

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

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

Reports for the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements 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"), which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. and its subsidiaries as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

Additional Paragraph for US Dollar ("USD") Translation

"As explained in Note 2 to the consolidated financial statements, USD amounts presented in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements, USD amounts do not form part of these consolidated financial statements and have been translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the official USD bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2016 for the consolidated balance sheet and the official USD average CBRT bid rate of the year 2016 for the consolidated statement of profit or loss and consolidated statement of cash flows. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of profit or loss and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders' equity in accordance with the translation requirements of TAS 21 "The Effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency."

Reports on Other Legal and Regulatory Requirements

In accordance with paragraph four of Article 398 of Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 20 February 2017.

In accordance with paragraph four of Article 402 of TCC; nothing has come to our attention that may cause us to believe that the Group's set of accounts prepared for the period 1 January-31 December 2016 does not comply with the code and the provisions of the Company's articles of association in relation to financial reporting

In accordance with paragraph four of Article 402 of TCC, the Board of Directors provided us all the required information and documentation in terms of audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Zere Gaye Şentürk, SMMM
Partner

İstanbul, 20 February 2017

INDEX	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	3
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7-86
NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP	7-8
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	9-33
NOTE 3 SEGMENT REPORTING	34-37
NOTE 4 CASH AND CASH EQUIVALENTS	37
NOTE 5 FINANCIAL INVESTMENTS	38
NOTE 6 BORROWINGS	38-39
NOTE 7 TRADE RECEIVABLES AND PAYABLES	40-41
NOTE 8 OTHER RECEIVABLES AND PAYABLES	41-42
NOTE 9 INVENTORIES	42-43
NOTE 10 PREPAID EXPENSES AND DEFERRED INCOME	43
NOTE 11 PROPERTY, PLANT AND EQUIPMENT	44-46
NOTE 12 OTHER INTANGIBLE ASSETS	46-47
NOTE 13 INVESTMENT PROPERTY	47
NOTE 14 GOODWILL	48
NOTE 15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	48-49
NOTE 16 EMPLOYEE BENEFITS	50-52
NOTE 17 OTHER ASSETS AND LIABILITIES	53
NOTE 18 EQUITY	54-56
NOTE 19 SALES AND COST OF GOODS SOLD	55-57
NOTE 20 EXPENSES BY NATURE	58
NOTE 21 OTHER OPERATING INCOME AND EXPENSES	58-59
NOTE 22 INCOME AND EXPENSE FROM INVESTING ACTIVITIES	59
NOTE 23 FINANCIAL INCOME AND EXPENSES	59
NOTE 24 TAXATION ON INCOME	60-62
NOTE 25 EARNINGS PER SHARE	63
NOTE 26 RELATED PARTY DISCLOSURES	63-67
NOTE 27 INTERESTS IN OTHER ENTITIES	67-68
NOTE 28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS	68-80
NOTE 29 FINANCIAL INSTRUMENTS	81-83
NOTE 30 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	83-86
NOTE 31 EVENTS AFTER THE REPORTING PERIOD	86

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED FINANCIAL POSITION
AS AT 31 DECEMBER 2016

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

	Notes	Current Year 31 December 2016 USD (*)	Prior Year 31 December 2015 USD (*)	Current Year 31 December 2016	Prior Year 31 December 2015
ASSETS					
Current Assets					
Cash and Cash Equivalents	4	10.962.277	6.116.210	38.578.445	17.783.491
Financial Investments		32.179	32.179	113.245	93.564
<i>Available-for-sale financial assets</i>	5	32.179	32.179	113.245	93.564
Trade Receivables (net)		105.768.444	102.110.896	372.220.309	296.897.640
<i>Trade Receivables from Related Parties</i>	26	5.951.576	4.707.001	20.944.786	13.686.077
<i>Trade Receivables from Third Parties</i>	7	99.816.868	97.403.894	351.275.523	283.211.563
Other Receivables	8	3.236.655	5.022.261	11.390.436	14.602.727
Derivative Financial Instruments		347.100	4.207.473	1.221.515	12.233.648
<i>Derivative financial assets held for hedges</i>	28	347.100	4.207.473	1.221.515	12.233.648
Inventories	9	152.700.519	146.073.921	537.383.667	424.724.533
Prepaid Expenses	10	5.487.597	5.335.726	19.311.952	15.514.156
Assets Related to Current Tax	24	-	842.882	-	2.450.765
Other Current Assets	17	12.259.190	15.884.723	43.142.543	46.186.420
Subtotal		290.793.962	285.626.270	1.023.362.112	830.486.944
Non-Current Assets Held For Sale	30	6.189.015	39.283.645	21.780.383	114.221.125
Current Assets		296.982.978	324.909.915	1.045.142.495	944.708.069
Non-Current Assets					
Financial Investments		109.710	99.941	386.091	290.589
<i>Available-for-sale financial assets</i>	5	109.710	99.941	386.091	290.589
Other Receivables	8	5.790.726	4.539.040	20.378.723	13.197.714
Investment Property	13	11.401.373	9.695.574	40.123.712	28.190.850
Property, Plant and Equipment	11	345.485.459	359.438.129	1.215.832.426	1.045.102.304
Intangible Assets		21.640.547	26.583.633	76.157.412	77.294.572
<i>Goodwill</i>	14	12.956.117	15.681.375	45.595.167	45.595.167
<i>Other Intangible Assets</i>	12	8.684.430	10.902.258	30.562.245	31.699.405
Prepaid Expenses	10	21.728.666	3.179.635	76.467.521	9.245.107
Deferred Tax Assets	24	10.008.859	9.990.026	35.223.175	29.046.999
Other Non-Current Assets	17	9.650.648	9.270.743	33.962.562	26.955.612
Non-Current Assets		425.815.987	422.796.721	1.498.531.622	1.229.323.747
Total Assets		722.798.965	747.706.636	2.543.674.117	2.174.031.816

(*) US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2016 and 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED FINANCIAL POSITION
AS AT 31 DECEMBER 2016

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

	Notes	Current Year 31 December 2016 USD (*)	Prior Year 31 December 2015 USD (*)	Current Year 31 December 2016	Prior Year 31 December 2015
LIABILITIES					
Short Term Liabilities					
Short Term Borrowings	6	99.977.967	112.203.445	351.842.461	326.242.736
Short Term Portion of Long Term Borrowings	6	6.331.727	11.670.487	22.282.612	33.933.108
Trade Payables		80.766.973	59.178.541	284.235.131	172.067.527
<i>Trade Payables to Related Parties</i>	7	1.839.414	1.404.657	6.473.265	4.084.181
<i>Trade Payables to Third Parties</i>	26	78.927.559	57.773.884	277.761.866	167.983.346
Employee Benefit Obligations	16	1.489.234	1.428.911	5.240.913	4.154.702
Other Payables	8	3.817.543	4.367.101	13.434.699	12.697.782
Deferred Income	10	1.974.550	129.036	6.948.837	375.186
Liability for Period Income Tax	24	1.111.516	-	3.911.647	-
Short Term Provisions		6.600.977	5.144.487	23.230.157	14.958.111
<i>Short Term Provisions for Employee Benefits</i>	16	6.587.320	5.127.958	23.182.097	14.910.051
<i>Other Short Term Provisions</i>		13.657	16.529	48.060	48.060
Other Current Liabilities	17	5.129.135	6.205.916	18.050.451	18.044.320
Subtotal		207.199.622	200.327.924	729.176.908	582.473.472
Non-Current Assets Held For Sale	30	3.329.789	15.795.855	11.718.193	45.928.028
Current Liabilities		210.529.410	216.123.779	740.895.101	628.401.500
Non-Current Liabilities					
Long Term Borrowings	6	45.715.600	66.762.871	160.882.339	194.119.724
Other Payables	8	4.021.062	2.987.799	14.150.921	8.687.324
Long Term Provisions		14.699.236	14.932.764	51.729.552	43.418.506
<i>Long Term Provisions for Employee Benefits</i>	16	14.699.236	14.932.764	51.729.552	43.418.506
Deferred Tax Liabilities	24	29.648.302	28.678.672	104.338.305	83.386.108
Non-Current Liabilities		94.084.200	113.362.107	331.101.117	329.611.662
Total Liabilities		304.613.610	329.485.886	1.071.996.218	958.013.162
SHAREHOLDERS' EQUITY					
Equity Attributable to Owners of the Company		327.951.621	332.398.390	1.154.127.343	966.481.558
Share Capital	18	55.276.505	66.903.658	194.529.076	194.529.076
Share Premium		17.632.660	21.341.607	62.052.856	62.052.856
Other Comprehensive Income or Expenses that Will Not be Reclassified to Profit or Loss		(1.872.503)	(2.251.581)	(6.589.713)	(6.546.696)
<i>Revaluation and Remeasurement Gain / (Loss)</i>		(1.872.503)	(2.251.581)	(6.589.713)	(6.546.696)
<i>Defined Benefit Plans Remeasurement Fund</i>		(1.872.503)	(2.251.581)	(6.589.713)	(6.546.696)
Other Comprehensive Income or Expenses that Will be Reclassified to Profit or Loss		77.108.332	57.138.665	271.359.642	166.136.381
<i>Currency Translation Differences</i>		76.904.186	53.950.377	270.641.212	156.866.115
<i>Gains / losses on hedge</i>		280.911	3.281.200	988.581	9.540.417
<i>Cash Flow Hedge Gains / (Losses)</i>	18	280.911	3.281.200	988.581	9.540.417
<i>Financial Assets Fair Value Reserve</i>		(76.765)	(92.912)	(270.151)	(270.151)
<i>Other Financial Assets Fair Value Reserve</i>		(76.765)	(92.912)	(270.151)	(270.151)
Restricted reserves appropriated from profit		13.288.053	10.578.246	46.763.317	30.757.308
Prior years' profit/losses	18	125.861.379	144.552.802	442.931.364	420.301.726
Net Profit / (Loss) for the Period	18	40.657.195	34.134.993	143.080.801	99.250.907
Non-Controlling Interests	27	90.233.734	85.822.361	317.550.556	249.537.096
Total Equity		418.185.354	418.220.750	1.471.677.899	1.216.018.654
Total Liabilities and Equity		722.798.965	747.706.636	2.543.674.117	2.174.031.816

(*) US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL average exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2016 and 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Year 1 January- 31 December 2016 USD (*)	Prior Year 1 January- 31 December 2015 USD (*)	Current Year 1 January- 31 December 2016	Prior Year 1 January- 31 December 2015
PROFIT OR LOSS					
Sales	19	632.321.117	638.013.180	1.908.345.131	1.734.757.837
Cost of Sales (-)	19,20	(500.931.421)	(522.136.565)	(1.511.811.029)	(1.419.689.321)
GROSS PROFIT		131.389.696	115.876.615	396.534.102	315.068.516
General and Administrative Expenses (-)	20	(30.555.773)	(30.410.409)	(92.217.323)	(82.685.902)
Marketing Expenses (-)	20	(26.518.074)	(26.172.369)	(80.031.547)	(71.162.671)
Research and Development Expenses (-)	20	(1.240.619)	(799.111)	(3.744.189)	(2.172.782)
Other Operating Income	21	79.364.634	82.921.896	239.522.465	225.464.634
Other Operating Expenses (-)	21	(72.821.038)	(78.641.951)	(219.773.894)	(213.827.465)
OPERATING PROFIT / (LOSS)		79.618.825	62.774.671	240.289.614	170.684.330
Income From Investing Activities	22	4.859.197	5.690.741	14.665.058	15.473.125
Expenses From Investing Activities (-)	22	(1.378.495)	(559.710)	(4.160.298)	(1.521.852)
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL EXPENSE		83.099.528	67.905.702	250.794.374	184.635.603
Financial Expenses (-)	23	(8.913.165)	(16.178.883)	(26.899.931)	(43.990.383)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		74.186.363	51.726.819	223.894.443	140.645.220
Tax expense/income from continuing operations		(12.070.657)	(5.944.801)	(36.429.242)	(16.163.913)
- Current Tax Expense	24	(9.207.357)	(7.128.347)	(27.787.803)	(19.381.975)
- Deferred Tax Income/ (Expense)	24	(2.863.300)	1.183.546	(8.641.439)	3.218.062
PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		62.115.706	45.782.018	187.465.201	124.481.307
Net profit / (loss) for the period from discontinued operations	30	(3.098.850)	(2.989.036)	(9.352.330)	(8.127.190)
PROFIT / (LOSS) FOR THE PERIOD		59.016.856	42.792.982	178.112.871	116.354.117
PROFIT / (LOSS) ATTRIBUTABLE TO:					
- Non-Controlling Interests		11.607.710	6.290.257	35.032.070	17.103.210
- Owners of the Parent		47.409.145	36.502.724	143.080.801	99.250.907
Earnings (Loss) per share;		2,44	1,88	7,36	5,10
<i>Earnings per share from continuing operations;</i>	25	2,60	2,03	7,84	5,52
<i>Earnings per share from discontinuing operations;</i>	25	(0,16)	(0,15)	(0,48)	(0,42)

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Current Year 1 January- 31 December 2016 USD (*)	Prior Year 1 January- 31 December 2015 USD (*)	Current Year 1 January- 31 December 2016	Prior Year 1 January- 31 December 2015
PROFIT / LOSS FOR THE PERIOD	59.016.856	42.792.982	178.112.871	116.354.117
Other Comprehensive Income:				
Income or Expenses That Will Not Be Reclassified to Profit or Loss	(14.253)	(1.275.315)	(43.017)	(3.467.582)
<i>Defined benefit plans revaluation fund</i>	(14.253)	(1.578.054)	(43.017)	(4.290.728)
Income or Expenses That Will Not Be Reclassified to Profit or Loss	-	302.739	-	823.146
<i>Deferred tax income</i>	-	302.739	-	823.146
Income or Expenses That Will Be Reclassified to Profit or Loss	55.205.881	34.218.564	166.611.349	93.040.275
<i>Currency translation differences</i>	58.039.491	31.265.641	175.163.185	85.011.277
<i>Hedging reserve gains/(losses)</i>	(3.542.147)	3.691.154	(10.690.199)	10.036.248
<i>Tax (expense) related to other comprehensive income items</i>	708.536	(738.231)	2.138.363	(2.007.250)
<i>Deferred tax income</i>	708.536	(738.231)	2.138.363	(2.007.250)
OTHER COMPREHENSIVE INCOME/ (EXPENSE)	55.191.628	32.943.249	166.568.332	89.572.693
TOTAL COMPREHENSIVE INCOME / (EXPENSE)	114.208.483	75.736.230	344.681.203	205.926.810
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Non-Controlling Interests	27.625.019	21.575.593	83.372.308	58.664.038
- Owners of the Parent	86.583.464	54.160.637	261.308.895	147.262.772

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

	Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss			Retained Earnings		Equity Attributable to Owners of the Company	Non-Controlling Interests	Total Equity			
	Share Capital	Share Premium	Gains/(Losses) on Hedging Reserve		Gains/(Losses) on Financial Assets Fair Value Reserve	Restricted reserves appropriated from profit	Prior Years' Profit and Losses (***)				Net Income for the Period		
			Renvaluation and Remeasurement Gain/(Losses)	Defined Benefit Plans Remeasurement Fund								Currency Translation Differences	Gains/(Losses) on Cash Flow Hedges
Balances at 1 January 2015	194,529,076	62,052,856	(3,479,114)	113,415,666	1,511,419	(270,151)	30,757,308	410,643,337	77,159,978	886,720,375	200,100,178	1,086,820,553	
Transfers	-	-	-	-	-	-	-	77,159,978	(77,159,978)	-	-	-	-
Total comprehensive income	-	-	(3,467,582)	43,450,449	8,028,998	-	-	99,250,907	147,262,772	147,262,772	58,064,038	205,326,810	
Dividends paid (*)	-	-	-	-	-	-	-	(67,501,589)	(9,227,120)	(67,501,589)	(9,227,120)	(76,728,709)	
Balances at 31 December 2015	194,529,076	62,052,856	(6,546,696)	156,866,115	9,540,417	(270,151)	30,757,308	420,301,726	99,250,907	966,481,558	249,537,096	1,216,018,654	
Balances at 1 January 2016	194,529,076	62,052,856	(6,546,696)	156,866,115	9,540,417	(270,151)	30,757,308	420,301,726	99,250,907	966,481,558	249,537,096	1,216,018,654	
Transfers	-	-	-	-	-	-	16,006,000	83,264,898	(99,250,907)	-	-	-	-
Total comprehensive income	-	-	(43,017)	126,822,947	(8,551,836)	-	-	143,080,801	261,388,895	261,388,895	83,372,308	344,681,203	
Dividends paid (**)	-	-	-	-	-	-	-	(60,615,260)	-	(60,615,260)	(15,338,848)	(75,974,108)	
Impact of liquidation of subsidiary (***)	-	-	-	(13,047,850)	-	-	-	-	-	(13,047,850)	-	(13,047,850)	
Balances at 31 December 2016	194,529,076	62,052,856	(6,589,713)	270,641,212	986,581	(270,151)	46,763,317	442,931,364	143,680,801	1,584,127,343	317,550,556	1,901,677,899	

(*) At the General Assembly meeting 2014 on 24 March 2015, depending on the legal situation of shareholders representing the capital of TL 194.529.076 for 2014, Gross, %34,70 net %33,4769 percent of the total, amounting to 67.501.589 (0,34769 TL) dividend payment, it was decided to distribute cash dividends from the date of 29 May 2015.

(**) At the General Assembly meeting 2015 on 23 March 2016, depending on the legal situation of shareholders representing the capital of TL 194.529.076 for 2015, Gross, %31,16 net %26,486 percent of the total, amounting to 60.615.260 (0,3116 TL Gross per share, net 0,26486 TL) dividend payment, it was decided to distribute cash dividends from the date of 4 April 2016

(***) The Cumulative Translation Adjustment of TL 13.047.850, which is calculated in the consolidated financial statements on the basis of Interkordsa Gmbh and kept under equity, is reclassified to the current year profit.
 (****) Footnote 2.1

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current Year 1 January- 31 December 2016 USD (*)	Prior Year 1 January- 31 December 2015 USD (*)	Current Year 1 January- 31 December 2016	Prior Year 1 January- 31 December 2015
A. CASH PROVIDED BY OPERATING ACTIVITIES		90.011.247	79.297.638	271.653.943	215.610.277
CASH PROVIDED BY OPERATING ACTIVITIES					
Profit/(Loss) for the period		59.016.856	42.792.982	178.112.871	116.354.117
Profit/(Loss) for the period from continuing operations		62.115.706	45.782.018	187.465.201	124.481.307
Profit/(Loss) from discontinued operations		(3.098.850)	(2.989.036)	(9.352.330)	(8.127.190)
Adjustments to reconcile profit/(loss) for the period		52.908.632	46.544.486	159.678.251	126.554.457
Adjustments related to depreciation and amortization expenses	11,12	26.278.732	29.704.802	79.309.214	80.767.356
Adjustments related to provision for (reversal) of impairment		3.825.442	1.824.303	11.545.184	4.960.279
Adjustments related to provision for (reversal) of doubtful receivables	21	2.110.045	113.042	6.368.116	307.362
Adjustments related to (reversal) of inventory obsolescence	9	614.212	449.775	1.853.693	1.222.938
Adjustments related to (reversal) of impairment of fixed assets	11,12	1.101.185	1.261.485	3.323.375	3.429.979
Adjustments related to provisions		8.709.615	8.760.285	26.285.618	23.819.214
Adjustments related to (reversal) of employee retirement benefit provision	16	8.723.085	8.745.715	26.326.272	23.779.598
Adjustments related to (reversal) of other provisions		(13.471)	14.570	(40.654)	39.616
Adjustments related to interest (income)/expense		3.658.768	4.692.322	11.042.163	12.758.424
Adjustments related to interest income	22	(1.305.710)	(1.709.738)	(3.940.634)	(4.648.778)
Adjustments related to interest expense	23	5.907.617	8.129.931	17.829.187	22.105.282
Adjustments related to unrealized finance expenses on credit purchases	21	1.410.810	1.333.960	4.257.826	3.627.036
Adjustments related to unearned finance income on credit sales	21	(2.353.948)	(3.061.830)	(7.104.216)	(8.325.116)
Adjustments related to redemption of government grants		-	(919.981)	-	(2.501.429)
Adjustments related to unrealized currency translation differences		509.208	831.220	1.536.789	2.260.087
Adjustments related to fair value changes		(1.671.529)	(937.122)	(5.044.675)	(2.548.034)
Adjustments related to fair value losses / (gains) of investment properties	13	(1.702.698)	(65.149)	(5.138.742)	(177.141)
Adjustments related to fair value losses / (gains) of derivatives		31.169	(871.972)	94.067	(2.370.893)
Adjustments related to (increase)/decrease in current year tax	24	12.070.656	5.944.801	36.429.241	16.163.914
Adjustments related to losses/(gains) disposal of non-current assets		(472.261)	(3.356.143)	(1.425.283)	(9.125.354)
Adjustments related to losses/(gains) disposal of fixed assets	22	(472.261)	(3.356.143)	(1.425.283)	(9.125.354)
Changes in working capital		(21.914.241)	(10.039.830)	(66.137.179)	(27.298.297)
Adjustments related to (increase)/decrease in trade receivables		(28.482.074)	(6.233.167)	(85.958.500)	(16.947.982)
Adjustments related to (increase)/decrease in other trade receivables		(6.730.276)	2.823.005	(20.311.974)	2.675.751
Adjustments related to (increase)/decrease in Derivatives		3.757.168	(3.809.705)	11.339.134	(10.358.587)
Adjustments related to (increase)/decrease in inventories		(38.888.749)	3.685.847	(117.366.244)	10.021.817
Adjustments related to (increase)/decrease in prepaid expenses		(4.865.893)	221.934	(14.685.266)	603.438
Adjustments related to increase/(decrease) in trade payables		39.520.152	8.816.950	119.271.820	23.973.288
Adjustments related to increase/(decrease) in retirement pay and employee benefits paid		3.100.815	756.314	9.358.259	2.056.417
Adjustments related to increase/(decrease) in other trade payables		1.810.337	(1.170.580)	5.463.597	(3.182.806)
Adjustments related to increase/(decrease) in deferred income		2.178.148	(1.085.137)	6.573.651	(2.950.488)
Adjustments related to realized other income/(expense) in working capital		1.615.301	94.619	4.874.978	257.269
Decrease/(Increase) in other assets from operating activities		1.933.433	1.177.241	5.835.101	3.200.917
Increase/(Decrease) in other liabilities from operating activities		(318.132)	(1.082.622)	(960.123)	(2.943.648)
Payments related to provisions of employee benefits	16	(6.312.454)	(5.322.332)	(19.050.985)	(14.471.420)
Income tax returns/(payments)	24	(7.911.251)	(7.128.347)	(23.876.156)	(19.381.975)
Net cash flows related to discontinuing operations		19.294.535	(1.689.231)	58.230.907	(4.593.019)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(44.260.245)	(28.173.662)	(133.577.418)	(76.604.187)
Proceeds from sale of property, plant and equipment		1.422.771	8.866.599	4.293.923	24.108.284
Purchase of property, plant, equipment and intangible assets	11,12	(46.988.726)	(38.750.000)	(141.811.975)	(105.361.249)
Interest received	22	1.305.710	1.709.738	3.940.634	4.648.778
C. CASH FLOWS FROM FINANCING ACTIVITIES		(3.951.207)	(37.683.691)	(114.536.742)	(102.461.957)
Proceeds from borrowings		-	(1.979.115)	-	(5.381.215)
Cash used for repayment of borrowings		(6.785.806)	-	(20.479.561)	-
Cash outflows from factoring operations		(84.024)	(10.575)	(253.583)	(28.754)
Dividends paid		(20.084.680)	(24.825.888)	(60.615.563)	(67.501.589)
Interest paid	22	(5.907.617)	(8.129.931)	(17.829.187)	(22.105.282)
Dividends paid to non-controlling interests and other cash outflows		(5.089.082)	(3.393.571)	(15.358.848)	(9.227.120)
Cash flows related to discontinuing operations		-	655.389	-	1.782.003
NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENT BEFORE THE CURRENCY TRANSLATION DIFFERENCE IMPACT (A+B+C)		7.799.796	13.440.284	23.539.783	36.544.133
D. CURRENCY TRANSLATION DIFFERENCE IMPACT ON CASH AND CASH EQUIVALENTS		(909.486)	(11.930.299)	(2.744.829)	(32.438.484)
NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENT (A+B+C+D)		6.890.309	1.509.985	20.794.954	4.105.649
E. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD		5.892.475	5.030.468	17.783.491	13.677.842
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (A+B+C+D+E)		12.782.785	6.540.453	38.578.445	17.783.491

(*) US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL average exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2016 and 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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 "Company") was established on 9 February 2006 as a subsidiary of Hacı Ömer 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 31 December 2016, 28,89% of the Group's shares is listed on BIST. As of the same date, the shareholders owning the Group's shares and the percentage of the shares are as follows:

	<u>Capital Share(%)</u>	
	31 December 2016	31 December 2015
Hacı Ömer Sabancı Holding A.Ş.	71,11	71,11
Other	28,89	28,89
	100,00	100,00

Group's main shareholder and the party that holds the control is Hacı Ömer Sabancı Holding A.Ş.

Average number of employees within the Group is 3.782 (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.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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 31 December 2016 and 2015 are as follows:

31 December 2016

Subsidiaries	Country	Geographical division	Area of activity
Nile Kordsa Company SAE (**)	Egypt	Europe, Middle East and Africa	Cord fabric manufacture and trade
Kordsa Inc.	United States of America	North America	Industrial yarn and cord fabric manufacture and trade
Kordsa Brazil 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 Brazil 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

(*)Company has traded in Indonesian 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 31 2015. As of November 16, 2016, sales of Interkordsa GmbH amounted to Euro 3.750.000 realized, as reported in the Public Disclosure Platform.

Approval of the Financial Statements

These consolidated financial statements have been approved to be issued during the meeting of the Board of Directors held on 20 February 2017, and have been signed by the CEO Cenk Alper and CFO & COO South America Fatma Arzu Ergene on behalf of the Board of Directors. The shareholders of the Group have the right to make changes in the consolidated financial statements after the aforementioned financial statements are issued, and they are subject to approval of the shareholders at the general assembly meeting of the Group.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 financial statements have been prepared on the historical cost basis except for derivative financial instruments and investment properties. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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.

Comparative Information and Correction of the Financial Tables from Previous Periods

The Group's consolidated financial tables are prepared by comparing that of previous periods to determine financial situation and performance trends. When it has been found necessary, comparative information is reclassified and important differences are explained to ensure that comparative information would be in accordance with current period consolidated financial tables.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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)

- In accordance with the decision of the Extraordinary General Assembly dated 29 November 2006, purchase of shares of the subsidiary Kordsa Global and Sabancı B.V. And the differences between purchase amount of the acquired other company's and their net assets are accounted under equity. In this context, realized transactions presented under consolidated statement of changes in equity as shareholder's equity contribution, as of 31 December 2016 in accordance with TAS 8 and legal requirements, transactions are reclassified to prior years' profit (losses) in statement of changes in equity table retrospectively in the financial statements.

Basis of Consolidation

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2016:

Subsidiaries	Direct and indirect ownership interest by the Group and its subsidiaries (%)	Proportion of effective interest (%)
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

(*) 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. with %51 would be classified as "Assets Held for sale" in the balance sheet as of December 31 2015.

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

(**)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 31 2015. As of November 16, 2016, sales of Interkordsa GmbH amounted to Euro 3.750.000 realized, as reported in the Public Disclosure Platform.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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 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.

(**) According to the Board of Directors Decision No. 2015/29 dated December 31, 2015, it was decided to classify Interkordsa Gmbh as a 100% partner at 31 December 2015 as "Asset Held for Sale" in the balance sheet. On November 15, 2016, Interkordsa was sold with a sale price of Euro 3,750,000 and it was excluded from the Group's financial statements.

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.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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)

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 Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

US Dollar Translation

USD amounts presented in the consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements. Consolidated balance sheet, consolidated statement of profit or loss and consolidated statements of cash flows are translated from TL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT and average USD exchange rate on 31 December 2016 of TL 3,018 = USD 1 (2015: TL 2,7019 = USD 1) and on TL 3,018 = USD 1 (2015: 2,7019 = USD 1), respectively and do not form part of these consolidated financial statements. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of profit or loss and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders' equity in accordance with the translation requirements of TAS 21 "The Effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency.

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. There are no changes in the accounting policies of the Group in the current period.

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. There are no significant accounting errors identified by the Group in the current period.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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 financial statements

None.

b) As of 2016, 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 <i>TFRS 1</i> ²
Amendments to TAS 1 Annual Improvements to 2012-2014 Cycle	<i>Disclosure Initiative</i> ² <i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> ²
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements</i> ²
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ²
TFRS 14	<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.

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

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

b) As of 2016, New and revised TAS applied with no material effect on the 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.

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

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

b) As of 2016, New and revised TAS applied with no material effect on the 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.

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.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2.

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

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

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

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

TFRS 9	<i>Financial Instruments</i> ¹
TFRS 15	<i>Revenue from Contracts with Customers</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018

TFRS 9 *Financial Instruments*

TFRS 9, issued by Public Oversight Authority ("POA") in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted unless before 1 February 2015.

TFRS 15 *Revenue from Contracts with Customers*

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

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

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

2.5 Significant Accounting Policies

a) Revenue

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns and commissions, and exclude sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the "effective yield" on the asset.

Other revenues earned by the Group are recognised on the following bases:

- Rent income - on accrual basis,
- Interest income - on an effective yield basis,
- Dividend income - when the Group's right to receive payment is established.

b) Inventories

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

c) Property, plant and equipment

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

c) Property, plant and equipment(cont'd)

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

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

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

d) Intangible assets

Intangible assets include rights, software and other identifiable rights. Intangible assets are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over a period not exceeding 20 years (Note 12). The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenses

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

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

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

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

2.5 Significant Accounting Policies (cont'd)

d) Intangible assets (cont'd)

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

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

Derecognition of intangible assets

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

e) Impairment of assets

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

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

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

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

2.5 Significant Accounting Policies (cont'd)

e) Impairment of assets (cont'd)

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

f) Borrowing costs

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

g) Business combinations

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

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

g) Business combinations (cont'd)

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets or other relevant TFRSs, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

g) Business combinations (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

h) Goodwill

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

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

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

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

i) Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 4).

j) Trade receivables and provision for impairment

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Short-term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 7).

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

j) Due date income / (charges)

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

k) Provisions, contingent assets and liabilities

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

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

l) Financial leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Principal payments are disclosed as liabilities' and decreased according to payments made (Note 6). The interest element of the finance cost is charged to the income statement over the lease period. Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment and depreciated over the useful life.

m) Provision for employment termination benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 (revised) "Employee Benefits" ("TAS 19").

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 16).

n) Provision for post-employment benefits

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

n) Provision for post-employment benefits(cont'd)

In determining the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the Group attributes benefit on a straight-line basis from the date when service by the employee first leads to benefits under the plan until the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases (Note 16).

o) Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

ö) Available-for-sale financial instruments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All financial assets are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associates with the investment. After initial recognition, financial assets that are classified as available-for-sale are measured at fair value unless fair value cannot be reliably measured.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

ö) Available-for-sale financial instruments(cont'd)

Other financial assets in which the Group has interest below 20%, that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost, if applicable, less any provision for impairment. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value.

In accordance with the revised TAS 39 "Financial Instruments", unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are deferred in the equity until the financial asset is sold, collected or otherwise disposed of. When available for sale financial assets are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement.

Impairment of financial assets

Financial assets, other than those valued by fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of equity instruments which are held for sale, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

In respect of equity securities which are held for sale, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

p) Equity items

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

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

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

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

In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 18).

r) Taxes on income

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

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

r) Taxes on income (cont'd)

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority and are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities (Note 24).

s) Effect of changes in foreign exchange rates

Foreign Currency Transactions and Balances

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

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Financial Statements of Foreign Subsidiaries, Joint Ventures and Affiliates

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

ş) Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred.

t) Derivative financial instruments

The derivative financial instruments of the Group are comprised of forward transactions.

Forward transactions:

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

The Group does not use hedging for speculative reasons.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

u) Deferred financing costs

Deferred financing costs (primarily comprising legal and other costs incurred in relation to obtaining long-term bank borrowings from financial institutions) are amortised, using the effective interest method, over the remaining life of the long-term bank borrowings (Note 10).

ii) Related parties

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

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

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration.

For the purpose of these consolidated financial statements, shareholders of Hacı Ömer Sabancı Holding A.Ş. Group Companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. The Group assigned its top management as board of directors, the president (CEO) and vice presidents, and the general managers of the subsidiaries (Note 26).

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

v) Earnings per share

Earnings per share are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retrospective effect to the issuances of the shares without consideration (Note 25).

y) Reporting of cash flows

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

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

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

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

Cash and cash equivalents include cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within 3 months (Note 4).

z) Share premium

Share premium represents the difference between the nominal value of the Group's shares and the net proceeds from the offering of the Group's share to the public (Note 18).

aa) Investment property

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

2.5 Significant Accounting Policies (cont'd)

aa) Investment property (cont'd)

Transfers are made when there is a change in the use of the investment properties. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, Plant and Equipment" up to the date of change in use (Note 13).

ab) Segment reporting

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on three operating segments. These operating segments are affected by different economical conditions and geographical positions in terms of risks and rewards. The Company management has determined the Operating Profit as the most appropriate method for the evaluation of the performance of the operating segments (Note 3).

ac) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

ad) Comparatives and restatement of prior period financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. The Group prepared the consolidated balance sheet at 31 December 2016 in comparison with its consolidated balance sheet at 31 December 2015. The Group also prepared the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 1 January - 31 December 2016 in comparison with the accounting period 1 January - 31 December 2015.

2.6 Critical Accounting Judgments, Estimates and Assumptions

Preparation of the consolidated financial statements in accordance with CMB Financial Reporting Standards 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. Estimations and assumptions subject to the risk of leading to corrections in the registered value of the assets and liabilities in the next financial period are given below:

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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 (cont'd)

a) Estimated impairment of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in note 2.5. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by Kordsa Global Management covering a three-year period. Cash flows beyond three years are extrapolated by taking into consideration the shut-down periods recurring once a year. The USD fair value is converted into TL by using the related foreign exchange rate on the date of the balance sheet. Therefore, the values used in the calculations are affected by the fluctuations in the foreign exchange market. The discount rate used in the calculations is 9,40 % and the risk premium is 3,3%. The discount rates used are after tax and reflect specific risks relating to the company. As of 31 December 2016, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions.

b) Net realisable value

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

c) Useful lives of tangible and intangible assets

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

d) Provision for doubtful receivables

A provision for trade receivables is established if there is evidence that the Group will not be able to collect amounts due. Group assesses aging of receivables and collection performances then establishes the doubtful receivable provision. Doubtful receivable provision is an accounting assumption arising from customers' history of collections and financial conditions.

e) Provisions

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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 (cont'd)

f) Deferred tax

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

g) Internally-generated intangible assets

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 3 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External revenues

	1 January- 31 December 2016	1 January- 31 December 2015
Europe, Middle East and Africa	687.485.682	668.943.887
North America	351.397.094	301.801.247
South America	286.914.514	250.781.534
Asia	582.547.841	513.231.169
	1.908.345.131	1.734.757.837

b) Segment assets

	31 December 2016	31 December 2015
Europe, Middle East and Africa	859.123.394	703.559.429
Asia	980.499.447	786.602.283
South America	286.690.211	221.700.694
North America	413.615.606	327.692.304
Segment assets (*)	2.539.928.658	2.039.554.710
Unallocated assets	16.935.139	137.140.733
Less: Intersegment eliminations	(13.189.680)	(2.663.627)
Total assets per consolidated financial statements	2.543.674.117	2.174.031.816

c) Segment liabilities

	31 December 2016	31 December 2015
Europe, Middle East and Africa	531.839.398	449.471.195
North America	81.773.878	65.570.870
South America	208.987.064	203.400.353
Asia	285.303.837	272.009.602
Segment liabilities (**)	1.107.904.177	990.452.020
Unallocated liabilities	108.340.757	84.512.094
Less: Intersegment eliminations	(144.248.716)	(116.950.952)
Total liabilities per consolidated financial statements	1.071.996.218	958.013.162

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

(**) Segment liabilities comprise mainly of operating liabilities and exclude deferred income tax liabilities, other liabilities and financial liabilities.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 3 - SEGMENT REPORTING (cont'd)

d) Segment analysis for the period 1 January – 31 December 2016

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination	Total
External revenues	687.485.682	351.397.094	286.914.514	582.547.841	-	1.908.345.131
Intersegment revenues	53.331.818	54.276.305	-	49.302.575	(156.910.698)	-
Revenues	740.817.500	405.673.399	286.914.514	631.850.416	(156.910.698)	1.908.345.131
Segment operating expenses	(598.279.797)	(390.937.910)	(264.010.095)	(526.598.266)	162.893.927	(1.616.932.141)
Segment operating result	142.537.703	14.735.489	22.904.419	105.252.150	5.983.229	291.412.990
Unallocated expenses (*)						(51.123.376)
Operating Profit						240.289.614

e) Segment analysis for the period 1 January – 31 December 2015

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination	Total
External revenues	668.943.887	301.801.247	250.781.534	513.231.169	-	1.734.757.837
Intersegment revenues	40.825.949	34.952.368	472.421	55.109.118	(131.359.856)	-
Revenues	709.769.836	336.753.615	251.253.955	568.340.287	(131.359.856)	1.734.757.837
Segment operating expenses	(557.831.661)	(356.089.004)	(258.812.528)	(494.439.134)	150.359.691	(1.516.812.636)
Segment operating result	151.938.175	(19.335.389)	(7.558.573)	73.901.153	18.999.835	217.945.201
Unallocated expenses (*)						(47.260.871)
Operating Profit						170.684.330

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

f) Capital expenditure

	31 December 2016	31 December 2015
Europe, Middle East and Africa	109.220.441	60.136.324
North America	13.468.950	19.995.401
South America	8.909.547	5.469.235
Asia	16.255.861	19.760.289
	147.854.799	105.361.249

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 3 - SEGMENT REPORTING (cont'd)

g) Depreciation and amortization

	31 December 2016	31 December 2015
Europe, Middle East and Africa	23.873.205	23.774.081
North America	17.902.365	20.485.784
South America	7.975.026	6.994.570
Asia	29.558.618	29.512.921
	79.309.214	80.767.356

h) Provision for doubtful receivables

	31 December 2016	31 December 2015
Europe, Middle East and Africa	6.155.178	-
North America	-	307.362
South America	212.938	-
Asia	-	-
	6.368.116	307.362

i) Provision for inventory obsolescence

	31 December 2016	31 December 2015
Europe, Middle East and Africa	89.297	783.059
North America	946.309	-
South America	135.212	363.429
Asia	1.499.882	1.149.027
	2.670.700	2.295.515

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

a) External revenues

	1 January- 31 December 2016	1 January- 31 December 2015
Fabric	1.456.037.140	1.314.870.857
Nylon Yarn	366.828.997	316.753.263
Construction Reinforcement	1.280.671	480.908
Other	84.198.323	102.652.809
	1.908.345.131	1.734.757.837

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 3 - SEGMENT REPORTING (cont'd)

b) Segment assets

	31 December 2016	31 December 2015
Fabric	1.143.794.139	956.667.781
Nylon Yarn	640.188.281	569.912.490
Polyester Yarn	324.776.912	268.111.646
Other	43.971.080	38.065.830
Segment assets	2.152.730.412	1.832.757.747
Unallocated assets	537.953.242	310.345.709
Less: Intersegment eliminations	(147.009.537)	30.928.360
Total assets per consolidated financial statements	2.543.674.117	2.174.031.816

c) Capital expenditure

	31 December 2016	31 December 2015
Nylon Yarn	10.797.761	18.076.244
Polyester Yarn	6.933.257	6.306.067
Fabric	46.950.800	35.508.017
Other	83.172.981	45.470.921
	147.854.799	105.361.249

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Cash	29.034	18.203
Bank - demand deposits	38.546.732	15.883.795
Bank - time deposits	2.679	1.881.493
	38.578.445	17.783.491

Time deposits have less than 3-months maturity. Average annual interest rate for time deposits are 0,1% (2015: 0,1%) for US Dollar and 0,1% (2015: 0,1%) for Euro.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 5 – FINANCIAL INVESTMENTS

	31 December 2016	31 December 2015
Common stocks	386.091	290.589
	386.091	290.589

Detail of the common stocks are as follows:

	1 January - 31 December 2016		1 January - 31 December 2015	
	Percentage of shareholding %	Amount	Percentage of shareholding %	Amount
Investimentos Lei 8200	<0,01	118.063	<0,01	95.453
Desenbanco	<0,01	83.518	<0,01	67.524
Investivos Fiscais Finor	<0,01	7.643	<0,01	6.179
Other	-	176.867	-	121.433
		386.091		290.589

Movement schedule of financial assets for the years ended 31 December 2016 and 2015 is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Balances at 1 January	290.589	285.638
Currency translation differences	95.502	4.951
Balances at 31 December	386.091	290.589

NOTE 6 – BORROWINGS

	31 December 2016	31 December 2015
Short-term borrowings	351.842.461	326.242.736
Short-term portion of long term borrowings	22.282.612	33.933.108
Total short-term financial liabilities	374.125.073	360.175.844
Long-term borrowings	160.882.339	194.119.724
Total long-term financial liabilities	160.882.339	194.119.724
Total financial liabilities	535.007.412	554.295.568

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 6 – BORROWINGS (cont'd)

Bank borrowings

The details of long and short term loans as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term borrowings				
TL borrowings	-	509.035	-	234.067
USD borrowings	3,28	40.977.154	3,78	82.953.560
Euro borrowings	0,87	300.600.124	0,78	214.593.428
Other borrowings(*)	10,25	9.756.148	11,57	28.461.681
		351.842.461		326.242.736
Short-term portion of long-term borrowings				
USD borrowings	5,06	22.282.612	4,94	33.933.108
		22.282.612		33.933.108
Total short-term borrowings		374.125.073		360.175.844
Long-term borrowings				
USD borrowings	5,06	96.612.195	4,94	129.296.683
Euro borrowings	3,10	60.619.766	3,10	64.823.041
Other borrowings(*)	10,50	3.650.378		-
Total long-term borrowings		160.882.339		194.119.724

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

	31 December 2016		31 December 2015	
	Fair Value	Book Value	Fair Value	Book Value
USD borrowings	159.871.961	159.871.961	246.183.351	246.183.351
TL borrowings	509.035	509.035	234.067	234.067
Euro borrowings	361.219.890	361.219.890	279.416.469	279.416.469
Other borrowings	13.406.526	13.406.526	28.461.681	28.461.681
	535.007.412	535.007.412	554.295.568	554.295.568

As of 31 December 2016 and 31 December 2015, The redemption schedules of borrowings are summarized below:

	31 December 2016	31 December 2015
1 to 2 years	83.024.271	63.316.564
2 to 3 years	19.615.337	97.358.094
3 to 4 years	19.615.340	32.535.054
4 to 5 years	35.991.060	847.903
Over 5 years	2.636.331	62.109
	160.882.339	194.119.724

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

	31 December 2016	31 December 2015
Trade receivables		
Trade receivables	353.851.980	278.035.763
Cheques in the portfolio	5.996.891	7.317.941
Due from related parties (Note 26)	20.944.786	13.686.077
	380.793.657	299.039.781
Less: Provision for doubtful receivables	(7.741.753)	(1.363.347)
Less: Unearned credit finance income	(831.595)	(778.794)
	372.220.309	296.897.640

As of 31 December 2016, annual interest rates for discount of TL, USD and Euro trade receivables and payables are 8,49%, 3,0% and 1,20% respectively (2015: 10,78%, 1,99% and 1,20%). The average maturities of the trade receivables and payables as of 31 December 2016 and 2015 are up to 3 months and average duration of trade debt is 45 days.

As of 31 December 2016, trade receivables amounting to TL 32.360.455 (2015: TL 39.525.595) were past due but not impaired. The aging of these receivables as of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Up to 1 month	26.558.888	20.263.464
1 to 3 months	3.935.496	12.026.295
3 to 12 months	1.866.071	7.235.836
	32.360.455	39.525.595

As of 31 December 2016, trade receivables amounting to TL 7,741,753 (2015: TL 1,363,347) have passed and the provision for doubtful receivables has been set aside. As of December 31, 2016 and December 31, 2015, the aging schedule of the related receivables is as follows:

	31 December 2016	31 December 2015
Up to 1 months	214.671	251.217
1 to 3 months	-	-
3 to 12 months	599.596	587.283
1 to 5 years	6.927.486	524.847
	7.741.753	1.363.347

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES (cont'd)

Movement schedules of provision for doubtful receivables as of 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Balances at 1 January	1.363.347	1.420.583
Additions (Note 21)	6.368.116	307.362
Collections	(63.597)	(509.775)
Currency translation differences	73.887	145.177
Balances at 31 December	7.741.753	1.363.347

	31 December 2016	31 December 2015
Trade payables		
Trade payables	277.871.096	168.031.933
Due to related parties (Note 26)	6.473.265	4.084.181
	284.344.361	172.116.114
Less: Unrealised credit finance expense on purchases	(109.230)	(48.587)
	284.235.131	172.067.527

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables	31 December 2016	31 December 2015
Taxes and other dues (*)	7.255.050	12.453.232
Other	4.135.386	2.149.495
	11.390.436	14.602.727

Other long-term receivables	31 December 2016	31 December 2015
Taxes and other dues (**)	17.635.021	11.259.218
Other	2.743.702	1.938.496
	20.378.723	13.197.714

(*) Prepaid taxes and other withholding taxes mainly comprise the social security premiums and other tax receivables of Kordsa Brazil which are over paid in excess in previous periods and the Company has the right to recollect from the Federal Bureau of Taxation.

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES (cont'd)

Other short-term payables	31 December 2016	31 December 2015
Taxes and duties payable	11.514.964	9.972.774
Other	1.919.735	2.725.008
	13.434.699	12.697.782
Other long-term payables	31 December 2016	31 December 2015
Taxes and duties payable (***)	14.150.921	8.687.324
	14.150.921	8.687.324

(***) The accruals that Kordsa Brazil has allocated for ongoing worker and tax cases

NOTE 9 – INVENTORIES

	31 December 2016	31 December 2015
Finished goods	270.269.888	199.251.029
Raw materials and supplies	132.633.052	127.632.135
Semi-finished goods	75.153.889	50.743.474
Spare parts	29.630.796	21.966.897
Intermediate goods	11.318.029	13.078.568
Other inventories	34.800.599	23.767.907
	553.806.253	436.440.010
Less: Provision for obsolescence	(16.422.586)	(11.715.477)
	537.383.667	424.724.533

The allocation of the provisions for obsolescence for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Finished goods	8.514.774	6.893.234
Spare parts	7.568.911	4.537.783
Semi-finished and intermediate goods	198.119	170.767
Raw materials and supplies	140.782	113.693
Balance at 31 December	16.422.586	11.715.477

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 9 – INVENTORIES (cont'd)

Movement schedules for provision for obsolescence for the years ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Balances at 1 January	11.715.477	9.002.927
Additions	2.670.700	2.295.515
Reversals	(817.008)	(1.072.577)
Currency translation differences	2.853.417	1.489.612
Balance at 31 December	16.422.586	11.715.477

The amount of provision for inventory obsolescence classified to cost of goods sold for the year 2016 is TL 1.853.692 (2015: TL 1.222.938).

The cost of inventories recognised as expense and included in cost of sales amounted to TL 805.796.532 for the period 1 January - 31 December 2016 (2015: TL 774.631.361).

NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses

	31 December 2016	31 December 2015
Advances given	2.417.070	2.943.187
Prepaid expenses	3.683.698	2.194.405
Deposits and pledges given	13.211.184	10.376.564
	19.311.952	15.514.156

Long-term prepaid expenses

	31 December 2016	31 December 2015
Prepaid Rent Expense(*)	70.849.289	-
Advances given	1.773.891	5.010.415
Deferred finance expense	3.844.341	4.234.692
	76.467.521	9.245.107

(*) In accordance with the land allotment and lease agreements made between Group and Teknopark İstanbul A.Ş. for the land and buildings on the land of Composite Technologies Center of Excellence will be given back as complete and free of charge to Teknopark İstanbul A.Ş.; Group is responsible to transfer within free and clear of debt, commitment and any kind of restrictions following 17-years end of the contract as stated in the contract, additionally Group may continue to remain a lessee if applies 3 months before the end of the contract and continues to carry out the requirements of the regulations conditions In the context of contract, investment expenditures has been stated as long-term prepaid expenses in the consolidated financial statements, has been redeeming in the statement of profit or loss table during the contract.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
THE AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME(cont'd)

Deferred income

	31 December 2016	31 December 2015
Deferred income (*)	6.948.837	375.186
	6.948.837	375.186

(*) Consist of received order advances.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended 31 December 2016 is as follows:

	1 January 2016	Additions	Disposals	Provision for impairment	Transfers (*)	Currency translation differences	31 December 2016
Cost:							
Land and land improvements	67.742.656	-	(232.898)	-	-	6.099.431	73.609.189
Buildings	312.608.157	157.070	-	-	1.010.429	39.144.477	352.920.133
Machinery and equipment	1.688.749.258	18.443.144	(11.388.853)	(3.323.375)	36.658.945	260.315.149	1.989.454.268
Motor vehicles	3.554.077	-	(832.007)	-	-	646.176	3.368.246
Furniture and fixtures	53.754.289	231.241	(578.910)	-	3.069.996	11.228.349	67.704.965
Construction in progress	81.741.753	128.345.561	-	-	(106.238.238)	6.730.763	110.579.839
	2.208.150.190	147.177.016	(13.032.668)	(3.323.375)	(65.498.868)	324.164.345	2.597.636.640
Accumulated depreciation:							
Land improvements	27.713.224	668.180	-	-	-	2.889.416	31.270.820
Buildings	174.611.578	6.591.912	-	-	-	18.207.237	199.410.727
Machinery and equipment	918.092.164	61.640.543	(8.785.434)	-	-	126.727.429	1.097.674.702
Motor vehicles	2.717.971	361.647	(810.183)	-	-	595.812	2.865.247
Furniture and fixtures	39.912.950	3.511.690	(563.172)	-	-	7.721.250	50.582.718
	1.163.047.887	72.773.972	(10.158.789)	-	-	156.141.144	1.381.804.214
Net book value	1.045.102.304						1.215.832.426

(*) As of December 31, 2016 TL 62.254.579 spent on construction of the Composite Technologies Center of Excellence has been classified as prepaid rent expenses.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

The movement of property, plant and equipment for the year ended 31 December 2015 is as follows:

	1 January 2015	Additions	Disposals	Provision for impairment	Investment Property Transfers (*)	Transfers	Currency translation differences	31 December 2015
Cost:								
Land and land improvements	66.766.539	29.220	(293.101)	-	(3.770.665)	119.519	4.891.144	67.742.656
Buildings	299.268.144	324.099	-	-	(20.265.684)	7.435.915	25.845.683	312.608.157
Machinery and equipment	1.599.176.509	10.479.881	(26.654.788)	(25.909.699)	(85.766.210)	71.097.431	146.326.134	1.688.749.258
Motor vehicles	3.597.938	41.881	(468.750)	-	(476.002)	371.518	487.492	3.554.077
Furniture and fixtures	50.371.149	253.178	(1.695.488)	-	(1.814.242)	4.279.390	2.360.302	53.754.289
Construction in progress	74.948.739	92.878.465	(176.256)	-	(2.350.990)	(92.054.087)	8.495.882	81.741.753
	2.094.129.018	104.006.724	(29.288.383)	(25.909.699)	(114.443.793)	(8.750.314)	188.406.637	2.208.150.190
Accumulated depreciation:								
Land improvements	24.553.467	984.201	-	-	-	-	2.175.556	27.713.224
Buildings	164.531.820	6.525.616	-	-	(5.153.665)	-	8.707.807	174.611.578
Machinery and equipment	878.738.996	64.884.782	(18.924.579)	(22.479.720)	(35.580.283)	-	51.452.968	918.092.164
Motor vehicles	2.397.050	277.836	(54.039)	-	(279.736)	-	376.860	2.717.971
Furniture and fixtures	38.152.659	2.611.988	(1.405.582)	-	(1.736.079)	-	2.289.964	39.912.950
	1.108.373.992	75.284.423	(20.384.200)	(22.479.720)	(42.749.763)	-	65.003.155	1.163.047.886
Net book value	985.755.026							1.045.102.304

(*) According to the Group's Board of Directors resolution numbered 2015/29 dated 31 December 2015, as of 31 December 2015, Group's subsidiaries Nile Kordsa Company for Industrial Fabrics S.A.E. And Interkordsa GmbH with rate of 51% and 100% respectively classified as "Assets Held for Sale" in the balance sheet.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

Amount TL 69.790.173 (2015: TL 73.307.643) of current period depreciation and amortisation expenses are included in cost of sales, TL 210.093 (2015: 1.516.564 TL) is included in research and development expenses and TL 9.308.948 (2015: TL 5.943.149) is included in general administrative expenses.

There are mortgages on property, plant and equipment amounting to TL 26.438.695 (2015: TL 22.859.993).

NOTE 12 - INTANGIBLE ASSETS

	1 January 2016	Additions	Disposals	Transfers	Currency translation differences	31 December 2016
Cost:						
Rights	20.710.031	-	(123.188)	1.303.135	(212)	21.889.766
Technology licences	18.200.019	-	-	-	2.242.484	20.442.503
Capitalized development expenses	12.737.753	-	-	-	-	12.737.753
Computer software	20.032.384	540.069	-	1.941.154	3.681.124	26.194.731
Customer relationships	659.479	-	-	-	-	659.479
Other	4.077.691	137.714	(5.238)	-	-	4.210.167
	76.417.357	677.783	(128.426)	3.244.289	5.923.396	86.134.399
Accumulated Amortization:						
Rights	6.264.332	842.115	(35.153)	-	-	7.071.294
Technology licences	15.806.933	-	-	-	1.619.147	17.426.080
Capitalized development expenses	6.005.427	612.945	-	-	-	6.618.372
Computer software	14.119.500	4.217.943	-	-	2.740.204	21.077.647
Other	2.521.760	862.239	-	-	(5.238)	3.378.761
	44.717.952	6.535.242	(35.153)	-	4.354.113	55.572.154
Net book value	31.699.405					30.562.245

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 12 - INTANGIBLE ASSETS (cont'd)

	1 January 2015	Additions	Disposals	Transfers	Currency translation differences	31 December 2015
Cost:						
Rights	20.586.943	-		123.689	(601)	20.710.031
Technology licences	17.168.279	-		-	1.031.740	18.200.019
Capitalized development expenses	12.737.753	-		-	-	12.737.753
Computer software	9.442.638	1.329.482	(74.529)	8.626.625	708.168	20.032.384
Customer relationships	659.479	-		-	-	659.479
Other	4.052.648	25.043		-	-	4.077.691
	64.647.740	1.354.525	(74.529)	8.750.314	1.739.307	76.417.357
Accumulated Amortization:						
Rights	5.226.252	1.038.080		-	-	6.264.332
Technology licences	15.052.184	15.007		-	739.742	15.806.933
Capitalized development expenses	4.703.969	1.301.458		-	-	6.005.427
Computer software	11.938.886	2.301.343		-	(120.729)	14.119.500
Other	1.694.715	827.045		-	-	2.521.760
	38.616.006	5.482.933		-	619.013	44.717.952
Net book value	26.031.734					31.699.405

NOTE 13 – INVESTMENT PROPERTY

	1 January - 31 December 2016	1 January - 31 December 2015
Balance at the beginning of the year	28.190.849	22.332.047
Gain / (loss) from fair value adjustments (*)	5.138.742	177.141
Currency translation differences	6.794.121	5.681.661
Closing balance	40.123.712	28.190.849

(*) As of 31 December 2016 and 2015 the fair value of the Group's investment property in PT Indo Kordsa Company in Asia Pasific Region has been determined by independent experts who are not related with the Group and have appropriate qualifications and recent experience in the valuation of properties. The estimated fair values of lands owned have been determined by taking reference of the market transaction prices of similar properties. When determining the fair values of the lands the highest of the value in use has been considered. In the current period no different valuation methodology is performed.

As of 31 December 2016, the fair value hierarchy of the Group's investment property is Level 2 and in the current period there has been no transition between Level 2 and Level 3.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 14 – GOODWILL

The goodwill with an amount of TL 45.595.167 (2015: TL 45.595.167) net book value as of 31 December 2016 consisted of TL 42.570.007 (2015: TL 42.570.007), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş on 30 September 1999, and TL 3.025.160 (2015: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006.

In Note 2.6 details of assessment for the impairment of goodwill is defined. There is no change in the book value of the goodwill, which is TL 45.595.167 for the period ended as of 31 December 2016 and 2015.

NOTE 15 - 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

	31 December 2016	31 December 2015
Pledges given to banks	225.433.754	205.390.746
Letter of guarantees	21.197.037	25.692.680
Letter of credits	4.374.489	2.010.166
Pledges	892.614	891.831
Pledges given for machinery and equipment	-	8.553.000
Other guarantees given	-	69.642
	251.897.894	242.608.065

b) Guarantees received

	31 December 2016	31 December 2015
Letter of guarantees	8.300.295	11.433.234
Cheques and notes received as collateral	752.455	975.613
	9.052.750	12.408.847

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

c) Guarantees, Pledges and Mortgages given by the Group ("GPM"):

31 December 2016	TL Equivalent	TL	USD	EUR	Thai Baht	Other TL Equivalent
A. Total of GPMs given on behalf of own legal personality	251.897.894	13.693.814	65.295.692	2.022.486	9.288.136	-
B. Total of GPMs given on behalf of subsidiaries consolidated in full	5.500.510	-	1.563.000	-	-	-
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	-	-	-	-	-	-
	<u>257.398.404</u>	<u>13.693.814</u>	<u>66.858.692</u>	<u>2.022.486</u>	<u>9.288.136</u>	<u>-</u>
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	-	-	-	-	-	-
	<u>266.385.368</u>	<u>18.850.279</u>	<u>72.000.715</u>	<u>8.019.731</u>	<u>10.858.014</u>	<u>69.643</u>

(*) Group equity ratio to other CPM given by the group it is 0 % as of December 31,2016 (0 % as of December 31,2015).

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 16 – EMPLOYEE BENEFITS

Short-term provisions for employee benefits

	31 December 2016	31 December 2015
Provision for unused vacation	9.361.820	7.011.890
Provision for bonus accrual	11.900.025	7.535.909
Provision for capital contribution plan (*)	1.920.252	362.252
	23.182.097	14.910.051

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

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

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

	1 January- 31 December 2016	1 January- 31 December 2015
Balances at 1 January	7.011.890	6.308.890
Increase during the year	6.203.566	5.412.869
Decrease during the year	(3.684.003)	(2.935.972)
Currency translation differences	(169.633)	(1.773.897)
Balances at 31 December	9.361.820	7.011.890

Non-current employee benefits

	31 December 2016	31 December 2015
Provision for employment termination benefits (*)	35.875.121	31.324.409
Accruals for employee retirement benefit plans	15.854.431	12.094.097
	51.729.552	43.418.506

(*) Provision for employment termination benefits

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

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

At 31 December 2016 the amount payable consists of one month's salary limited to a maximum of TL 4.426,16 (2015: TL 4.029,53) for each year of service.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 16- EMPLOYEE BENEFITS (cont'd)

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

	2016	2015
Discount rate (%)	3,00	3,30
The probability of retirement (%)	98,04	97,96

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 4.426,16 (1 January 2016: TL 4.092,53), which is effective from 1 January 2017, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

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

	1 January- 31 December 2016	1 January- 31 December 2015
Balances at 1 January	31.324.409	22.912.001
Addition during the year	7.298.055	5.352.031
Payments during the year	(2.790.360)	(1.930.342)
Actuarial loss / (gain)	43.017	4.990.719
Balances at 31 December	35.875.121	31.324.409

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 16 – EMPLOYEE BENEFITS (cont'd)

() Provision for employment retirement benefits plans:**

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

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

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

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

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

	1 January- 31 December 2016	1 January- 31 December 2015
Balances at 1 January	12.094.097	10.691.622
Addition during the year	881.609	488.070
Payments during the year	(29.838)	(1.594.653)
Currency translation differences	2.908.563	2.509.058
Balances at 31 December	15.854.431	12.094.097

Employee benefit obligations	31 December 2016	31 December 2015
Wage accruals	1.453.971	1.041.353
Due to personnel	3.786.942	3.113.349
	5.240.913	4.154.702

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 17 - OTHER ASSETS AND LIABILITIES

Other current assets

	31 December 2016	31 December 2015
Deductible VAT	19.952.628	36.942.722
Deferred VAT	17.686.694	3.294.429
Prepaid taxes	4.559.329	5.506.966
Advances given to personnel	645.122	352.039
Insurance claim income	50.353	9.699
Other	248.417	80.565
	43.142.543	46.186.420

Other non-current assets

	31 December 2016	31 December 2015
Long-term spare parts	33.854.912	26.692.508
Long-term deposits	107.650	263.104
	33.962.562	26.955.612

Other short-term liabilities

	31 December 2016	31 December 2015
Sales discounts and commission accruals (*)	5.764.210	5.090.392
Expense accruals	7.183.168	5.942.954
Other tax accruals (**)	4.181.970	2.763.581
Other personnel expenses	643.310	872.280
Other	277.793	3.375.113
	18.050.451	18.044.320

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 18 – EQUITY

Paid-in share capital

The Group's authorized and issued capital consists of 19,452,907,600 shares at 1 shares of Kr1 nominal value (2015: 19,452,907,600 shares). All shares are paid and there is no preferred stock. The Group's shareholders and their shareholdings at 31 December 2016 and 2015 are as follows:

	2016	Share (%)	2015	Share (%)
Hacı Ömer Sabancı Holding A.Ş.	138.327.614	71,11	138.327.614	71,11
Other	56.201.462	28,89	56.201.462	28,89
Total paid-in share capital	194.529.076	100,00	194.529.076	100,00

Revaluation and Hedging Reserves

	31 December 2016	31 December 2015
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	988.581	9.540.417
	718.430	9.270.266

Financial Assets Fair Value Reserve:

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

Hedging Reserve:

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 18 – EQUITY (cont'd)

Movements of Hedging Reserve:

	1 January- 31 December 2016	1 January- 31 December 2015
Balances at 1 January	9.540.417	1.511.419
Increases/ decreases	1.131.529	27.905.220
Income tax related to gains / losses recognized in other comprehensive income	2.138.363	(2.007.250)
Reclassified to profit or loss	(11.821.728)	(17.868.972)
Balances at 31 December	988.581	9.540.417

Share Premiums

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

After the decision of Kordsa Global and Kordsa Turkey's merger through acquisition of Kordsa Global by Kordsa Turkey as a whole with its assets and liabilities as of 30 June 2006 in the Extraordinary General Assembly Meeting of Kordsa Turkey on 29 November 2006, the share premium of TL 57.736 was accounted as addition to share premium.

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

Restricted Reserves

As of 31 December 2016 restricted reserves comprise the legal reserves amounting to TL 46.763.317 (2015: TL 30.207.586).

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 18 – EQUITY (cont'd)

Profit Distribution

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

The composition of Group's equity, which is considered as the basis for profit distribution is as follows:

	31 December 2016	31 December 2015
Net income for the period	143.080.801	99.250.907
Retained earnings	67.036.064	44.406.426
	210.116.865	143.657.333

NOTE 19 - SALES AND COST OF GOODS SOLD

	1 January- 31 December 2016	1 January- 31 December 2015
Sales income (gross)	1.940.155.133	1.763.414.683
Sales returns (-)	(9.072.674)	(6.194.147)
Sales discounts (-)	(17.271.929)	(15.428.537)
Other sales discounts (-)	(5.465.399)	(7.034.162)
Sales Income (Net)	1.908.345.131	1.734.757.837
Cost of sales (-)	(1.511.811.029)	(1.419.689.321)
Gross Profit	396.534.102	315.068.516

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 20 - EXPENSES BY NATURE

	1 January- 31 December 2016	1 January- 31 December 2015
Raw materials and consumables used	805.796.562	774.631.361
Personnel expenses	292.597.006	253.928.905
Energy expenses	176.506.939	172.190.092
Depreciation and amortization expenses	79.309.214	80.767.356
Distribution expenses	44.061.906	38.653.069
Packaging expenses	40.197.852	36.928.224
Consultancy expenses	14.492.139	17.033.485
Idle mill expenses	11.622.180	12.940.970
Maintenance expenses	2.648.352	2.377.907
Rent expenses	2.375.154	2.325.153
Other	218.196.784	183.934.154
	1.687.804.088	1.575.710.676

NOTE 21 – OTHER OPERATING INCOME AND EXPENSES

	1 January- 31 December 2016	1 January- 31 December 2015
Other operating income		
Foreign exchange gains/ losses on trade receivables	204.571.399	192.050.365
Domestic production incentive income (*)	20.080.168	17.334.703
Unearned finance income on credit sales	7.104.216	8.325.116
Export incentive income	420.331	-
Rent income	188.842	127.580
Income from insurance claims	35.480	4.023
Other	7.122.029	7.622.847
	239.522.465	225.464.634

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 21 – OTHER OPERATING INCOME AND EXPENSES (cont'd)

Other operating expenses	1 January- 31 December 2016	1 January- 31 December 2015
Foreign exchange gains/ losses on trade payables (net)	176.259.340	187.474.059
Taxes and duties	9.826.034	10.118.160
Donations	8.530.363	6.924.124
Provision for doubtful receivables (Note 7)	6.368.116	307.362
Unrealized finance expense on credit purchases	4.257.826	3.627.036
Expenses of the customer damages	3.323.375	3.429.979
Property, plant and equipment impairment loss	811.309	989.157
Other	10.397.531	957.588
	219.773.894	213.827.465

NOTE 22 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities	1 January- 31 December 2016	1 January- 31 December 2015
Gain on sale of property, plant and equipment (*)	5.585.681	10.647.206
Gain from fair value of investment properties (Note 13)	5.138.742	177.141
Interest income	3.940.635	4.648.778
	14.665.058	15.473.125

Expenses from investing activities	1 January- 31 December 2016	1 January- 31 December 2015
Loss on sale of property, plant and equipment (**)	4.160.298	1.521.852
	4.160.298	1.521.852

NOTE 23 – FINANCIAL EXPENSES

Finance expenses	1 January- 31 December 2016	1 January- 31 December 2015
Interest expenses	17.829.187	22.105.282
Foreign exchange losses	6.577.539	20.975.795
Financial instruments	1.543.993	-
Other	949.212	909.306
	26.899.931	43.990.383

(*) The profit on sale of fixed assets as of the date of 31 December 2016, in Izmit outside of the area in which the company operates, was obtained from the sale of the land.

(**) As of 31 December 2016, loss on sale of fixed assets represents the loss arising from the sale of idle fixed assets in Kordsa Izmit and Kordsa Brazil.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 24 - TAXATION ON INCOME

Corporate Tax

Corporate Tax

	31 December 2016	31 December 2015
Corporate tax payable	27.787.803	19.381.975
Less: Prepaid taxes (*)	(23.876.156)	(21.832.740)
	3.911.647	(2.450.765)

(*) As of 31 December 2016, the Prepaid Corporate Tax exceeding the Corporate Taxes Payable amounting to TL - (2015: TL2.450.765) has been accounted for under Assets Related to Current Tax account.

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 31 December 2016 and 2015 are summarized as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Current period corporate tax expense	(27.787.803)	(19.381.975)
Deferred tax income / (expense)	(8.641.439)	3.218.062
	(36.429.242)	(16.163.913)

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 24 - TAXATION ON INCOME (cont'd)

Corporate Tax (cont'd)

The reconciliation of tax on the consolidated profit or loss tables for the years ended 31 December 2016 and 2015 is as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Profit before tax in the consolidated financial statements	223.894.443	140.645.220
Tax charge according to parent company's tax rate 20%	44.778.889	28.129.044
Tax rate differences of subsidiaries	(5.164.036)	(3.342.225)
Expected tax charge of the Group	39.614.853	24.786.819
Disallowable expenses	1.984.170	1.381.804
Other exempt income	(1.705.767)	(1.387.019)
Exemption of real estate sales	(157.162)	(1.062.734)
Lump-sum expense provision	(558.793)	(574.643)
Research and development incentive allowance	(2.675.755)	(2.466.246)
Consolidation eliminations without deferred tax effect	(72.304)	(4.514.068)
Current period tax expense	36.429.242	16.163.913

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 rate 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 is 20% in Turkey (2015: 20%).

Country	31 December 2016	31 December 2015
Turkey	%20	%20
Egypt	%30	%30
Germany	%30	%30
USA	%35	%35
Brazil	%21,5	%21,5
Indonesia	%25	%25
Thailand	%20	%20

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 24 - TAXATION ON INCOME (cont'd)

Corporate Tax (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 31 December 2016 and 2015 using the enacted tax rates are as follows:

	<u>Cumulative temporary differences</u>		<u>Deferred tax assets/(liabilities)</u>	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Provision for employment termination benefits	59.489.466	46.954.050	13.078.606	10.186.781
Inventories	15.419.861	15.268.148	4.473.861	4.139.099
Doubtful receivable provision	820.160	749.427	309.529	282.834
Consignment sales adjustment	4.350.419	2.247.637	870.084	449.527
Finance income	466.935	451.861	93.387	90.372
Other	52.631.674	33.280.054	16.397.708	13.898.386
Deferred tax assets			35.223.175	29.046.999
Property, plant and equipment and intangibles	231.375.290	187.222.450	(88.692.405)	(70.317.894)
Other	78.229.501	59.502.106	(15.645.900)	(13.068.214)
Deferred tax liabilities			(104.338.305)	(83.386.108)
Net deferred tax liability			(69.115.130)	(54.339.109)

Deferred Tax

	1 January- 31 December 2016	1 January- 31 December 2015
Balances at 1 January	(54.339.109)	(50.313.015)
Transfers to assets held for sale	-	7.071.490
Current year deferred tax income - net	(8.641.438)	3.218.061
Accounted for under equity	2.138.363	(2.007.250)
Currency translation differences	(8.272.946)	(12.308.395)
Balances at 31 December	(69.115.130)	(54.339.109)

	1 January- 31 December 2016	1 January- 31 December 2015
Deferred tax assets that are expected to be benefited from after one year	13.078.606	10.186.781
Deferred tax liabilities that are expected to be realized after one year	104.338.305	83.386.108

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 25- EARNINGS PER SHARE

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

	1 January- 31 December 2016	1 January- 31 December 2015
Net income attributable to equity holders of the parent	143.080.801	99.250.907
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	7,36	5,10
Earning per share from continuing operations		
Net income attributable to equity holders of the parent	152.433.131	107.378.097
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	7,84	5,52
Earning per share from discontinuing operations		
Net income attributable to equity holders of the parent	(9.352.330)	(8.127.190)
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	(0,48)	(0,42)

Nominal values of ordinary shares for the years ended 31 December 2016 and 2015 are assumed to be Kr 1 each.

NOTE 26 – RELATED PARTY DISCLOSURES

Bank balances:	31 December 2016	31 December 2015
Akbank T.A.Ş. - demand deposits	96.253	51.253
	96.253	51.253
	31 December 2016	31 December 2015
Akbank T.A.Ş. – bank borrowings	60.619.766	80.945.107
	60.619.766	80.945.107

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 26 – RELATED PARTY DISCLOSURES (cont'd)

Due from related parties:	31 December 2016	31 December 2015
Brisa Bridgestone Sabancı Lastik		
Sanayi ve Tic. A.Ş. ("Brisa")	20.291.969	13.621.568
Sabancı Üniversitesi	488.403	-
Aksigorta A.Ş.	77.775	-
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	61.092	61.410
Bimsa	21.933	-
Akbank A.G.	3.614	3.099
	20.944.786	13.686.077

Due to related parties:	31 December 2016	31 December 2015
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	3.883.122	3.722.716
Enerjisa Doğalgaz Toptan Satış A.Ş. ("Gasco")	1.758.105	-
Bimsa	718.024	310.506
Temsa Global Sanayi ve Ticaret A.Ş. ("Temsa")	47.178	-
Brisa	42.831	44.098
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	15.239	-
Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding")	8.282	-
Aksigorta A.Ş.	484	6.861
	6.473.265	4.084.181

Product sales	1 January- 31 December 2016	1 January- 31 December 2015
Brisa	58.047.251	58.593.830
	58.047.251	58.593.830

Service sales	1 January- 31 December 2016	1 January- 31 December 2015
Sabancı Holding	79.458	-
Enerjisa Enerji Üretim A.S	198	14.497
	79.656	14.497

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)

	1 January- 31 December 2016	1 January- 31 December 2015
Product purchases		
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	41.868.673	39.609.785
Enerjisa Doğalgaz Toptan Satış A.Ş. ("Gasco")	15.443.599	-
Bimsa Ulus.Is, Bilgi ve Yon. Sis.i A.S	28.537	500
Brisa Bridgestone Sab. Las.San.ve TicAS	-	39.378
Sabancı Üniversitesi	-	15.936
Teknosa İc ve Dis Ticaret A.S	-	2.010
	57.340.809	39.667.609
Services received		
Bimsa	4.742.526	3.539.708
Aksigorta	3.293.270	3.770.248
AvivaSA Emeklilik ve Hayat A.Ş.	453.786	658.400
Sabancı Üniversitesi	29.389	53.481
Sabancı Holding	20.826	323
TeknoSA	68	1.136
Diğer	514.702	526.095
	9.054.567	8.549.391
Property, plant and equipment purchases		
Bimsa	357.578	530.615
Teknosa	17.723	-
Diğer	3.517	949
	378.818	531.564
Interest income		
Akbank T.A.Ş.	224.098	26.836
Interest expense		
Akbank T.A.Ş.	3.160.104	1.510.033

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)

	1 January- 31 December 2016	1 January- 31 December 2015
Foreign exchange gains / (losses) - net		
Akbank T.A.Ş.	1.481.024	3.674.712
Rent expense		
Sabancı Holding	183.606	341.556
Rent income		
Bimsa	65.600	61.160
Other	25.157	-
	90.757	61.160
Donations		
Sabancı University	7.499.280	6.900.000

Remunerations:

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

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

	1 January- 31 December 2016	1 January- 31 December 2015
Short-term employee benefits	12.084.032	10.229.688
Other long-term benefits	120.634	127.759
Employee termination benefits due to remunerations	354.053	1.033.939
Post-employment benefits	235.838	347.908
	12.794.557	11.739.294

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)

Security and guarantee letters given:

31 December 2016

Related parties	Amount	Currency	Detail	Bank
Kordsa Brazil	1.563.000	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 27 - INTERESTS IN OTHER ENTITIES

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

Subsidiary	31 December 2016			
	Non-controlling interests %	Net profit/ loss attributable to non-controlling interests	Profit/ (loss) allocated to non-controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	%39,79	40.575.498	309.527.602	15.358.848
Diğer		(5.543.428)	8.022.954	
Total		35.032.070	317.550.556	

Subsidiary	31 December 2015			
	Non-controlling interests %	Net profit/ loss attributable to non-controlling interests	Profit/ (loss) allocated to non-controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	39,79%	24.806.710	237.354.788	8.631.508
Other		(7.703.500)	12.182.308	
Total		17.103.210	249.537.096	

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 27 - INTERESTS IN OTHER ENTITIES(cont'd)

Summary balance sheet information:

	PT Indo Kordsa Tbk	
	31 December 2016	31 December 2015
Cash and cash equivalents	34.484.144	13.769.817
Other current assets	304.410.604	233.922.051
Non-current assets	671.070.440	563.196.753
Total assets	1.009.965.188	810.888.621
Short-term borrowings	43.002.199	76.430.170
Other short-term liabilities	131.771.556	54.548.634
Long-term borrowings	100.261.830	124.797.345
Other long-term liabilities	52.641.278	39.198.116
Total liabilities	327.676.863	294.974.265
Total equity	682.288.325	515.914.356
Equity attributable to owners of the parent	619.101.018	462.646.682
Non-controlling interests (**)	63.187.307	53.267.673

Summary profit or loss statement information:

	PT Indo Kordsa Tbk	
	31 December 2016	31 December 2015
Sales	631.302.161	568.340.286
Costs of good sold	(470.649.823)	(447.569.196)
Depreciation and amortization	(14.082.615)	(11.337.996)
Operating profit/ (loss)	112.554.578	76.503.193
Net financial income/ (expense)	(10.580.469)	(14.159.112)
Profit/ (loss) before tax	101.974.109	62.344.081
Tax (-)	(30.008.423)	(17.499.388)
Minority shareholder	(34.153.368)	(21.600.091)
Profit for the period	37.812.319	23.244.602

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk management

Financial risk factors

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS(cont'd)

Financial risk factors(cont'd)

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

(a) Liquidity risk

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

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

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

Liquidity risk analysis of the financial liabilities of the Group as of 31 December 2016 and 2015 is as follows:

	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
31 December 2016						
Financial liabilities	535.007.412	596.196.264	96.539.194	321.348.370	178.308.700	-
Trade payables	284.235.131	284.872.021	281.356.144	3.515.877	-	-
Other payables	1.919.735	10.672.596	9.388.488	1.284.108	-	-
	821.162.278	891.740.881	387.283.826	326.148.355	178.308.700	-
31 December 2015						
Financial liabilities	554.295.568	562.256.013	103.969.283	253.962.244	204.324.486	-
Trade payables	172.067.527	172.793.230	168.582.189	4.211.041	-	-
Other payables	2.725.008	3.540.333	2.064.895	1.475.438	-	-
	729.088.103	738.589.576	274.616.367	259.648.723	204.324.486	-

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

(b) Market risk

Interest rate risk

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS(cont'd)

(b) Market risk(Cont'd)

Interest rate risk table of the Group as of 31 December 2016 and 2015 is as follows:

Variable interest financial instruments	31 December 2016	31 December 2015
Financial liabilities	161.800.405	487.804.528

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

At 31 December 2016, if interest rates on US Dollar denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 1.835.652 (2015: TL 657.001), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2016, if interest rates on Euro denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 405 (2015: TL 405), mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign exchange risk

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

Derivative financial instruments

The derivative financial instruments of the Group comprise foreign currency and interest rate swap transactions and forward contracts.

The Group entered into foreign currency forward transactions with due date 2017 in order to manage the risks emerging from the sales transactions which are expected to occur within 12 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 entered into foreign currency forward transactions with due date 2016 in order to hedge its trade receivables and payables from the effects of the changes in foreign currency exchange rates.

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS(cont'd)

Foreign exchange forward contracts:

31 December 2016	Foreign Currency		Contract Value (USD)	Fair Value (TL)
	Average Rate	(TL)		
USD buy Euro sell				
Less than 3 months	1,1261	11.129.700	3.378.400	736.621
between 3-6 months	1,1296	7.419.800	2.259.100	484.894
				1.221.515

31 December 2015	Foreign Currency		Contract Value (USD)	Fair Value (TL)
	Average Rate	(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

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 21,813,684 (31 December 2015: TL 71,315,414) under Currency Translation Reserves in Equity in accordance with TAS 39 and TFRS Interpretation 16.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS(cont'd)

Foreign currency position:

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

	31 December 2016	31 December 2015
Assets	468.729.556	379.096.584
Liabilities	(629.313.191)	(489.992.135)
Net foreign currency position	(160.583.635)	(110.895.551)

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

31 December 2016	Total	US Dollars (*)	Euro (*)	Thai Baht (*)	Indonesian Rupiah ('000) (*)	Brazilian Real (*)	Other TL Equivalent
	TL equivalent						
Assets:							
Trade receivables	347.803.811	41.893.437	23.518.381	311.991.884	85.158.384	50.300.644	-
Cash and cash equivalent	38.523.509	5.368.980	15.426	146.365.032	4.806.689	3.643.909	2.465
Other monetary receivables and assets	4.135.384	1.066.261	-	148	379.994	262.505	-
Other non-monetary receivables and assets	36.184.497	2.552.199	261.489	21.148.287	68.861.500	5.649.821	18.429
Current assets	426.647.201	50.880.877	23.795.296	479.505.351	159.206.567	59.856.879	20.894
Non-current assets held for sale	113.245	32.179	-	-	-	-	-
Other monetary receivables and assets	40.747.596	5.347.671	22.223	615.000	6.618.352	18.569.724	-
Non-current assets	40.860.841	5.379.850	22.223	615.000	6.618.352	18.569.724	-
Total assets	467.508.042	56.260.727	23.817.519	480.120.351	165.824.919	78.426.603	20.894
Liabilities:							
Trade payables	249.616.695	57.845.554	7.073.442	16.743.348	32.242.959	6.997.703	1.876.685
Financial payables	373.863.859	17.975.619	81.026.476	-	38.194.281	-	-
Other monetary payables and liabilities	40.416.888	4.393.015	9.711	72.696.230	18.756.830	11.854.058	67.978
Total short-term liabilities	663.897.442	80.214.188	88.109.629	89.439.578	89.194.070	18.851.761	1.944.663
Financial payables	160.880.853	27.452.457	17.323.956	-	13.936.826	-	-
Other monetary payables and liabilities	14.150.921	3.449.165	-	37.835.724	-	13.105.042	-
Total long-term liabilities	175.031.774	30.901.622	17.323.956	37.835.724	13.936.826	13.105.042	-
Total liabilities	838.929.216	111.115.810	105.433.585	127.275.302	103.130.896	31.956.803	1.944.663
Fair value of financial instruments used for foreign currency hedging	1.221.514	347.100	-	-	-	-	-
Hedged portion of foreign currency liabilities	208.394.511	181.891	56.000.000	-	-	-	-
Net foreign currency asset / (liability) position	(161.805.149)	(54.336.092)	(25.616.060)	352.845.049	62.694.023	46.469.800	(1.923.769)
Monetary items net foreign currency asset / (liability) position	(407.605.671)	(57.407.282)	(81.877.555)	331.696.762	(6.167.477)	40.819.979	(1.942.198)

(*) The amounts are denominated in the related currency

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

31 December 2015	Total TL equivalent	US Dollars (*)	Euro (*)	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
Marketable securities	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	29.981.887	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 Hedged portion of foreign currency liabilities	11.911.309 236.524.092	4.096.612 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.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS(cont'd)

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

	31 December 2016	31 December 2015
Closing rates		
US Dollars	3,5192	2,9076
Euro	3,7099	3,1776
Indonesian Rupiah (1000 units)	0,2619	0,2108
Brazilian Real	1,0798	0,7446
Thai Baht	0,0982	0,0806
Egyptian Pound	0,1897	0,3713
	1 January -	1 January -
Average rates	31 December 2016	31 December 2015
US Dollars	3,0213	2,7200
Euro	3,3398	3,0183
Indonesian Rupiah (1000 units)	0,2270	0,2031
Brazilian Real	0,8657	0,8165
Thai Baht	0,0856	0,0794
Egyptian Pound	0,3124	0,3537

Foreign currency position as of 31 December 2016 and 2015 in regard to the 10% changes in foreign currency rates is depicted in the table below:

31 December 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	(6.684.888)	6.684.888	39.422.359	(39.422.359)
Hedged USD (-)	-	-	-	-
USD net effect	(6.684.888)	6.684.888	39.422.359	(39.422.359)
Change in EURO against TL by 10%				
Euro net assets/liabilities	(7.867.349)	7.867.349	-	-
Hedged Euro (-)	-	-	-	-
Euro net effect	(7.867.349)	7.867.349	-	-
Change in other currency against TL by 10%				
Other currency net assets/liabilities	1.769.679	(1.769.679)	-	-
Hedged other currency (-)	-	-	-	-
Other currency net effect	1.769.679	(1.769.679)	-	-
	(12.782.558)	12.782.558	39.422.359	(39.422.359)

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS(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 transactions from and to Turkey as of 31 December 2016 and 2015 are as follows:

	31 December 2016		31 December 2015	
	Original balance	TL	Original balance	TL
Euro	115.185.040	383.423.148	126.965.875	383.320.454
US Dollars	79.528.013	241.124.588	82.562.290	223.710.000
Total export		624.547.736		607.030.454
			1 January- 31 December 2016	1 January- 31 December 2015
Total Import			431.954.850	418.333.332

(c) Funding risk

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. The borrowings of the Group are from financially strong various financial institutions.

(d) Credit risk

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS(cont'd)

(d) Credit risk (cont'd)

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

Comments on credit quality of financial assets

As of 31 December 2016 and 2015, Banks, where the cash and cash equivalents within the financial assets that are neither past due nor impaired are kept; mainly have high credit and parties in the trade receivables comprise of the customers/ related parties that are worked with for a long time and without significant collection problems.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

As of 31 December 2016, the credit risk regarding the financial instruments is as follows:

31 December 2016	Trade receivables		Other receivables (*)		Bank deposits	
	Related party	Other	Related party	Other	Related party	Other
Maximum credit risk based on financial instruments as of reporting date (**)	20.944.786	351.275.523	-	6.879.088	96.253	38.453.158
- <i>Collateralized or secured with guarantees part of maximum credit risk</i>	-	-	-	-	-	-
Net book value of not due or not impaired financial assets	20.912.187	318.915.069	-	6.879.088	96.253	38.453.158
Net book value of past due but not impaired financial assets	-	32.360.454	-	-	-	-
- <i>Collateralized or guaranteed part</i>	-	-	-	-	-	-
Net book value of impaired financial assets	-	-	-	-	-	-
- <i>Gross amount of overdue part</i>	-	7.741.753	-	-	-	-
- <i>Impairment (-)</i>	-	(7.741.753)	-	-	-	-
- <i>Collateralized or guaranteed part of net value</i>	-	-	-	-	-	-

(*) Excludes taxes and other similar receivables.

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

As of 31 December 2015, the credit risk regarding the financial instruments is as follows:

31 December 2015	Trade receivables		Other receivables (*)		Bank deposits	
	Related party	Other	Related party	Other	Related party	Other
Maximum credit risk based on financial instruments as of reporting date (**)	13.686.077	283.211.563	-	4.087.991	51.253	17.714.035
- <i>Collateralized or secured with guarantees part of maximum credit risk</i>	-	-	-	-	-	-
Net book value of not due or not impaired financial assets	13.686.077	243.685.968	-	4.087.991	51.253	17.714.035
Net book value of past due but not impaired financial assets	-	39.525.595	-	-	-	-
- <i>Collateralized or guaranteed part</i>	-	-	-	-	-	-
Net book value of impaired financial assets	-	-	-	-	-	-
- <i>Gross amount of overdue part</i>	-	1.363.347	-	-	-	-
- <i>Impairment (-)</i>	-	(1.363.347)	-	-	-	-
- <i>Collateralized or guaranteed part of net value</i>	-	-	-	-	-	-

(*) Excludes taxes and other similar receivables.

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS(cont'd)

(d) Credit risk (cont'd)

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

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

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

	31 December 2016	31 December 2015
Less than 1 month	26.558.888	20.263.464
Between 1-3 months	3.935.496	12.026.295
Between 3-12 months	1.866.070	7.235.836
	32.360.454	39.525.595

(e) Capital risk management

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

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

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

As of 31 December 2016 and 2015 Net debt/(Equity+net debt+non-controlling interest) ratio is:

	1 January- 31 December 2016	1 January- 31 December 2015
Total financial liabilities	535.007.412	554.295.568
Cash and cash equivalents	(38.578.445)	(17.783.491)
Net debt	496.428.967	536.512.077
Equity	1.154.127.343	966.481.558
Non-controlling interests	317.550.556	249.537.096
Equity+net debt+non-controlling interest	1.968.106.866	1.752.530.731
Net debt/(Equity+net debt+non-controlling interest) ratio	25%	31%

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 29 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

31 December 2016	Loans and receivables (cash and cash equivalents included)	Available for sale investments	Financial liabilities at amortized cost	Derivative financial instruments	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	38.578.445	-	-	-	38.578.445	4
Trade receivables	351.275.523	-	-	-	351.275.523	7
Receivables from related parties	20.944.786	-	-	-	20.944.786	26
Financial investments	-	386.091	-	-	386.091	5
Other financial assets (**)	6.879.088	-	-	-	6.879.088	8
Derivative financial instruments	-	-	-	1.221.515	1.221.515	27
Financial liabilities						
Borrowings	-	-	535.007.412	-	535.007.412	6
Trade payables	-	-	277.761.866	-	277.761.866	7
Payables to related parties	-	-	6.473.265	-	6.473.265	26
Other financial liabilities (**)	-	-	13.434.699	-	13.434.699	8

31 December 2015	Loans and receivables (cash and cash equivalents included)	Available for sale investments	Financial liabilities at amortized cost	Derivative financial instruments	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	17.783.491	-	-	-	17.783.491	4
Trade receivables	283.211.563	-	-	-	283.211.563	7
Receivables from related parties	13.686.077	-	-	-	13.686.077	26
Financial investments	-	290.589	-	-	290.589	5
Other financial assets (**)	4.087.991	-	-	-	4.087.991	8
Derivative financial instruments	-	-	-	12.233.648	12.233.648	27
Financial liabilities						
Borrowings	-	-	554.295.568	-	554.295.568	6
Trade payables	-	-	167.983.346	-	167.983.346	7
Payables to related parties	-	-	4.084.181	-	4.084.181	26
Other financial liabilities (**)	-	-	12.697.782	-	12.697.782	8

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 29 - FINANCIAL INSTRUMENTS (cont'd)

Monetary assets

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

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

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

Monetary liabilities

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

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

Fair value estimation

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

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 29 - FINANCIAL INSTRUMENTS (cont'd)

Fair value hierarchy of financial assets and liabilities:

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

Financial Assets / Financial Liabilities	Fair value		Fair value hierarchy	Valuation technique
	31 December 2016	31 December 2015		
Foreign Currency forward contracts	1.221.514	11.911.309	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties' credit risk.

NOTE 30 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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 31 2015. Hence, these companies were classified as "Assets Held for Sale" in preparation for financial tables in December 31, 2015. To ensure that financial tables would be comparable, finances that belong to above-mentioned companies were classified as "Assets Held for Sale" in profit/loss tables dated in December 31, 2014.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 30 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

Nile Kordsa's operation results between 1 January 2016 --15 November 2016 and 1 January 2015 -- 31 December 2015 are presented below:

NILE KORDSA

	1 January- 31 December 2016	1 January- 31 December 2015
PROFIT OR LOSS		
Sales	-	36.145.459
Cost of Sales (-)	-	(39.055.751)
GROSS PROFIT		
Marketing Expenses (-)	-	(2.493.380)
General and Administrative Expenses (-)	-	(3.285.561)
Research and Development Expenses (-)	-	-
Other Operating Income	519.081	1.280.355
Other Operating Expenses (-)	(1.750.000)	(1.585.386)
OPERATING INCOME / LOSS		
	(1.230.919)	(8.994.264)
Income From Investing Activities	-	4.394.527
Expenses From Investing Activities (-)	-	(402.808)
OPERATING INCOME / LOSS BEFORE FINANCIAL EXPENSE		
	(1.230.919)	(5.002.545)
Financial Income	-	-
Financial Expenses (-)	-	(2.630.838)
INCOME / LOSS BEFORE TAX		
	(1.230.919)	(7.633.383)
Tax Expense:		
- Current Tax Expense	-	(726.730)
- Deferred Tax Income/ (Expense)	-	44.717
INCOME / LOSS FOR THE PERIOD		
	(1.230.919)	(8.315.396)

(*) Refers to provision expenses which are related to sales process of Nile Kordsa.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 30 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

Interkordsa's operation results between 1 January 2016 –15 November 2016 and 1 January 2015 – 31 December 2015 are presented below:

INTERKORDSA

	1 January- 31 October 2016	1 January- 31 December 2015
PROFIT OR LOSS		
Sales	43.648.587	45.055.383
Cost of Sales (-)	(37.446.377)	(40.773.361)
GROSS PROFIT	6.202.210	4.282.022
Marketing Expenses (-)	(2.481.696)	(2.613.813)
General and Administrative Expenses (-)	(1.999.144)	(1.798.883)
Research and Development Expenses (-)	-	-
Other Operating Income	333.096	538.354
Other Operating Expenses (-)	(10.094.172)	(217.315)
OPERATING INCOME / LOSS	(8.039.706)	190.365
Income From Investing Activities	-	-
Expenses From Investing Activities (-)	-	-
OPERATING INCOME / LOSS BEFORE FINANCIAL EXPENSE	(8.039.706)	190.365
Financial Income		
Financial Expenses (-)	(6.565)	(33.201)
INCOME / LOSS BEFORE TAX	(8.046.271)	157.164
Tax Expense:		
- Current Tax Expense	(58.435)	121.331
- Deferred Tax Expense	(16.705)	(90.288)
INCOME / LOSS FOR THE PERIOD	(8.121.411)	188.207

(*) Refers to provision expenses which are related to sales process of Interkordsa GmbH.

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

NOTE 31 – EVENTS AFTER THE REPORTING PERIOD

Acceptance of Neriman ÜLSEVER's resignation from her duties as the Vice Chairman of Board of Directors, member of the Corporate Governance Committee and member of the Early Identification of Risk Committee, as of January 2, 2017. It is decided to appoint Barış ORAN as the Vice Chairman of Board of Directors according to Article No. 366 of the Turkish Commercial Code. Based on the Article "4.5 Committees formed within the Management Board" stated on the Appendix-1 of Corporate Governance Communiqué (II-17.1) of Capital Markets Board, Vice Chairman of the Board of Directors Barış ORAN has been elected as a member of Early Identification of Risk Committee, and Board Member Fezal OKUR ESKİL has been elected as a member of Corporate Governance Committee.

Since the head office of the Company will be moved to the address "Alikahya Fatih Mahallesi Sanayici Caddesi No: 90 İzmit/ Kocaeli", Article No. 5 of "Section 1 General Provisions, Headquarters and Branches" and Article No. 26 of the "Section V. General Assembly Meeting Location" of Group's Articles of Association were deemed appropriate pursuant by Capital Market Board with respect to Article 33/2 of the Capital Markets Law.