post-employment benefits | 108,811 | 65,810 | 111,879 | 55,389 |
| | 6,235,864 | 3,324,702 | 5,544,710 | 3,048,045 |

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NOTE 17 – RELATED PARTY DISCLOSURES (cont'd)

Security and guarantee letters given:

30 June 2016

| Related parties | Amount | Currency | Detail | Bank |
|------------------------|---------------|-----------------|----------------|-------------|
| Kordsa Brazil | 4,688,000 | US Dollar | Loan Guarantee | IFC |

31 December 2015

| Related parties | Amount | Currency | Detail | Bank |
|------------------------|---------------|-----------------|----------------|-------------|
| Kordsa Brazil | 7,813,000 | US Dollar | Loan Guarantee | IFC |

NOTE 18 - FOREIGN CURRENCY RISK AND POSITION

Foreign exchange risk

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

Foreign currency position

Group's assets and liabilities denominated in foreign currencies at 30 June 2016 and 31 December 2015 are as follows:

| | 30 June 2016 | 31 December 2015 |
|--------------------------------------|----------------------|-------------------------|
| Assets | 445,984,496 | 379,096,584 |
| Liabilities | (623,871,374) | (489,992,135) |
| Net foreign currency position | (177,886,878) | (110,895,551) |

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NOTE 18 - FOREIGN CURRENCY RISK AND POSITION (cont'd)

| 30 June 2016 | Total TL equivalent | USD (*) | EUR (*) | Thai Baht (*) | Rupiah ('000) (*) | Indonesian Rent (*) | Brazilian Real (*) | Other TL Equivalent |
|---|------------------------|---------------------|---------------------|--------------------|--------------------|------------------------|-----------------------|------------------------|
| Assets: | | | | | | | | |
| Trade receivables | 335,215,828 | 45,207,884 | 33,194,557 | 384,773,456 | 92,936,671 | 51,411,595 | - | - |
| Cash and cash equivalent | 40,317,346 | 8,047,740 | 54,622 | 106,259,417 | 34,534,438 | 590,917 | 879 | 879 |
| Other monetary receivables and assets | 757,404 | 120,837 | - | 14,170 | 1,608,109 | 59,384 | - | - |
| Other non-monetary receivables and assets | 43,372,974 | 6,113,203 | 161,419 | 16,854,031 | 55,792,383 | 5,156,619 | 183,637 | 183,637 |
| Current assets | 419,663,552 | 59,489,664 | 33,410,598 | 507,901,074 | 184,871,601 | 57,218,515 | 184,516 | 184,516 |
| Non-current assets held for sale | 93,114 | 32,179 | - | - | - | - | - | - |
| Other monetary receivables and assets | 22,079,242 | 1,895,208 | - | 615,000 | - | 18,352,614 | - | - |
| Non-current assets | 22,172,356 | 1,927,387 | - | 615,000 | - | 18,352,614 | - | - |
| Total assets | 441,835,908 | 61,417,051 | 33,410,598 | 508,516,074 | 184,871,601 | 75,571,129 | 184,516 | 184,516 |
| Liabilities: | | | | | | | | |
| Trade payables | 200,947,866 | 53,182,685 | 9,220,655 | 14,787,113 | 32,057,859 | 8,780,185 | 1,215,667 | 1,215,667 |
| Financial payables | 388,432,187 | 25,727,857 | 94,531,781 | - | 50,419,837 | - | - | (968) |
| Other monetary payables and liabilities | 53,793,947 | 7,083,299 | - | 163,343,253 | 40,998,523 | 12,048,472 | - | - |
| Total short-term liabilities | 643,174,000 | 85,993,841 | 103,752,436 | 178,130,366 | 123,476,219 | 20,828,657 | 1,214,699 | 1,214,699 |
| Financial payables | 159,641,229 | 31,521,650 | 21,354,861 | - | 13,936,826 | - | - | - |
| Other monetary payables and liabilities | 9,500,508 | 3,406,843 | - | 33,088,890 | - | 10,538,683 | - | - |
| Total long-term liabilities | 169,141,737 | 34,928,493 | 21,354,861 | 33,088,890 | 13,936,826 | 10,538,683 | - | - |
| Total liabilities | 812,315,737 | 120,922,334 | 125,107,297 | 211,219,256 | 137,413,045 | 31,367,340 | 1,214,699 | 1,214,699 |
| Fair value of financial instruments used for foreign currency hedging | 4,148,588 | 1,433,712 | - | - | - | - | - | - |
| Hedged portion of foreign currency liabilities | 188,444,363 | 3,109,608 | 56,000,000 | - | - | - | - | - |
| Net foreign currency asset / (liability) position | (177,886,878) | (54,961,963) | (35,696,699) | 297,296,818 | 47,458,556 | 44,203,789 | (1,030,183) | (1,030,183) |
| Monetary items net foreign currency asset / (liability) position | (413,852,803) | (65,618,486) | (91,858,118) | 280,442,787 | (8,333,827) | 39,047,170 | (1,213,820) | (1,213,820) |

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

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NOTE 18 - FOREIGN CURRENCY RISK AND POSITION (cont'd)

| 31 December 2015 | Total TL equivalent | USD (*) | EUR (*) | Thai Baht (*) | Indonesian Rupiah ('000) (*) | Brazilian Real (*) | Other TL Equivalent |
|---|------------------------|---------------------|---------------------|--------------------|---------------------------------|-----------------------|------------------------|
| Assets: | | | | | | | |
| Trade receivables | 272,604,694 | 32,608,720 | 27,341,457 | 297,585,157 | 74,599,914 | 60,538,165 | - |
| Cash and cash equivalent | 17,757,566 | 2,078,227 | 456,191 | 91,573,079 | 2,066,910 | 3,292,625 | 8 |
| Other monetary receivables and assets | 2,149,495 | 553,787 | - | 669,579 | 2,084,636 | 61,743 | - |
| Other non-monetary receivables and assets | 52,217,318 | 2,700,920 | 6,909 | 8,024,051 | 173,213,694 | 9,651,989 | - |
| Current assets | 344,729,073 | 37,941,654 | 27,804,557 | 397,851,866 | 251,965,154 | 73,544,522 | 8 |
| Non-current assets held for sale | 93,564 | 32,179 | - | - | - | - | - |
| Other monetary receivables and assets | 22,362,638 | 2,793,215 | - | 689,000 | 3,157,538 | 18,156,934 | - |
| Non-current assets | 22,456,202 | 2,825,394 | - | 689,000 | 3,157,538 | 18,156,934 | - |
| Total assets | 367,185,275 | 40,767,048 | 27,804,557 | 398,540,866 | 255,122,692 | 91,701,456 | 8 |
| Liabilities: | | | | | | | |
| Trade payables | 135,537,647 | 20,981,887 | 11,692,885 | 11,801,080 | 19,125,151 | 8,761,814 | (327,836) |
| Financial payables | 359,913,023 | 40,190,514 | 67,533,178 | - | 135,039,978 | - | (968) |
| Other monetary payables and liabilities | 28,258,509 | 4,045,433 | - | 62,687,332 | 21,341,256 | 9,329,895 | - |
| Total short-term liabilities | 523,709,179 | 74,217,834 | 79,226,063 | 74,488,412 | 175,506,385 | 18,091,709 | (328,804) |
| Financial payables | 194,119,724 | 44,468,298 | 20,400,000 | - | - | - | - |
| Other monetary payables and liabilities | 8,687,324 | 3,278,341 | - | 31,798,932 | - | 11,666,757 | - |
| Total long-term liabilities | 202,807,048 | 47,746,639 | 20,400,000 | 31,798,932 | - | 11,666,757 | - |
| Total liabilities | 726,516,227 | 121,964,473 | 99,626,063 | 106,287,344 | 175,506,385 | 29,758,466 | (328,804) |
| Fair value of financial instruments used for foreign currency hedging | 11,911,309 | 4,096,612 | - | - | - | - | - |
| Hedged portion of foreign currency liabilities | 236,524,092 | 20,146,682 | 56,000,000 | - | - | - | - |
| Net foreign currency asset / (liability) position | (110,895,551) | (56,954,131) | (15,821,506) | 292,253,522 | 79,616,307 | 61,942,990 | 328,812 |
| Monetary items net foreign currency asset / (liability) position | (411,548,270) | (83,898,345) | (71,828,415) | 284,229,471 | (93,597,387) | 52,291,001 | 328,812 |

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

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NOTE 18 - FOREIGN CURRENCY RISK AND POSITION (cont'd)

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

| | 30 June 2016 | 31 December 2015 |
|--------------------------------|--------------|------------------|
| Closing rates | | |
| US Dollars | 2.8936 | 2.9076 |
| Euro | 3.2044 | 3.1776 |
| Indonesian Rupiah (1000 units) | 0.2195 | 0.2108 |
| Brazilian Real | 0.9015 | 0.7446 |
| Thai Baht | 0.0823 | 0.0806 |
| Egyptian Pound | 0.3696 | 0.3713 |

| | 30 June 2016 | 31 December 2015 |
|--------------------------------|--------------|------------------|
| Average rates | | |
| US Dollars | 2.9185 | 2.5603 |
| Euro | 3.2562 | 2.8566 |
| Indonesian Rupiah (1000 units) | 0.2174 | 0.1975 |
| Brazilian Real | 0.7867 | 0.8627 |
| Thai Baht | 0.0823 | 0.0777 |
| Egyptian Pound | 0.3727 | 0.3392 |

Foreign currency position as of 30 June 2016 and 2015 in regard to the changes in foreign currency rates is depicted in the table below:

30 June 2016

| | Profit/Loss | | Equity | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| Change in USD against TL by 10% | | | | |
| USD net assets/liabilities | (6,948,128) | 6,948,128 | 32,265,124 | (32,265,124) |
| Hedged USD (-) | - | - | - | - |
| USD net effect | (6,948,128) | 6,948,128 | 32,265,124 | (32,265,124) |
| Change in EURO against TL by 10% | | | | |
| Euro net assets/liabilities | (9,263,582) | 9,263,582 | - | - |
| Hedged Euro (-) | - | - | - | - |
| Euro net effect | (9,263,582) | 9,263,582 | - | - |
| Change in other currency against TL by 10% | | | | |
| Other currency net assets/liabilities | 1,515,865 | (1,515,865) | - | - |
| Hedged other currency (-) | - | - | - | - |
| Other currency net effect | 1,515,865 | (1,515,865) | - | - |
| | (14,695,845) | 14,695,845 | 32,265,124 | (32,265,124) |

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NOTE 18 - FOREIGN CURRENCY RISK AND POSITION (cont'd)

31 December 2015

| | Profit/Loss | | Equity | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| Change in USD against TL by 10% | | | | |
| USD net assets/liabilities | (1,461,327) | 1,461,327 | 31,769,481 | (31,769,481) |
| Hedged USD (-) | - | - | - | - |
| USD net effect | (1,461,327) | 1,461,327 | 32,002,231 | (32,002,231) |
| Change in EURO against TL by 10% | | | | |
| Euro net assets/liabilities | (2,128,396) | 2,128,396 | 3,337,205 | (3,337,205) |
| Hedged Euro (-) | - | - | - | - |
| Euro net effect | (2,128,396) | 2,128,396 | 3,337,205 | (3,337,205) |
| Change in other currency against TL by 10% | | | | |
| Other currency net assets/liabilities | 1,430,491 | (1,430,491) | - | - |
| Hedged other currency (-) | - | - | - | - |
| Other currency net effect | 1,430,491 | (1,430,491) | - | - |
| | (2,159,232) | 2,159,232 | 35,339,436 | (35,339,436) |

Export and import balances from Turkey as of 30 June 2016 and 2015 is as follows:

| | 30 June 2016 | | 30 June 2015 | |
|---------------------|------------------|--------------------|------------------------------------|------------------------------------|
| | Original balance | TL | Original balance | TL |
| Euro | 63,980,063 | 208,108,739 | 64,561,710 | 184,896,203 |
| US Dollars | 38,939,970 | 113,758,096 | 42,617,112 | 108,971,536 |
| Total export | | 321,866,835 | | 293,867,738 |
| | | | 1 January- 30 June 2016 | 1 January- 30 June 2015 |
| Import | | | 206,200,785 | 185,397,246 |

Derivative financial instruments

The Group entered into foreign currency forward transactions with due date 2016 in order to manage the risks emerging from the sales transactions which are expected to occur within 6 months following the balance sheet 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 uses fair value hedge with its derivative portfolio to hedge its trade receivables and payables from the effects of the exchange rate differences in the markets. According to this, the net-off figures of the exchange rate change in the balance sheet and the exchange rate change of the derivative portfolio are presented in the income statement and the effectiveness of the hedge accounting is evaluated at each balance sheet date.

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NOTE 18 - FOREIGN CURRENCY RISK AND POSITION (cont'd)

| 30 June 2016 | Average Rate | Foreign Currency (TL) | Contract Value (TL) | Fair Value (TL) |
|---------------------|--------------|--------------------------|------------------------|--------------------|
| USD buy Euro sell | | | | |
| less than 3 months | 1.1431 | 80,750,880 | 28,854,560 | 2,074,532 |
| between 3-6 months | 1.1466 | 80,750,880 | 28,945,060 | 2,074,055 |
| | | | | 4,148,587 |
| <hr/> | | | | |
| 31 December 2015 | Average Rate | Foreign Currency (TL) | Contract Value (TL) | Fair Value (TL) |
| USD buy Euro sell | | | | |
| less than 3 months | 1.1431 | 73,402,560 | 26,429,630 | 3,672,363 |
| between 3-6 months | 1.1444 | 57,196,800 | 20,620,800 | 2,783,405 |
| between 6-9 months | 1.1473 | 57,196,800 | 20,673,800 | 2,745,763 |
| between 9-12 months | 1.1509 | 57,196,800 | 20,738,100 | 2,709,779 |
| | | | | 11,911,310 |

Hedging reserve movement table

| | 1 January- 30 June 2016 | 1 January- 30 June 2015 |
|--|----------------------------|----------------------------|
| Balances at 1 January | 9,540,417 | 1,511,419 |
| Increases/ decreases | 890,452 | 5,789,369 |
| Income tax related to gains / losses recognized in other comprehensive income | 1,552,544 | 2,076,080 |
| Reclassified to profit or loss | (3,778,873) | (7,567,762) |
| Foreign currency translation differences | (4,874,299) | 6,256,106 |
| Balances at 30 June | 3,330,241 | 8,065,212 |

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NOTE 18 - FOREIGN CURRENCY RISK AND POSITION (cont'd)

Hedges of net investments in foreign operations:

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

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

The Company subjected the net investment in its foreign subsidiaries and the US Dollar and Euro borrowings in other subsidiaries to the hedge of a net investment in foreign operations. The Company accounted for the foreign exchange losses arising from the related borrowings amounting to TL 6,030,621 (31 December 2015: TL 71,315,414) under Currency Translation Reserves in Equity in accordance with TAS 39 and TFRS Interpretation 16.

NOTE 19 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Total TL 11,826,374 amounting net loss for the period from discontinued operations for the period 1 January and 30 June 2016, has been arising from Nile Kordsa with amount of TL 7,330,465 and Interkordsa with amount of TL 4,495,909

Total TL 7.867.925 amounting net gain for the period from discontinued operations for the period 1 January and 30 June 2015, has been arising from Nile Kordsa with amount of TL 7,618,643 and Interkordsa with amount of TL 249,282.

NOTE 20 - INTEREST IN OTHER ENTITIES

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

| Subsidiary | 30 June 2016 | | | |
|------------------------|-----------------------------|---|--|---|
| | Non-controlling interests % | Profit/ (loss) allocated to non-controlling interests | Net profit/ loss attributable to non-controlling interests | Dividend distributed to non-controlling interests |
| PT Indo Kordsa Tbk (*) | 39.79% | 7,106,001 | 240,735,761 | 11,438,129 |
| Other | | 6,171,346 | 8,680,839 | |
| Total | | 13,277,347 | 249,416,600 | |

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NOTE 20 - INTEREST IN OTHER ENTITIES (cont'd)

| | 31 December 2015 | | | |
|------------------------|-----------------------------|---|--|---|
| | Non-controlling interests % | Profit/ (loss) allocated to non-controlling interests | Net profit/ loss attributable to non-controlling interests | Dividend distributed to non-controlling interests |
| Subsidiary | | | | |
| PT Indo Kordsa Tbk (*) | 39.79% | 9,235,927 | 237,354,788 | 8,631,508 |
| Other | | 7,867,283 | 12,182,308 | |
| Total | | 17,103,210 | 249,537,096 | |

Summary Balance Sheet Information:

| | PT Indo Kordsa Tbk | |
|---|--------------------|--------------------|
| | 30 June 2016 | 31 December 2015 |
| Cash and cash equivalents | 30,267,178 | 13,769,817 |
| Other current assets | 245,283,081 | 233,922,051 |
| Non-current assets | 550,323,901 | 563,196,753 |
| Total assets | 825,874,160 | 810,888,621 |
| Short-term borrowings | 53,505,745 | 76,430,170 |
| Other short-term liabilities | 112,198,635 | 54,548,634 |
| Long-term borrowings | 94,270,827 | 124,797,345 |
| Other long-term liabilities | 39,316,635 | 39,198,116 |
| Total liabilities | 299,291,842 | 294,974,265 |
| Total equity | 526,582,316 | 515,914,356 |
| Equity attributable to owners of the parent | 474,749,302 | 462,646,682 |
| Non-controlling interests (**) | 51,883,014 | 53,267,673 |

Summary profit or loss statement information:

| | PT Indo Kordsa Tbk | |
|---------------------------------|--------------------|--------------|
| | 30 June 2016 | 31 June 2015 |
| Sales | 310,576,588 | 265,915,977 |
| Depreciation and amortization | 6,693,958 | 6,693,958 |
| Operating profit/ (loss) | (19,124,342) | 10,577,729 |
| Net financial income/ (expense) | (5,465,729) | (7,705,176) |
| Profit/ (loss) before tax | 47,497,251 | 25,557,558 |
| Profit for the period | 17,858,760 | 9,564,170 |

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

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

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NOTE 21 – EVENTS AFTER THE REPORTING PERIOD

As it published in Public Disclosure Platform on 5 August 2016 and based on feasibility report that is shared in Board of Directors on 18 March 2016, making HMLS polyster yarn investment in Kordsa Global Izmit facility has been decided by Group Executive Board. The amount of investment will not exceed 18.5 million US dollars and is scheduled to provide 6 -ton weight capacity increase. The investment completion time is estimated as 2 years. Same date , the Group Executive Board by Indo Kordsa Polyester Plant in Indonesia Jakarta , in order to meet the growing demand starting in 2016 and to be put into use in 2018, decided to invest 6.5 Kilo tons of PET HMLS polyester yarn that amounts 11 million US dollars.