Kordsa Teknik Tekstil Anonim Şirketi and Its Subsidiaries

Convenience Translation into English
of the Consolidated Financial Statements
As at and for the Year Ended
31 December 2018
With Independent Auditor's Report

(Originally issued in Turkish)

19 February 2019

This report contains 6 pages of Independent Auditor's Report and 88 pages of financial statements and explanatory notes.

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Independent Auditor's Report

To the Board of Directors of Kordsa Teknik Tekstil Anonim Şirketi,

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kordsa Teknik Tekstil Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as "the Group"), which comprise the statement of consolidated financial position as at 31 December 2018, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

Basis for Opinion

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

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Key Audit Matters

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

Revenue recognition and first time application of TFRS 15

Refer to Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition and first time application of TFRS 15.

The key audit matter	How the matter was addressed in our audit
The Group's revenue is primarily generated from sales of industrial fabrics included in the structure of vehicle tires and industrial fabrics to the companies operating in tyre sector. Revenue is recognised over the fair value of the consideration receivable which is taken on the accrual basis of the financial reporting when the delivery is made, the amount of income can be reliably determined and it is probable that the Group will obtain economic benefits related to these transactions. Net revenue is presented by deducting returns, discounts and commissions from sales of goods. Recognition of revenue for the accounting period in which the product is sold depends on an appropriate assessment of whether the product is associated with a sales contract. Since commercial contracts can be complex, important considerations are required to be made while selecting the accounting basis for each situation. Recognition of revenue is designated as a key audit matter, since significant contractual obligations are required to be reflected in the financial statements in the period of the revenue recognized due to the complexity of the conditions in the commercial contracts. The Group, has adopted TFRS 15 "Revenue From Customer Contracts" as at 1 January 2018. The comparative financial statements for the year 2017 has not been restated since cumulative effect method has been used as TFRS 15 allows. TFRS 15 determines when and at what amount of revenue is recognized; It	We have performed the following audit procedures to be responsive to this area: - Evaluation of the effectiveness of key internal controls for accounting of revenue in the consolidated financial statements. - Examination of transfer of risk and rewards through sales documents obtained for selected sample sales transactions and evaluation of appropriateness of revenue recognition in the appropriate financial reporting period in accordance with TFRS 15. - Evaluating the timing of revenue recognition for the different shipment arrangements by examining the terms of trade and shipping conditions in the contracts made with customers. - Verifying trade receivable balances of third parties by obtaining confirmation letters for selected samples and reconciling to the financial statements. - Performing analytical procedures to determine the existence of unusual transactions. - Testing of the subsequent sales returns transactions after the reporting period of financial statements whether they are accounted for in the appropriate financial reporting period by selecting the samples from subsequent sales returns after the reporting period and using substantive testing procedures. - Evaluation of the journal entries that the Group has accounted for during the year. Regarding the implementation of TFRS 15:

provides a comprehensive framework for the terms of transfer of control over products and services to the buyer, based on the timing of the seller's performance obligations. Therefore, the first time implementation of TFRS 15 was a focus area in our audit.	- Understanding the Group's new accounting policies, assessing their conformity and documenting the results - Evaluation of the suitability of the methods used to determine the effect of the first time implementation - Evaluation of the Group's disclosures regarding the revenue in the consolidated financial statements in accordance with the new disclosure requirements. - Evaluating the completeness and accuracy of the accounting policies and the relevant disclosures in terms of components to be obtained in the current period by analyzing the existing contracts with the customers.

Business combinations

Refer to Note 2.5, Note 3 and Note 15 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for business combinations.

The key audit matter	How the matter was adressed in our audit
In accordance with the final protocol regarding to share purhcase agreements signed on 13 July 2018 and 1 October 2018, Kordsa Inc., a 100% owned affiliated of the Group, has taken over all of the shares of Fabric Development Inc., Textile Products Inc. and Advanced Honeycomb Technologies, Inc. through cash payments. The Group applied acquisition accounting for this transaction in accordance with TFRS 3 "Business Combinations" in the accompanying consolidated financial statements. Purchase price allocation has been performed by an independent company in the scope of TFRS 3. As a result of the acquisition, this topic has been determined as one of the focus areas of audit because of the complexity of the purchase price allocation, and management estimations used in business combinations accounting.	We have performed the following audit procedures to be responsive to this area: - Evaluation of the appropriateness of the estimates and assumptions used in the work aimed at allocating the purchase price by consulting with the expert company representatives and the management of the Group as well as by the assistance of our valuation experts - Controlling the mathematical appropriateness of the calculations used in the allocation of the purchase price. - Reconciling fair values of the acquired identifiable assets and liabilities to the financial statements of the related companies as at 13 July 2018 and 1 October 2018. - Evaluation of the disclosures in accordance with the disclosure requirements of TFRS 3.

Other Matters

As explained in Note 2.1 to the consolidated financial statements, USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira, as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2018 for the consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2018 for the consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows, and the do not form part of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 19 February 2019.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2018, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Group's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Ruşen Fikret Selamet, SMMM
Partner
19 February 2019
İstanbul, Turkey

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Kordsa Teknik Tekstil Anonim Şirketi and its Subsidiaries
Consolidated Statement of Financial Position as at 31 December 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Assets	Notes	31 December 2018 USD (*)	31 December 2017 USD (*)	*Audited* 31 December 2018	*Audited* 31 December 2017
Current assets					
Cash and cash equivalents	*5*	24.862.982	4.125.741	130.801.662	15.561.882
Financial investments		16.464	32.179	86.617	121.377
Trade receivables	*8*	157.705.895	128.183.670	829.674.943	483.495.983
Due from related parties	*27*	*13.096.562*	*7.401.650*	*68.899.704*	*27.918.285*
Due from third parties		*144.609.333*	*120.782.020*	*760.775.239*	*455.577.698*
Other receivables	*9*	2.920.765	1.453.590	15.365.854	5.482.795
Due from third parties		*2.920.765*	*1.453.590*	*15.365.854*	*5.482.795*
Derivatives	*18*	509.101	1.562.428	*2.678.327*	5.893.324
Derivative financial assets		*509.101*	*1.562.428*	*2.678.327*	*5.893.324*
Inventories	*10*	199.125.979	155.174.011	1.047.581.862	585.300.852
Prepayments	*11*	2.871.870	5.182.764	15.108.621	19.548.866
Prepayments to third parties		*2.871.870*	*5.182.764*	*15.108.621*	*19.548.866*
Current tax assets	*25*	--	1.453.908	--	5.483.994
Other current assets	*18*	17.676.849	17.238.592	92.996.136	65.022.246
Other current assets from third parties		*17.676.849*	*17.238.592*	*92.996.136*	*65.022.246*
Subtotal		**405.689.905**	**314.406.882**	**2.134.294.022**	**1.185.911.319**
Assets held for sale		2.703.047	2.967.943	14.220.459	11.194.785
Total current assets		**408.392.952**	**317.374.825**	**2.148.514.481**	**1.197.106.104**
Non- current assets					
Financial investments	*6*	100.438	108.991	528.396	411.103
Other receivables	*9*	5.995.914	8.113.581	31.543.902	30.603.616
Investment properties	*14*	21.835.448	12.471.479	114.874.106	47.041.172
Property, plant and equipment	*12*	368.676.877	378.253.557	1.939.572.181	1.426.734.593
Intangible assets		88.360.487	21.878.005	464.855.686	82.521.648
Goodwill	*15*	*32.677.373*	*12.088.117*	*171.912.390*	*45.595.167*
Other intangible assets	*13*	*55.683.114*	*9.789.889*	*292.943.296*	*36.926.481*
Prepayments		428.778	542.982	2.255.759	2.048.075
Prepayments to third parties	*11*	*428.778*	*542.982*	*2.255.759*	*2.048.075*
Deferred tax assets	*25*	13.811.323	10.184.729	72.659.987	38.415.780
Other non-current assets	*18*	10.527.100	11.047.826	55.382.019	41.671.295
Total non-current assets		**509.736.364**	**442.601.151**	**2.681.672.036**	**1.669.447.282**
Total assets		**918.129.316**	**759.975.977**	**4.830.186.517**	**2.866.553.386**

(*) US Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the offical TL bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

Kordsa Teknik Tekstil Anonim Şirketi and its Subsidiaries
Consolidated Statement of Financial Position as at 31 December 2018

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

Liabilities	Notes	31 December 2018 USD (*)	31 December 2017 USD (*)	*Audited* 31 December 2018	*Audited* 31 December 2017
Short term liabilities					
Short term borrowings	*7*	181.064.521	135.655.486	952.562.339	511.678.928
Short term portion of long term borrowings	*7*	7.970.630	5.120.553	41.932.689	19.314.214
Trade payables	*8*	108.796.691	83.327.241	572.368.514	314.302.020
Due to related parties	*27*	*1.623.728*	*2.105.493*	*8.542.272*	*7.941.709*
Due to third parties		*107.172.963*	*81.221.748*	*563.826.242*	*306.360.311*
Payables related to employee benefits	*17*	2.055.275	2.967.969	10.812.595	11.194.881
Other payables	*9*	4.343.999	3.124.051	22.853.343	11.783.607
Due to third parties		*4.343.999*	*3.124.051*	*22.853.343*	*11.783.607*
Deferred revenue		1.746.235	1.907.674	9.186.767	7.195.555
Deferred revenue from third parties	*11*	*1.746.235*	*1.907.674*	*9.186.767*	*7.195.555*
Current tax liabilities	*25*	533.994	--	2.809.289	--
Short term provisions		5.930.799	6.272.913	31.201.341	23.660.799
Short term employee benefits	*17*	*5.921.664*	*6.260.171*	*31.153.281*	*23.612.739*
Other short term provisions		*9.135*	*12.742*	*48.060*	*48.060*
Other short term liabilities	*18*	6.784.897	6.608.813	35.694.664	24.927.783
Other short term liablilities to third parties		*6.784.897*	*6.608.813*	*35.694.664*	*24.927.783*
Subtotal		**319.227.041**	**244.984.699**	**1.679.421.541**	**924.057.787**
Liabilities directly associated with the assets held for sale		812.360	1.395.017	4.273.745	5.261.866
Total short term liabilities		**320.039.401**	**246.379.717**	**1.683.695.286**	**929.319.653**
Long term liabilities					
Long term borrowings	*7*	99.752.002	26.859.377	524.785.306	101.310.884
Other payables	*9*	3.824.933	4.466.646	20.122.592	16.847.743
Due to third parties		*3.824.933*	*4.466.646*	*20.122.592*	*16.847.743*
Long term provisions		13.740.044	16.244.682	72.284.998	61.273.315
Long term employee benefits	*17*	*12.981.932*	*15.862.871*	*68.296.647*	*59.833.164*
Other long term provisions		*758.112*	*381.811*	*3.988.351*	*1.440.151*
Deferred tax liabilities	*25*	36.188.555	29.117.929	190.384.367	109.829.915
Total long term liabilities		**153.505.534**	**76.688.634**	**807.577.263**	**289.261.857**
Total liabilities		**473.544.935**	**323.068.351**	**2.491.272.549**	**1.218.581.510**
Shareholder's Equity					
Equity attributable to owners of the Company		**348.779.589**	**338.543.168**	**1.834.894.539**	**1.276.950.976**
Share capital	*19*	36.976.387	51.573.233	194.529.076	194.529.076
Share premium	*19*	11.795.103	16.451.352	62.052.856	62.052.856
Other comprehensive income or expenses that will not be reclassified to profit or loss	*19*	7.060.649	(2.346.850)	37.145.368	(8.852.082)
Revaluation and remeasurement gain /(loss)		*(547.764)*	*(2.346.850)*	*(2.881.729)*	*(8.852.082)*
Defined benefit plans remeasurement fund		*(547.764)*	*(2.346.850)*	*(2.881.729)*	*(8.852.082)*
Revaluation and reclassification gain /(loss)		7.608.412	--	40.027.097	--
Other revaluation and reclassification gain/(loss)		*7.608.412*	--	*40.027.097*	--
Other comprehensive income or expenses that will be reclassified to profit or loss		109.368.971	76.620.769	575.379.217	289.005.880
Currency translation difference		*109.506.804*	*76.689.306*	*576.104.345*	*289.264.396*
Gain/loss on hedge	*19*	*(86.483)*	*3.084*	*(454.977)*	*11.635*
Cash flow hedge gains/loss		*(86.483)*	*3.084*	*(454.977)*	*11.635*
Revaluation and reclassification gain /(loss)		*(51.351)*	*(71.621)*	*(270.151)*	*(270.151)*
Other financial assets fair value		*(51.351)*	*(71.621)*	*(270.151)*	*(270.151)*
Restricted reserves	*19*	13.259.074	14.567.817	69.754.663	54.948.350
Retained earnings	*19*	114.728.592	137.905.253	603.575.651	520.164.823
Profit for the period		55.590.813	43.771.595	292.457.708	165.102.073
Total non-controlling interests		**95.804.792**	**98.364.458**	**504.019.429**	**371.020.900**
Total equity		**444.584.381**	**436.907.626**	**2.338.913.968**	**1.647.971.876**
Total equity and liabilities		**918.129.316**	**759.975.977**	**4.830.186.517**	**2.866.553.386**

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the offical TL bid rate announced by the CBRT at 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

Kordsa Teknik Tekstil Anonim Şirketi and its Subsidiaries
Consolidated Statement of Profit or Loss
For the Year Ended 31 December 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

PROFIT OR LOSS	Notes	1 January- 31 December 2018 USD (*)	1 January- 31 December 2017 USD (*)	*Audited* 1 January- 31 December 2018	*Audited* 1 January- 31 December 2017
Revenue	*20*	819.928.158	681.296.605	3.946.724.188	2.485.165.623
Cost of sales	*20*	(655.041.202)	(558.073.899)	(3.153.040.828)	(2.035.686.160)
Gross profit		**164.886.955**	**123.222.706**	**793.683.360**	**449.479.463**
General and administrative expenses	*21*	(31.418.070)	(29.558.317)	(151.230.878)	(107.819.874)
Selling and marketing expenses	*21*	(31.582.634)	(27.388.330)	(152.023.011)	(99.904.410)
Research and development expenses	*21*	(1.774.024)	(1.511.307)	(8.539.264)	(5.512.793)
Other income from operating activities	*22*	20.572.059	20.525.868	99.023.605	74.872.209
Other expense from operating activities	*22*	(11.505.944)	(9.163.695s)	(55.383.860)	(33.426.409)
Operating profit		**109.178.343**	**76.126.925**	**525.529.952**	**277.688.186**
Impairment losses determined in accordance with TFRS 9		(20.650)	--	(99.399)	--
Income from investing activities	*23*	2.901.701	5.740.906	13.967.339	20.941.102
Expense from investing activities	*23*	(242.175)	(1.043.031)	(1.165.711)	(3.804.666)
Operating profit before finance costs		**111.817.218**	**80.824.800**	**538.232.181**	**294.824.622**
Finance income	*24*	2.374.646	1.581.978	11.430.357	5.770.580
Finance expense	*24*	(28.643.439)	(15.364.947)	(137.875.194)	(56.046.716)
Profit before tax from continuing operations		**85.548.425**	**67.041.831**	**411.787.344**	**244.548.486**
Tax (expense)/benefit from continuning operations		(15.220.832)	(9.822.301)	(73.265.477)	(35.828.809)
Current tax expense	*25*	*(9.948.595)*	*(10.125.137)*	*(47.887.560)*	*(36.933.461)*
Deferred tax benefit/ (charge)	*25*	*(5.272.238)*	*302.835*	*(25.377.917)*	*1.104.652*
Profit for the year from continuing operations		**70.327.593**	**57.219.529**	**338.521.867**	**208.719.677**
Net profit/(loss) for the year from discontinued operations	*31*	**4.732**	**960.425**	**22.778**	**3.503.342**
Profit for the year		**70.332.325**	**58.179.954**	**338.544.645**	**212.223.019**
Profit/(Loss) Attributable to:					
- Non-Controlling Interests		9.574.517	12.917.988	46.086.937	47.120.946
- Owners of the Company		60.757.808	45.261.966	292.457.708	165.102.073
Earnings (Loss) per share;		3,12	2,33	15,03	8,49
Earnings/(losses) per share from continuing operations	*26*	*3,12*	*2.30*	*15,03*	*8,40*
Earnings/ (losses) per share from discontinuing operations		--	*0.02*	-	*0,09*
Earnings / (losses) per diluted shares from operations		*3,12*	*2,33*	15,03	*8,49*

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the offical USD average CBRT bid rates for the year ended 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

Kordsa Teknik Tekstil Anonim Şirketi and its Subsidiries
Consolidated Statement of Other Comprehensive Income
For the Year Ended 31 December 2018

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

	Notes	1 January- 31 December 2018 USD (*)	1 January- 31 December 2017 USD (*)	*Audited* 1 January- 31 December 2018	*Audited* 1 January- 31 December 2017
Profit for the year		**70.332.325**	**58.179.954**	**338.544.645**	**212.223.019**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss		9.555.926	(620.218)	45.997.450	(2.262.369)
Defined benefit plans remeasurement fund	*17*	*1.590.173*	*(620.218)*	*7.654.299*	*(2.262.369)*
Deferred tax expense		*(349.838)*	--	*(1.683.946)*	--
Revaluation and Reclassification Gain /(Loss)	*14*	*8.315.591*	--	*40.027.097*	--
Items that are or may be reclassified subsequently to profit or loss		87.986.240	12.959.080	423.521.764	47.270.838
Foreign currency translation differences		*88.083.178*	*13.226.906*	*423.988.376*	*48.247.784*
Hedging reserve gains/(losses)		*(124.264)*	*(334.800)*	*(598.146)*	*(1.221.249)*
Tax (expense) related to other comprehensive income items		27.326	66.974	*131.534*	244.303
Deferred tax benefit	*19*	*27.326*	*66.974*	*131.534*	*244.303*
Total other comprehensive income		**97.542.166**	**12.338.862**	**469.519.214**	**45.008.469**
Total comprehensive income		**167.874.490**	**70.518.817**	**808.063.859**	**257.231.488**
Total comprehensive income attributable to:					
Owners of the Company		129.807.519	49.479.382	624.828.495	180.485.942
Non-controlling interests		38.066.971	21.039.435	183.235.364	76.745.546

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the offical USD average CBRT bid rates for the year ended 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

Kordsa Teknik Tekstil Anonim Şirketi and its Subsidiaries
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

			Other Comprehensive Income or Expenses That Will Not Be Reclassfied to Profit or Loss		Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss				Retained Earnings				
			Revaluation and Remeasurement Gain/(Loss)	Gains/(Losses) on Revaluation and Remeasurements		Gains/(Losses) on Hedge Reserve	Gains/(Losses) on Revaluation and Remeasurements						
	Share Capital (Note 19)	Share Premium	Defined Benefit Plans Remeasurement Fund	Gains/(Losses) on Other Revaluations	Currency Translation Differences	Gains/(Losses) on Cash Flow Hedge	Gains/(Losses) on Other Revaluations	Restricted reserves	Retained earnings	Net profit for the Year	Equity Attributable to Owners of the Company	Non-Controlling Interests	Total Equity
Balance at 1 January 2017	**194.529.076**	**62.052.856**	**(6.589.713)**	**-**	**270.641.212**	**988.581**	**(270.151)**	**46.763.317**	**442.931.364**	**143.080.801**	**1.154.127.343**	**317.550.556**	**1.471.677.899**
Transfer	-	-	-	-	-	-	-	8.185.033	134.895.768	(143.080.801)	-	-	-
Other Comprehensive Income	-	-	(2.262.369)	-	18.623.184	(976.946)	-	-	-	165.102.073	180.485.942	76.745.546	257.231.488
Dividend Paid (*)	-	-	-	-	-	-	-	-	(57.662.309)	-	(57.662.309)	(23.275.202)	(80.937.511)
Balance at 31 December 2017	**194.529.076**	**62.052.856**	**(8.852.082)**	**-**	**289.264.396**	**11.635**	**(270.151)**	**54.948.350**	**520.164.823**	**165.102.073**	**1.276.950.976**	**371.020.900**	**1.647.971.876**
Balance at 1 January 2018	**194.529.076**	**62.052.856**	**(8.852.082)**	**-**	**289.264.396**	**11.635**	**(270.151)**	**54.948.350**	**520.164.823**	**165.102.073**	**1.276.950.976**	**371.020.900**	**1.647.971.876**
Transfer	-	-	-	-	-	-	-	14.806.313	150.295.760	(165.102.073)	-	-	-
Other Comprehensive Income	-	-	5.970.353	40.027.097	286.839.949	(466.612)	-	-	-	292.457.708	624.828.495	183.235.364	808.063.859
Dividend Paid (**)	-	-	-	-	-	-	-	-	(66.884.932)	-	(66.884.932)	(50.236.835)	(117.121.767)
Balance at 31 December 2018	**194.529.076**	**62.052.856**	**(2.881.729)**	**40.027.097**	**576.104.345**	**(454.977)**	**(270.151)**	**69.754.663**	**603.575.651**	**292.457.708**	**1.834.894.539**	**504.019.429**	**2.338.913.968**

(*) In accordance with the Ordinary General Assembly Meeting for 2016 of the Group held on 27 March 2017 the Company distributed a dividend of 29.642% gross and 25.1957% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 57.662.309 (gross TL per share 0,2964, net TL per share 0,2520). In accordance with the resolution, the dividend payment was made after 10 April 2017.

(**) In accordance with the Ordinary General Assembly Meeting for 2017 of the Group held on 26 March 2018 the Company distributed a dividend of 34.383% gross and 29.2255% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 66.884.932 (gross TL per share 0,3438, net TL per share 0,2923). In accordance with the resolution, the dividend payment was made after 2 April 2018.

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

Kordsa Teknik Tekstil Anonim Şirketi and its Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2018

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

	Notes	1 January- 31 December 2018 USD (*)	1 January- 31 December 2017 USD (*)	*Audited* 1 January- 31 December 2018	*Audited* 1 January- 31 December 2017
A.CASH FLOWS FROM (USED IN) / OPERATING ACTIVITIES		**70.809.785**	**50.242.422**	**340.842.897**	**183.269.281**
Profit for the period		**70.332.325**	**58.179.954**	**338.544.645**	**212.223.019**
Profit/(loss) for the period from continuing operations		70.327.593	57.219.529	338.521.867	208.719.677
Profit/(loss) from discontinuing operations		4.732	960.425	22.778	3.503.342
Adjustments to reconcile profit/(loss) for the period		**106.523.990**	**46.486.420**	**512.753.223**	**169.568.514**
Adjustments related to depreciation and amortisation	12,13	29.000.849	28.275.710	139.595.585	103.141.306
Adjustments related to provisions for (reversal) of impairment		791.018	(1.000.490)	3.807.567	(3.649.489)
Adjustments related to provision for (reversal) of doubtful receivables	*8*	(20.650)	--	*(99.399)*	--
Adjustments related to provision for (reversal) of inventory allowances	*10*	*811.668*	*(1.000.490)*	*3.906.966*	*(3.649.489)*
Adjustments related to provisions		2.493.395	7.921.012	12.001.957	28.893.474
Adjustments related to reversal employee retirement benefit provision	*17*	*1.964.009*	*7.944.985*	*9.453.757*	*28.980.921*
Adjustments related to reversal other provisions		*529.386*	*(23.973)*	*2.548.200*	*(87.447)*
Adjustments related to interest (income)/expense		12.378.583	6.300.157	59.584.307	22.981.081
Adjustments related to interest income	*23*	*(752.519)*	*(662.699)*	*(3.622.252)*	*(2.417.327)*
Adjustments related to interest expense	*24*	*15.019.312*	*8.619.265*	*72.295.456*	*31.440.493*
Adjustments related to unrealized finance expenses on credit purchases	*8*	*(15.114)*	*(2.079.792)*	*(72.752)*	*7.586.459*
Adjustments related to unrealized finance income on credit sales	*8*	*(1.873.095)*	*(3.736.202)*	*(9.016.145)*	*(13.628.544)*
Adjustments related to unrealized currency translation difference		47.537.058	815.344	228.819.631	2.974.131
Adjustments related to fair value changes		(665.323)	(4.562.985)	(3.202.530)	(16.644.401)
Adjustments related to fair value losses /(gains) of investment properties	*23*	*(1.236.297)*	*(2.950.547)*	*(5.950.915)*	*(10.762.712)*
Adjustments related to fair value losses /(gains) of derivatives		*570.974*	*(1.612.438)*	*2.748.385*	*(5.881.689)*
Adjustments related to current year tax (benefit)/expense	25	15.220.832	9.822.301	73.265.477	35.828.809
Adjustments related to losses /(gains) on disposal of non-current assets		(232.423)	(1.084.628)	(1.118.771)	(3.956.397)
Adjustments related to gains on disposal of tangible assets	*23*	*(232.423)*	*(1.084.628)*	*(1.118.771)*	*(3.956.397)*
Changes in working capital		**(106.046.530)**	**(54.423.953)**	**(510.454.971)**	**(198.522.252)**
(Increase)/decrease in trade receivables		(57.482.668)	(30.937.223)	(276.692.824)	(112.849.708)
(Increase)/decrease in other receivables		(2.248.540)	(8.326.526)	(10.823.345)	(30.372.668)
(Increase)/decrease in derivatives		--	(1.370.400)	--	(4.998.809)
(Increase)/decrease in inventories		(82.103.923)	(12.424.072)	(395.207.234)	(45.319.289)
(Increase) in prepaid expenses		879.310	1.459.803	4.232.561	5.324.925
Increase/(decrease) in trade payables		45.021.054	11.978.900	216.708.845	43.695.433
Increase(decrease) in retirement pay and employee benefit obligation		2.764.354	1.750.311	13.306.218	6.384.610
Increase/(decrease) in other payables		2.980.074	1.134.132	14.344.585	4.136.973
Decrease in deferred income		413.672	67.637	1.991.212	246.719
Increase/(decrease) in working capital		(8.457.708)	(451.593)	(40.711.176)	(1.647.274)
Decrease/(Increase) in other assets from operating activities		*(9.624.617)*	*(2.676.583)*	*(46.328.095)*	*(9.763.373)*
Increase/(Decrease) in other liabilities from operating activities		1.166.910	2.224.991	*5.616.919*	*8.116.099*
Payments related to provision of employee benefits		(1.719.817)	(7.239.446)	(8.278.337)	(26.407.328)
Income tax returns/(payments)		(5.258.477)	(11.197.497)	(25.311.681)	(40.845.108)
Net cash flows related to discontinued operations		(833.862)	1.132.020	(4.013.795)	4.129.271
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(145.971.714)**	**(49.469.753)**	**(702.634.847)**	**(180.450.819)**
Proceeds from sales of property, plant and equipment		2.843.954	3.520.733	13.689.371	12.842.578
Acquisition of sales of property, plant and equipment and intangible assets		(48.137.026)	(53.653.185)	(231.707.576)	(195.710.724)
Acquisition of subsidiary and/or associates or cash outflow for capital increase of subsidiaries		(101.431.161)	--	(488.238.894)	--
Interest received	23	752.519	662.699	3.622.252	2.417.327
C. CASH FLOWS FROM FINANCING ACTIVITIES		**99.102.883**	**(4.879.815)**	**477.031.728**	**(17.800.100)**
Proceeds from borrowings		167.002.423	25.858.070	803.866.162	94.322.483
Cash inflows /(outflows) from factoring transactions		--	70.022	--	255.421
Dividend paid	19	(13.895.280)	(15.807.854)	(66.884.932)	(57.662.309)
Interest paid	23	(43.567.605)	(8.619.265)	(209.712.667)	(31.440.493)
Cash outflow for dividend paid to non-controlling interest and other financial instruments		(10.436.655)	(6.380.788)	(50.236.835)	(23.275.202)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION CONVERSION DIFFERENCES (A+B+C)		**23.940.954**	**(4.107.146)**	**115.239.780**	**(14.981.638)**
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**--**	**(2.202.737)**	**--**	**(8.034.925)**
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**23.940.954**	**(6.309.884)**	**115.239.780**	**(23.016.563)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	*5*	**4.266.217**	**10.576.101**	**15.561.882**	**38.578.445**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	*5*	**28.207.171**	**4.266.218**	**130.801.662**	**15.561.882**

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the offical USD average CBRT bid rates for the year ended 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

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

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

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

Kordsa is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded in Borsa Istanbul ("BIST") since 1991. As of 31 December 2018, 28,89% of the Group's shares are listed on BIST. As of the same date, the shareholders owning the Group's shares and the percentage of the shares are as follows:

Shareholder Structure	**Shareholding %**	
	31 December 2018	**31 December 2017**
Hacı Ömer Sabancı Holding A.Ş.	71,11	71,11
Other	28,89	28,89
	100,00	**100,00**

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

Average number of employees within the Group is 4.415 (31 December 2017: 3.874).

The address of the registered office is as follows:

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

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

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

Subsidiaries

Geographical divisions in which the subsidiaries that are consolidated in the consolidated financial statements as at 31 December 2018 and 31 December 2017 in accordance with the operating country and segment reporting purpose are as follows:

31 December 2018

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

31 December 2017

Company name	Country	Geographical division	Area of activity
Nike 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 Brasil S.A.	Brazil	South America	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Tbk (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
PT Indo Kordsa Polyester (*)	Indonesia	Asia	Industrial yarn and cord fabric manufacture and trade
Thai Indo Kordsa Co., Ltd.	Thailand	Asia	Cord fabric manufacture and trade

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

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

(***) The subsidiary Kordsa Inc. has acquired 100% shares of each "Advanced Honeycomb Technologies Corporation", "Fabric Development Inc." and "Textile Products, Inc." that are located in United States of America, involved in advanced composite manufacturing to civil aviation sector in exchange of a total purchase price of USD 103 million. The purchase transactions were completed on 13 July 2018 for "Fabric Development, Inc." and "Textile Products, Inc.", and 1 October 2018 for "Advanced Honeycomb Technologies Corporation."

<u>Approval of the Financial Statements</u>

These consolidated financial statements have been approved to be issued during the meeting of the Board of Directors held on 19 February 2019, and have been signed by the General Manager Ali Çalışkan and Chief Financial Officer Volkan Özkan on behalf of the Board of Directors. General Assembly and related regulatory authorities have the right to make changes in these consolidated financial statements.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

The accompanying consolidated 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").

Consolidated financial statements are presented in accordance with the illustrative financial statements published by CMB and TAS Taxanomy published by POA.

Consolidated financial statements are prepared on the basis of historical cost except for the derivatives and investment properties shown at their fair values. When the historical cost is determined, the fair value of the amount usually paid for the assets is taken as basis.

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 Group has initially adopted TFRS 15 and TFRS 9 with a date of initial application of 1 January 2018. The comparative information has not been restated according to the transition period.

Functional and Presentation Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the 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 statements 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 statements. These reclassifications which has been made for the year ended 31 December 2017 has no impact on profit or loss.

Foreign exchange gains/(loss) net amounting to TL 77.614.821 has been reclassified to "other income from operating activities" from "other expense from operating activities" for the year ended 31 December 2017.

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2018:

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

(*)Kordsa shares of PT Indo Kordsa Tbk increased to 61.58% from 60.70% on 29 March 2018.

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2017:

Subsidiaries	Direct and indirect ownership interest by the Group and its subsidiaries (%)	Proportion of effective interest (%)
Nile Kordsa Company SAE	51,00	51,00
Kordsa Inc.	100,00	100,00
Kordsa Brasil S.A.	97,31	97,31
PT Indo Kordsa Tbk(*)	60,70	60,70
PT Indo Kordsa Polyester	99,97	60,68
Thai Indo Kordsa Co., Ltd.	64,19	38,96

(*)Kordsa shares of PT Indo Kordsa Tbk increased to 60.48% from 60.21% on 26 May 2017 and to 60.70% on 23 November 2017.

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 form its involvement with the investee; and
- has the ability to use its power to affect the amount of the investor's returns.

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

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

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

2.1 Basis of Presentation (continued)

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

USD Amount Presented in the consolidated financial statements

USD amount shown in the consolidated statement of financial position prepared in accordace with TAS/TFRS has been translated from TL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 December 2018 of TL 4,8135= USD 1 and USD amount shown in the consolidated statement of profit or loss, consolidated statement of other coprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, at the average USD bid rates calculated from the official daily bid rates announced by th CBRT for the year ended 31 December 2018 of TL 5,2609= USD 1 and do not form part of these consolidated financial statements.

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

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

2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' financial statements

Except for the changes below, the accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

2.2.1 TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations.

The Group has adopted TFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated – in other words it is presented, as previously reported, under TAS 18, TAS 11 and related interpretations.

TFRS 15 did not have a significant effect on the recognition of the Group's revenue.

Significant accounting policy details about Group's various products and services and revenue recognition methods are exlplained in Note 2.5.

2.2.2 TFRS 9 Financial Instruments

The Group has initially adopted TFRS 9 Financial Instruments with a date of initial application of 1 January 2018. TFRS 9 sets out requirements for recognising and measuring of financial assets and financial liabilities. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

The adoption of TFRS 9 on 1 January 2018 does not have a significant effect on the carrying amounts of financial assets, as explained in more detail below.

The following table and the accompanying notes below explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Group's financial assets and liabilities as at 1 January 2018.

	Original classification under TAS 39	**New classification under TFRS 9**	**Original carrying amount under TAS 39**	**New carrying amount under TFRS 9**
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	15.561.882	15.561.882
Trade receivables	Loans and receivables	Amortised cost	483.495.983	483.495.983
Other receivables	Loans and receivables	Amortised cost	36.086.411	36.086.411
Derivatives	Fair value through profit or loss	Fair value through profit or loss	5.893.324	5.893.324
Financial investments	Available for sale financial assets	Fair value through other comprehensive income	532.480	532.480
Financial liabilities				
Bank borrowings	Other financial liabilities	Other financial liabilities	632.304.026	632.304.026

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

2.2.2 TFRS 9 Financial Instruments (continued)

Impact of the new impairment model

The details of new accounting policy that the Group need to apply in the context of the new model according to TFRS 9 are disclosed in Note 2.5.(e) under section "Impairment on assets". The new model has no signficant impact on impairment on assets.

2.3 Changes in Accounting Estimates and Errors

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

2.4 New and Revised Turkish Accounting Standards

Standards issued but not yet effective and not early adopted

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

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (countined)

2.4 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted (continued)

TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS Interpretation 23.

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract.

The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of the amendments to TFRS 9 will have significant impact on its consolidated financial statements.

Amendments to TAS 28- Long-term Interests in Associates and Joint Ventures

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28.

The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of TAS 28 will have significant impact on its consolidated financial statements.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (countined)

2.4 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted (continued)

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TAS.

Annual Improvements to IFRSs 2015-2017 Cycle

IASB issued Annual Improvements to IFRSs **-** 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

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

2.4 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted (continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA (continued)

Annual Improvements to IFRSs 2015-2017 Cycle

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of these amendments to IAS 19 will have significant impact on its consolidated financial statements.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its consolidated financial statements.

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

2.4 New and Revised Turkish Accounting Standards (continued)

Standarts and interpretations issued but not yet effective as of 31 December 2018 (continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA (continued)

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

2.5 Summary of Significant Accounting Policies

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

a) Revenue

General model for accounting of revenue

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

Step 1: Identify the contract

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

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

Step 2: Identify the performance obligations

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

a) Revenue (continued)

Step 2: Identify the performance obligations (continued)

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

Step 3: Determine the transaction price

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

Significant financing component

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

Step 4: Allocate the transaction price

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

Step 5: Recognize revenue

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

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

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

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

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances. If a performance obligation is not fulfilled in time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

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

2.5 Summary of Significant Accounting Policies (continued)

2 Revenue (continued)

Step 5: Recognize revenue (continued)

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

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

Contract modifications

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

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

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.

The Group transfers revenue to a customer and recognizes the revenue in its consolidated financial statements as per it fulfills or when it fulfills the performans obligation. When the control of an asset is checked (or passed to) by the customer, the assets is transferred.

The Group recognizes the revenue in the financial statements in accordance with the following basic principles:

a) Identify the contracts with customer

b) Identify the performance obligations in contracts

c) Determine the transaction price in contracts

d) Transaction price allocation to performance obligations

e) Revenue recognition when each performance obligations are met.

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

2.5 Summary of Significant Accounting Policies (continued)

b) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 10). 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 12). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

d) Intangible assets

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

d) Intangible assets (continued)

Estimated useful lives of these assets are as follows:

	Useful Lives
Customer relationship	21
Other intangible assets	5-10

Internally generated intangible assets – research and development expenses

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

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

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

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

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

Derecognition of intangible assets

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

e) Financial instruments

i) Recognition and measurement

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

ii) Classification and subsequent measurement

<u>Financial assets – Policy applicable from 1 January 2018</u>

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI – debt and equity investment, or equity investment.

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets- Business model assessment – Policy applicable from 1 January 2018

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

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

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales. Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets- Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets- Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018 (continued)

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

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

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

Financial assets- Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or divident income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets: Policy applicable before 1 January 2018

Loans and receivables

The Group classified its financial assets as follows: loans and receivables. The Group initially recognized loans and receivables and deposits on the date that they were originated.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables and cash and cash equivalents in the consolidated balance sheet.

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date. Financial assets other than financial assets at fair value trough profit or loss are initally recognized at fair value plus transaction costs. The Group derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownerships of the financial assets are transferred. Loans and receivables are recognized at amortized cost using the effective interest method.

Financial liabilities- Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The Group does not have any financial liabilities at FVTPL.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially recognized at fair value and revalued at their fair value at the balance sheet date. Changes in fair value are recognized in profit or loss. Net gain or loss recognized in profit or loss includes the interest paid on the financial liability. As at the balance sheet date, the Group has no financial liabilities at fair value through profit or loss.

ii) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. Effective interest rate; it is the rate that exactly disconts estimated future cash payments through the exptected life of the financial insturements or, where appropriate, a shorter period.

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial insturements (continued)

ii) Other financial liabilities (continued)

Gain or loss arising from the derecognition of such liabilities are recognized in profit or loss.

iii) Derecognition

Derecognition – Policy applicable after 1 January 2018

Financial assets

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

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

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Derecognition – Policy applicable before 1 January 2018

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

iv) Offsetting

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial insturements (continued)

v) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting – Policy applicable after 1 January 2018

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

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

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

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

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

Hedge accounting- cash flow hedge

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial insturements (continued)

v) Derivative financial instruments and hedge accounting (continued)

Derivative financial instruments and hedge accounting – Policy applicable after 1 January 2018 (continued)

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

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

Net investment hedge

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

Derivative financial instrument and hedge accounting – Policy applicable before 1 January 2018

The policy applied in the comparative information presented fo 2017 is similar to that applied for 2018. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profir or loss.

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

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets

i. Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost

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

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

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

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

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

Measurement of ECL

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

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

Credit-impaired financial assets

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

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

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets (continued)

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

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

Presentation of impairment in the statement of financial position

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

The loss provision for the debt instruments measured at fair value through other comprehensive income is reflected in the other comprehensive income instead of decreasing the carrying amount of the financial asset in the statement of financial position.

Write-off

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

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

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

2.5 Summary of Significant Accounting Policies (continued)

f) Impairment of assets (continued)

i. Non-derivative financial assets- Policy applicable before 1 January 2018 (continued)

<table>
<tr><td rowspan="3">Financial assets measured at amortized cost</td><td>The Group evaluates impairment indicators for these assets both at the asset level and collectively. All significant assets are assessed for impairment. Assets that do not have significant impairment as a separate asset are tested for impairment only for impairment losses that have been incurred but have not yet been determined. Assets that are not significant alone are grouped as assets with similar risk characteristics and are subject to impairment tests.</td></tr>
<tr><td>The Group collectively evaluates the impairment and takes into consideration the past tendencies of recovery timing and loss amounts. In making this assessment, the Group management makes necessary adjustments by taking into consideration the current economic situation and credit conditions, and considering that the losses should be more or less than the provision for impairment.</td></tr>
<tr><td>An impairment loss is the difference between the carrying amount of the asset and its estimated future cash flows discounted at the original effective interest rate to its present value. Losses are recognized in profit or loss and recognized using the reserve account. When the Group has no realistic expectations for the recovery of the asset, the related amounts are deducted. If an event occurring after the impairment is recognized causes a decrease in impairment, such decrease is recognized in profit or loss and reversed from the previously recognized impairment loss.</td></tr>
</table>

Assets held for sale	Impairment on available-for-sale financial assets is accounted for by reclassifying accumulated losses in equity in the fair value reserve. Accumulated losses transferred from equity to profit or loss are calculated by deducting the impairment losses recognized in profit or loss, other than the difference between the cost to the principal and the present value of the difference between the recoverable amount and amortization. In the event that an increase in the fair value of a debt instrument classified as available-for-sale is recognized in a subsequent period, the increase in the impairment of the impairment is recognized in profit or loss in the event that an increase in fair value is recognized in an event occurring after the impairment loss is recognized. Impairment losses recognized in profit or loss relating to investments in equity instruments classified as available for sale are not reversed by profit or loss.

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

2.5 Summary of Significant Accounting Policies (continued)

g) Borrowing costs

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

h) Business combinations

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively*;*

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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.

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

2.5 Summary of Significant Accounting Policies (continued)

h) Business combinations (continued)

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 cluded as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

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

i) Goodwill

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

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 17).

l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 (continued)

2.5 Summary of Significant Accounting Policies (continued)

m) 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. 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.

n) Provision for post-employment benefits

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

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

o) Government grants

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

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

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

p) Equity items

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

p) Equity items (continued)

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

r) Taxes on income

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

Deferred income tax is provided, 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 reporting date.

Deferred tax assets or liability are reflected to the consolidated financial statements to the extent that they will decrease or increase the tax payable amount when the temporary differences will 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.

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 25).

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

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

2.5 Summary of Significant Accounting Policies (continued)

s) Effect of changes in foreign exchange rates

Foreign Currency Transactions and Balances

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

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

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

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

Financial Statements of Foreign Subsidiaries, Joint Ventures and Affiliates

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

u) 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.

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

2.5 Summary of Significant Accounting Policies (continued)

u) Related Parties (continued)

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 af a third party.
(iv) If one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.
(v) If entity has plans of post employment benefits for employees of reporting entity or a related party of a reporting entity. If the reporting entity has its own plans, sponsor employers are also considered as related parties.
(vi) If the entity is controlled or jointly controlled by an individual defined in the article (a).
(vii) If an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity).

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

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 26).

w) Statement of cash flows

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (continued)

x) Share premium

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

y) 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.

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

z) Segment reporting

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on four 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 4).

aa) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position 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.

ab) Subsequent event

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

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

2.6 Critical Accounting Judgments, Estimates and Assumptions

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

a) Impairment test of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in Note 2.5. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by Kordsa Management covering a five-year period. Cash flows beyond three years are extrapolated by taking into consideration the shut-down periods recurring once a year. The USD fair value is converted into TL by using the related foreign exchange rate on the date of the reporting date. Therefore, the values used in the calculations are affected by the fluctuations in the foreign exchange market. The discount rate used in the calculations is 9,88 % and the risk premium is 7,05%. The discount rates used are after tax and reflect specific risks relating to the company. As of 31 December 2018, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions.

b) Net realisable value

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

c) Useful lives of tangible and intangible assets

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

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.

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

2.6 Critical Accounting Judgments, Estimates and Assumptions

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 deductable 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.

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

NOTE 3 – BUSINESS COMBINATIONS

3.1 Acquisition of Fabric Development, Inc.

In accordance with the share transfer agreement dated 13 July 2018, the subsidiary company Kordsa Inc. located in United States of America purchased 100 percent of shares of Fabric Development Inc ("FDI") providing advanced composite materials to civil aviation sector with cash and advance payment for a total acquisition fee of USD 40.587.000. By the final protocol signed by the parties, all the transactions related to transfer all the shares to Kordsa Inc. were completed on 13 July 2018.

In accordance with TFRS 3 "Business Combinations", the fair value determination has been completed by Houlihan Lokey Financial Advisory, Inc. as a third party independent valuation company for the aim of this report is to determine the fair value of identifiable assets and liabilities that are required to be ralized by the acquisition method ("Price Purchase Allocation Method"). As at reporting date, the fair values of identifiable assets, liabilities and contingent liabilities of the company which is prepared in accordance with TFRS has been recognized in the consolidated financial statements (Note 15).

Fair value of assets and liabilities recognized as a result of the acquisition date are as follows:

Identifiable assets acquired and liabilities assumed	FDI Fair value as at 13 July 2018
Cash and cash equivalents	6.373.688
Trade receivables	16.870.387
Inventories	28.972.634
Prepayments	383.197
Other current assets	1.949.941
Property, plant and equipment	6.781.139
Other long-term assets	48.506
Trade payables	(3.739.813)
Other short-term liabilities	(2.711.590)
Other intangible assets	94.101.640
Total identifiable net assets	**149.029.729**
Cash consideration	202.197.261
Goodwill	**53.167.532**
Cash consideration paid	202.197.261
Cash and cash equivalents acquired	(6.373.688)
Net cash outflow on acquisition	**195.823.573**

The goodwill is mainly attributable to the deal rationale of the Group's ambitions to penetrate a promising composite sector and acquire strong brand names which are engaged in offering high quality composites produce.

On the conditions that, acquisition transactions of FDI had been realized on 1 January 2018, FDI would have contributed by TL 96.906.357 on the consolidated revenue and by TL 5.986.921 on the consolidated profit or loss.

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

NOTE 3 – BUSINESS COMBINATIONS (continued)

3.2 Acquisition of Textile Products, Inc.

In accordance with the share transfer agreement dated 13 July 2018, the subsidiary company Kordsa Inc. located in United States of America purchased 100 percent of shares of Textile Products, Inc. ("TPI") providing advanced composite materials to civil aviation sector with cash and advance payment for a total acquisition fee of USD 49.271.000. By the final protocol signed by the parties, all the transactions related to trasnfer all the said shares to Kordsa Inc. were completed on 13 July 2018.

In accordance with TFRS 3 "Business Combinations", the fair value determination has been completed by Houlihan Lokey Financial Advisory, Inc. as a third party independent valuation company for the aim of this report is to determine the fair value of identifiable assets and liabilities that are required to be ralized by the acquisition method ("Price Purchase Allocation Method"). As at reporting date, the fair values of identifiable assets, liabilities and contingent liabilities of the company which is prepared in accordance with TFRS has been recognized in the consolidated financial statements (Note 15).

Fair value of assets and liabilities recognized as a result of the acquisition date are as follows:

Identifiable assets acquired and liabilities assumed	**TPI** **Fair value as at 13 July 2018**
Cash and cash equivalents	7.402.016
Trade receivables	31.771.430
Inventories	34.584.778
Prepayments	407.450
Property, plant and equipment	6.553.161
Other long-term assets	48.506
Trade payables	(23.952.263)
Deferred revenue	(1.532.790)
Other short-term liabilities	(904.889)
Other intangible assets	122.235.120
Total identifiable net assets	**176.612.519**
Cash consideration	270.600.422
Goodwill	**93.987.903**
Cash consideration paid	270.600.422
Cash and cash equivalents acquired	(7.402.016)
Net cash outflow on acquisition	**263.198.406**

The goodwill is mainly attributable to the deal rationale of the Group's ambitions to penetrate a promising composite sector and acquire strong brand names which are engaged in offering high quality composites produce.

On the conditions that, acquisition transactions of TPI had been realized on 1 January 2018, FDI would have contributed by TL 118.720.471 on the consolidated revenue and by TL 9.447.166 on the consolidated profit.

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

NOTE 3 – BUSINESS COMBINATIONS (continued)

3.3 Acquisition of Advanced Honeycomb Technoloiges, Inc.

In accordance with the share transfer agreement dated 1 October 2018, the subsidiary company Kordsa Inc. located in United States of America purchased 100 percent of shares of Advanced Honeycomb Technologies, Inc. ("AHT") providing advanced composite materials to civil aviation sector with cash and advance payment for a total acquisition fee of USD 3.000.000. By the final protocol signed by the parties, all the transactions related to trasnfer all the said shares to Kordsa Inc. were completed on 1 October 2018.

In accordance with TFRS 3 "Business Combinations", the fair value determination has been completed by Houlihan Lokey Financial Advisory, Inc. as a third party independent valuation company for the aim of this report is to determine the fair value of identifiable assets and liabilities that are required to be ralized by the acquisition method ("Price Purchase Allocation Method"). As at reporting date, the fair values of identifiable assets, liabilities and contingent liabilities of the company which is prepared in accordance with TFRS has been recognized in the consolidated financial statements (Note 15).

Fair value of assets and liabilities recognized as a result of the acquisition date are as follows:

Identifiable assets acquired and liabilities assumed	**AHT** **Fair value as at 1 October 2018**
Cash and cash equivalents	--
Trade receivables	1.299.873
Inventories	1.809.040
Prepayments	--
Other current assets	706.844
Property, plant and equipment	1.042.295
Other long-term assets	101.833
Trade payables	--
Deferred revenue	--
Other short-term liabilities	(1.587.403)
Other intangible assets	7.787.260
Total identifiable net assets	**11.159.742**
Cash consideration	15.441.211
Goodwill	**4.281.469**
Cash consideration paid	15.441.211
Cash and cash equivalents acquired	--
Net cash outflow on acquisition	**15.441.211**

On the conditions that, acquisition transactions of AHT had been realized on 1 January 2018, FDI would have contributed by TL 19.253.800 on the consolidated revenue and by TL 1.925.380 on the consolidated profit.

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

NOTE 4 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External revenue

	1 January- 31 December 2018	1 January- 31 December 2017
Europe, Middle East and Africa	1.365.787.402	921.988.719
North America	957.731.724	420.666.827
South America	490.540.703	337.489.909
Asia	1.132.664.359	805.020.168
	3.946.724.188	**2.485.165.623**

b) Segment assets

	31 December 2018	31 December 2017
Europe, Middle East and Africa	1.532.569.043	991.642.165
Asia	1.556.127.347	1.081.324.750
South America	378.050.455	294.717.558
North America	1.302.642.874	449.433.174
Segment assets (*)	**4.769.389.719**	**2.817.117.647**
Unallocated assets	430.295.533	65.889.689
Less: Intersegment elimination	(369.498.735)	(16.453.950)
Total assets per consolidated financial statements	**4.830.186.517**	**2.866.553.386**

c) Segment liabilities

	31 December 2018	31 December 2017
Europe, Middle East and Africa	1.454.585.742	665.348.273
North America	362.919.519	76.365.121
South America	248.447.483	205.952.419
Asia	362.946.349	259.089.611
Segment liabilities (**)	**2.428.899.093**	**1.206.755.424**
Unallocated liabilities	174.407.151	79.696.201
Less: Intersegment elimination	(112.033.695)	(67.870.115)
Total liabilities per consolidated financial statements	**2.491.272.549**	**1.218.581.510**

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

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

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

NOTE 4 - SEGMENT REPORTING (continued)

d) Segment analysis for the period 1 January – 31 December 2018

	Europe, Middle East and Africa (**	**North America**	**South America**	**Asia**	**Elimination(*)**	**Total**
External Revenue	1.365.787.402	957.731.724	490.540.703	1.132.664.359	--	3.946.724.188
Intersegment revenue	90.730.232	270.361.211	4.502.864	100.833.918	(466.428.225)	-
Revenue	1.456.517.634	1.228.092.935	495.043.567	1.233.498.276	(466.428.225)	3.946.724.188
Segment operating expenses	(1.085.465.317)	(1.153.831.100)	(452.779.298)	(1.058.418.373)	329.299.852	(3.421.194.236)
Segment operating results	371.052.317	74.261.835	42.264.269	175.079.904	(137.128.373)	525.529.952
Operating profit	**371.052.317**	**74.261.835**	**42.264.269**	**175.079.904**	**(137.128.373)**	**525.429.952**
Income/(Expense) from investing activities, net	1.405.703	3.100.681	407.472	9.162.131	(1.373.758)	12.702.229
Operating profit before financial expense	**372.458.020**	**77.362.516**	**42.671.741**	**184.242.035**	**(138.502.131)**	**538.232.181**
Finance Income /(Expense),net	(221.707.860)	(6.735.644)	(10.248.808)	(9.976.366)	122.223.841	(126.444.837)
Net income before tax from continuing operations	**150.750.160**	**70.626.872**	**32.422.933**	**174.265.669**	**(16.278.290)**	**411.787.344**
Tax income /(expense), net	(2.616.830)	(7.230.950)	--	(40.152.918)	(23.264.779)	(73.265.477)
Net income for the period from continuing operations	**148.133.330**	**63.395.922**	**32.422.933**	**134.112.751**	**(39.543.069)**	**338.521.867**
Net income/(loss) after tax from dicontinued operations	22.778	--	--	--	--	22.778
Profit for the period	**148.156.108**	**63.395.922**	**32.422.933**	**134.112.751**	**(39.543.069)**	**338.544.645**

e) Segment analysis for the period 1 January – 31 December 2017

	Europe, Middle East and Africa (**)	**North America**	**South America**	**Asia**	**Elimination(*)**	**Total**
External Revenue	898.329.072	397.007.179	337.489.909	781.070.252	71.269.211	2.485.165.623
Intersegment revenue	51.400.592	71.196.371	497.207	55.556.084	(178.650.254)	--
Revenue	949.729.664	468.203.550	337.987.116	836.626.336	(107.381.043)	2.485.165.623
Segment operating expenses	(794.005.096)	(507.185.919)	(336.850.204)	(703.603.880)	134.167.661	(2.207.477.437)
Segment operating results	155.724.568	(38.982.369)	1.136.913	133.022.456	26.786.618	277.688.186
Operating profit	**155.724.568**	**(38.982.369)**	**1.136.913**	**133.022.456**	**26.786.618**	**277.688.186**
Income/(Expense) from investing activities, net	7.675.191	1.381.741	1.204.567	8.256.678	(1.381.741)	17.136.436
Operating profit before financial expense	**163.399.759**	**(37.600.628)**	**2.341.480**	**141.279.134**	**25.404.877**	**294.824.622**
Finance Income /(Expense),net	(79.964.415)	(611.351)	(5.880.588)	(9.259.901)	45.440.119	(50.276.136)
Net income before tax from continuing operations	**83.435.344**	**(38.211.979)**	**(3.539.108)**	**132.019.233**	**70.844.996**	**244.548.486**
Tax income /(expense), net	(4.670.715)	15.775.169	--	(36.636.140)	(10.297.123)	(35.828.809)
Net income for the period from continuing operations	**78.764.629**	**(22.436.810)**	**(3.539.108)**	**95.383.093**	**60.547.873**	**208.719.677**
Net income/(loss) after tax from dicontinued operations	3.503.342	--	--	--	--	3.503.342
Profit for the period	**82.267.971**	**(22.436.810)**	**(3.539.108)**	**95.383.093**	**60.547.873**	**212.223.019**

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

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

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

NOTE 4 - SEGMENT REPORTING (continued)

f) Capital expenditure	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Europe, Middle East and Africa	181.145.845	89.522.723
North America	306.278.886	39.268.567
South America	14.680.883	8.951.559
Asia	30.715.254	57.967.875
	532.820.868	**195.710.724**

g) Depreciation and amortization expense	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Europe, Middle East and Africa	37.180.892	27.243.390
North America	39.821.589	25.624.821
South America	13.139.786	10.498.227
Asia	49.453.318	39.774.868
	139.595.585	**103.141.306**

h) Provision for doubtful receviables	**1 January- 31 December 2018**	**1 January- 31 December 2017**
South America	99.399	--
	99.399	**--**

i) Provision/ (reversal) for inventory obsolescence	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Europe, Middle East and Africa	1.330.277	--
North America	(1.373.484)	--
South America	12.164.282	--
Asia	2.528.854	298.518
	14.649.929	**298.518**

j) Gain on fair value of investment properties	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Asia	5.950.915	10.762.712
	5.950.915	**10.762.712**

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

a) External revenue	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Fabric	2.650.941.992	1.884.542.396
Nylon Yarn	750.280.684	508.104.326
Other	545.501.512	92.518.901
	3.946.724.188	**2.485.165.623**

b) Capital Expenditures	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Nylon Yarn	52.857.898	38.377.469
Fabric	44.222.129	37.198.103
Polyester Yarn	3.638.825	26.244.119
Other (*)	432.102.016	93.891.033
	532.820.868	**195.710.724**

(*) Other capital expenditures comprised of capital expenditures of new subsidiaries amounting to TL 238.500.615 explained in Note 3 in 2018.

NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Cash	2.338.581	24.119
Bank-demand deposits	67.999.024	15.534.585
Bank-time deposits	60.464.057	3.178
	130.801.662	**15.561.882**

Time deposits have less than 3 months maturity. Average annual interest rate for time deposits are 1,25% for EUR (31 December 2017: Nil).

There is no time deposits denominated in US Dollar and TBH as at 31 December 2018 (2017: %0,1, and %0,4).

The Company's related party balance related to cash and cash equivalents are disclosed in Note 27.

There is no restricted cash and cash equivalents of Group as at 31 December 2018 and 2017.

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

NOTE 6 – FINANCIAL INVESTMENTS

	31 December 2018	31 December 2017
Common Stocks	528.396	411.103
	528.396	**411.103**

Detail of the common stocks are as follows:

	31 December 2018		31 December 2017	
	Percentage of shareholding %	Amount	Percentage of shareholding %	Amount
Investimentos Lei 8200	<0,01	182.775	<0,01	134.619
Desenbanco	<0,01	129.297	<0,01	95.231
Investivos Fiscais Finor	<0,01	11.833	<0,01	8.715
Other	--	204.491	--	172.538
		528.396		**411.103**

NOTE 7 – BORROWINGS

	31 December 2018	31 December 2017
Short-term borrowings	952.562.339	511.678.928
Short-term portion of long term borrowings	41.932.689	19.314.214
Total short-term financial borrowings	**994.495.028**	**530.993.142**
Long-term borrowings	524.785.306	101.310.884
Total long-term financial borrowings	**524.785.306**	**101.310.884**
Total borrowings	**1.519.280.334**	**632.304.026**

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

NOTE 7 – BORROWINGS (continued)

The details of long and short term borrwoings as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018		31 December 2017	
Short-term borrowings	**Weighted average effective interest rate %**	**TL**	**Weighted average effective interest rate %**	**TL**
TL borrowings	26,27	167.341.038	15,07	149.770.583
USD borrowings	4,04	88.829.524	3,60	107.872.165
EUR borrowings	0,83	655.781.404	1,24	249.030.996
Other borrowings(*)	10,50	40.610.373	9,40	5.005.184
		952.562.339		**511.678.928**

	31 December 2018		31 December 2017	
Short-term portion of long term borrowings	**Weighted average effective interest rate %**	**TL**	**Weighted average effective interest rate %**	**TL**
TL borrowings	--	--	15,07	19.314.214
USD borrowings	5,08	41.932.689	--	--
		41.932.689		**19.314.214**
Total short-term borrowings		**994.495.048**		**530.993.142**
Long-term borrowings				
USD borrowings	5,08	517.200.260	5,01	87.485.680
Other borrowings(*)	10,50	7.585.046	10,50	13.825.204
		524.785.306		**101.310.884**

	31 December 2018		31 December 2017	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
USD borrowings	606.029.784	606.029.784	195.357.845	195.357.845
TL borrowings	167.341.038	167.341.038	149.770.583	149.770.583
EUR borrowings	697.714.093	697.714.093	268.345.210	268.345.210
Other borrowings(*)	48.195.419	48.195.419	18.830.388	18.830.388
	1.519.280.334	**1.519.280.334**	**632.304.026**	**632.304.026**

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

As of 31 December 2018 and 31 December 2017, the redemption schedules of borrowings are summarized below:

	31 December 2018	31 December 2017
1 to 2 years	125.631.193	23.066.077
2 to 3 years	149.155.953	25.968.014
3 to 4 years	134.273.448	25.968.082
4 to 5 years	107.826.188	24.513.134
Over 5 years	7.898.524	1.795.577
	524.785.306	**101.310.884**

The affiliated company Kordsa Inc. located in United State of America has purchased 100% shares of each "Fabric Development Inc." and "Textile Products, Inc." providing advanced composite materials to civil aviation sector amounting to USD 98.181.859. According to financing of the purhcase transaction, Kordsa Teknik Teksil A.Ş. and its subsidiary Kordsa Inc. used borrowings amounting to USD 65.000.000 equivalents TL 305.415.500 and USD 35.000.000 equivalents TL 164.454.500 at 5 July 2018 at an interest rate of 2,70%+libor and one-year no repayment and once in a six months, nine repayments were used to repay the principal.

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

NOTE 7 – BORROWINGS (continued)

The Group has financial covenants regarding the borrowing has been used from abroad.

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

	31 December 2018	31 December 2017
1 January financial liabilities	632.304.026	533.740.317
Proceed from borrowings	1.322.360.743	94.322.483
Repayment of borrowings	(518.494.579)	--
Interest expense	3.033.694	--
Effect of change in foreign exchange	7.933.619	2.974.131
Effects of currency translation	72.142.831	1.267.095
31 December financial liabilities	**1.519.280.334**	**632.304.026**

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables	31 December 2018	31 December 2017
Trade receivables	760.775.239	448.786.171
Cheques received	10.694.574	11.492.896
Due from related parties (Not 27)	68.899.704	27.918.285
	840.369.517	**488.197.352**
Less: Provision for doubtful receivables	(1.678.429)	(1.729.330)
Less: Unearned credit finance income	(9.016.145)	(2.972.039)
	829.674.943	**483.495.983**

As of 31 December 2018, annual interest rates for discount of TL, USD and Euro trade receivables and payables are 30%, 5,5% and 4% respectively (2017: 13,10%, 3,10% and 2,00%). The average maturities of the trade receivables as of 31 December 2018 is 75 days and average duration of trade payables is 65 days (31 December 2017: 75 days, 60 days).

As of 31 December 2018, trade receivables amounting to TL 47.560.085 (2017: TL 25.912.658) were past due but not impaired. The aging of these receivables as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Up to 1 month	35.358.192	21.646.141
1 to 3 months	10.198.485	2.902.520
3 to 12 months	2.003.408	1.363.997
Balance at 31 December	**47.560.085**	**25.912.658**

As of 31 December 2018, trade receivables amounting to TL 1,678,429 (2017: TL 1,729,330) are past due and the provision for doubtful receivables has been set aside. As of 31 December 2018 and 31 December 2017, the aging schedule of the related receivables is as follows:

	31 December 2018	31 December 2017
Up to 1 month	--	--
1 to 3 months	--	--
3 to 12 months	--	--
1 to 5 years	1.678.429	1.729.330
	1.678.429	**1.729.330**

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

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES (continued)

Movement schedules of provision for doubtful receivables for the years ended 2018 and 2017 are as follows:

	1 January-31 December 2018	1 January-31 December 2017
Balance at 1 January	1.729.330	7.741.753
Additions	99.399	--
Collections	(206.856)	(6.065.550)
Currency translation differences	56.556	53.127
Balance at 31 December	**1.678.429**	**1.729.330**

Trade payables	**31 December 2018**	**31 December 2017**
Trade payables	563.898.994	306.628.347
Due to related parties (Note 26)	8.542.272	7.941.709
	572.441.266	**314.570.056**
Less: Unrealised credit finance expense on purchases	(72.752)	(268.036)
	572.368.514	**314.302.020**

NOTE 9 – OTHER RECEIVABLES AND OTHER PAYABLES

Other short-term receviables	**31 December 2018**	**31 December 2017**
Taxes and other duties (*)	9.989.552	3.774.344
Other	5.376.302	1.708.451
	15.365.854	**5.482.795**

Other long-term receviables	**31 December 2018**	**31 December 2017**
Litigation guarantee receivables (**)	19.727.319	18.504.697
Other	11.816.583	12.098.919
	31.543.902	**30.603.616**

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

(**) The amount comprised of guarantees given to courts by Kordsa Brazil.

Other short-term payables	**31 December 2018**	**31 December 2017**
Taxes and duties payable	18.886.670	11.413.077
Other	3.966.673	370.530
	22.853.343	**11.783.607**

Other long-term payables	**31 December 2018**	**31 December 2017**
Taxes and duties payable (***)	20.122.592	16.847.743
	20.122.592	**16.847.743**

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

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

NOTE 10 – INVENTORIES

	31 December 2018	31 December 2017
Finished Goods	423.685.299	270.182.186
Raw materials and suppliers	400.818.761	169.206.630
Semi-finished goods	114.795.068	75.654.875
Spare parts	48.341.455	29.767.670
Intermediate goods	34.444.711	17.128.458
Other inventories	46.964.312	37.185.723
	1.069.049.606	**599.125.542**
Less: Provision for obsolescence	(21.467.744)	(13.824.690)
	1.047.581.862	**585.300.852**

The allocation of the impairment of inventories for the years ended 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Finished goods	4.053.544	4.631.321
Spare parts	15.941.097	8.619.344
Semi-finished and intermediate goods	76.928	210.397
Other inventories	552.630	--
Raw materials and suppliers	843.545	363.628
Balance at 31 December	**21.467.744**	**13.824.690**

Movement schedules for impairment of inventories for the years ended 31 December 2018 and 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Balance at 1 January	13.824.690	16.422.586
Additions	14.649.929	298.518
Reversals	(10.742.963)	(3.948.007)
Currency translation differences	3.736.088	1.051.593
Balance at 31 December	**21.467.744**	**13.824.690**

The amount of provision for impairment of inventory classified to cost of goods sold for the year 2018 is TL 3.906.966 (2017: TL 3.649.489).

The cost of inventories recognised as expense and included in cost of sales amounted to TL 2.158.586.539 for the period 1 January - 31 December 2018 (2017: TL 1.145.002.585).

NOTE 11 – PREPAYMENTS AND DEFERRED INCOME

Short-term prepaid expenses	31 December 2018	31 December 2017
Advances given	4.453.499	3.504.917
Prepaid expenses	10.425.979	3.714.031
Deposits and guarantees	229.143	12.329.918
	15.108.621	**19.548.866**

Long-term prepaid expenses	31 December 2018	31 December 2017
Other prepaid expenses	2.255.759	2.048.075
	2.255.759	**2.048.075**

Deferred revenue	31 December 2018	31 December 2017
Deferred revenue (*)	9.186.767	7.195.555
	9.186.767	**7.195.555**

(*) Deferred revenue comprised of advances taken from customers.

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended 31 December 2018 is as follows:

	1 January 2018	**Additions**	**Disposals**	**Transfer to investment property (*)**	**Transfers (***)**	**Acquisition of subsidiary (**)**	**Currency translation differences**	**31 December 2018**
Cost:								
Land and land improvements	76.929.971	111.631	(1.218.177)	(9.418.120)	10.616.413	2.944.835	13.454.265	93.420.818
Buildings	441.901.137	37.317.595	(69.795)	--	9.706.900	--	89.384.032	578.239.869
Machinery and equipment	2.175.261.051	34.283.745	(4.178.821)	--	154.928.165	10.885.486	500.811.571	2.871.991.197
Motor vehicles	3.900.115	198.300	(931.787)	--	--	805.785	1.217.521	5.189.934
Furniture and fixtures	81.130.628	3.365.805	(1.875.893)	--	8.917.656	227.155	17.995.981	109.761.332
Construction in progress	181.633.491	224.625.226	(10.105.572)	--	(209.863.086)	--	24.652.447	210.942.506
	2.960.756.393	**299.902.302**	**(18.380.045)**	**(9.418.120)**	**(25.693.952)**	**14.863.261**	**647.515.817**	**3.869.545.656**
Accumulated depreciation:								
Land and land improvements	33.218.604	788.244	(641.921)	(8.480.016)	--	--	4.706.729	29.591.640
Buildings	220.727.755	14.382.159	(4.091)	--	--	--	41.136.550	276.242.373
Machinery and equipment	1.220.070.237	102.888.185	(3.210.650)	--	--	3.850.760	220.990.138	1.544.588.670
Motor vehicles	2.724.981	596.134	(931.787)	--	--	--	786.769	3.176.097
Furniture and fixtures	57.280.223	6.448.619	(1.021.139)	--	--	--	13.666.992	76.374.695
	1.534.021.800	**125.103.341**	**(5.809.588)**	**(8.480.016)**	**--**	**3.850.760**	**281.287.178**	**1.929.973.475**
Net book value	**1.426.734.593**							**1.939.572.181**

(*) Please refer to Note 14
(**) Effect of acquisition of subsidiaries which are Fabric Development Inc., Textile Products Inc. and Advanced Honeycomb Technologies Corporation amounting to TL 14.863.261.
(***) Please refer to Note 13

TL 122.089.567 (2017: TL 89.879.949) of current period depreciation and amortisation expenses are included in cost of sales, TL 953.313 (2017: 2.580.655 TL) is included in research and development expenses and TL 16.552.705 (2017: TL 10.680.702) is included in general administrative expenses.

As of 31 December 2018, there are mortgages on property, plant and equipment amounting to TL 240.153.298 (2017: TL 15.934.998).

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)

The movement of property, plant and equipment for the year ended 31 December 2017 is as follows:

	1 January 2017	Additions	Disposals	Transfers (***)	Currency translation differences	31 December 2017
Cost:						
Land and land improvements	73.609.189	--	(530.580)	--	3.851.362	76.929.971
Buildings	422.593.848	290.694	--	706.553	18.310.042	441.901.137
Machinery and equipment	1.989.454.268	12.864.117	(21.051.991)	87.046.018	106.948.639	2.175.261.051
Motor vehicles	3.368.246	--	--	323.620	208.249	3.900.115
Furniture and fixtures	67.704.965	63.655	(674.826)	10.609.115	3.427.719	81.130.628
Construction in progress	110.579.839	181.733.682	(427.008)	(113.546.452)	3.293.430	181.633.491
	2.667.310.355	**194.952.148**	**(22.684.405)**	**(14.861.146)**	**136.039.441**	**2.960.756.393**
Accumulated depreciation:						
Land and land improvements	31.270.820	770.205	(21.419)	--	1.198.998	33.218.604
Buildings	199.410.727	7.535.893	--	--	13.781.135	220.727.755
Machinery and equipment	1.097.674.702	82.090.345	(12.673.226)	--	52.978.416	1.220.070.237
Motor vehicles	2.865.247	315.114	(614.940)	--	159.560	2.724.981
Furniture and fixtures	50.582.718	4.608.116	(488.639)	--	2.578.028	57.280.223
	1.381.804.214	**95.319.673**	**(13.798.224)**	**--**	**70.696.137**	**1.534.021.800**
Net book value	**1.285.506.141**					**1.426.734.593**

(***) Please refer to Note 13.

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

NOTE 13 – INTANGIBLE ASSETS

	1 January 2018	Addition (*)	Disposals	Transfers(**)	Acquisition of subsidiary	Currency translation differences	31 December 2018
Cost:							
Rights	26.333.383	--	--	7.326.242	--	--	33.659.625
Technology licences	21.494.788	--	--	--	481.345	4.377.320	26.353.453
Capitalized development costs	12.737.753	--	--	--	--	--	12.737.753
Computer software	37.215.288	455.850	(1.397)	18.367.710	31.515	8.530.754	64.599.720
Customer relationships	659.479	176.461.077	--	--	--	16.403.519	193.524.075
Trademarks	--	34.849.378	--	--	--	3.239.538	38.088.916
Other intangible assets	4.210.167	9.626.900	--	--	--	894.900	14.731.967
	102.650.858	**221.393.205**	**(1.397)**	**25.693.952**	**512.860**	**33.446.031**	**383.695.509**
Accumulated Depreciation							
Rights	9.541.888	2.377.269	--	--	--	--	11.919.157
Technology licences	18.357.926	37.622	--	--	--	4.032.113	22.427.661
Capitalized development expenses	8.998.654	616.697	--	--	--	--	9.615.351
Computer software	24.593.645	6.165.291	(1.252)	--	--	6.084.575	36.842.259
Customer relationships	--	4.519.830	--	--	--	420.156	4.939.986
Other intangible assets	4.232.264	775.535	--	--	--	--	5.007.799
	65.724.377	**14.492.244**	**(1.252)**	**--**	**--**	**10.573.030**	**90.752.213**
Net book value	**36.926.481**						**292.943.296**

(*) Please refer to Note 15 for trademarks, customer relationships and other intangible assets additions.

(**) The amount is comprised of transfers from property, plant and equipment.

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

NOTE 13 – INTANGIBLE ASSETS (continued)

	1 January 2017	Addition	Disposals	Transfers(*)	Impairment	Currency translation differences	31 December 2017
Cost:							
Rights	21.889.766	--	--	6.622.891	(2.179.274)	--	26.333.383
Technology licences	20.442.503	--	--	--	--	1.052.285	21.494.788
Capitalized development costs	12.737.753	--	--	--	--	--	12.737.753
Computer software	26.194.731	758.576	--	8.238.255	--	2.023.726	37.215.288
Customer relationships	659.479	--	--	--	--	--	659.479
Other intangible assets	4.210.167	--	--	--	--	--	4.210.167
	86.134.399	**758.576**	**--**	**14.861.146**	**(2.179.274)**	**3.076.011**	**102.650.858**
Accumulated Depreciation							
Rights	7.071.294	2.470.594	--	--	--	--	9.541.888
Technology licences	17.426.080	44.521	--	--	--	887.325	18.357.926
Capitalized development costs	6.618.372	2.380.282	--	--	--	--	8.998.654
Computer software	21.077.647	2.072.733	--	--	--	1.443.265	24.593.645
Other intangible assets	3.378.761	853.503	--	--	--	--	4.232.264
	55.572.154	**7.821.633**	**--**	**--**	**--**	**2.330.590**	**65.724.377**
Net book value	**30.562.245**						**36.926.481**

(*) The amount is comprised of transfers from property, plant and equipment.

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

NOTE 14 – INVESTMENT PROPERTY

	31 December 2018	31 December 2017
Balance at the beginning of the year	47.041.172	40.123.712
Disposals	(2.109.692)	--
Gain / (loss) from fair value adjusments (*)	45.978.012	10.762.712
Currency translation differences	23.026.510	(3.845.252)
Transfers (Note 12)	938.104	--
Balance at 31 December	**114.874.106**	**47.041.172**

(*) As of 31 December 2018 and 2017 the fair value of the Group's investment property in PT Indo Kordsa Company in Asia Pasific Region has been revalued by independent experts who are not related with the Group and have appropriate qualifications and recent experience in the valuation of properties. The estimated fair values of lands owned have been determined by taking reference of the market transaction prices of similar properties. When determining the fair values of the lands the highest of the value in use has been considered. In the current period no different valuation methodology is performed.

As at 31 December 2018 TL 40.027.097 of the gain on change of fair value is due to the land where PT Indo Kordsa in the Asia Pacific Region transferred from property, plant and equipment to investment properties. This amount has been accounted as "other revalution and remeasurement gain" for under equity and other comprehensive income. Additionally TL 5.950.915 has been accounted as "fair value gain from investment property" under profit or loss.

As of 31 December 2018, 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.

NOTE 15 – GOODWILL

The goodwill by amount of TL 171.912.390 (2017: TL 45.595.167) as of 31 December 2018 consisted of TL 42.570.007 (2017: TL 42.570.007), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş on 30 September 1999, TL 3.025.160 (2017: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006, TL 47.470.345 and TL 61.951.759 which accrued in consequence of the acquisition of the Fabric Development Inc. ("FDI") and Textile Products, Inc.("TPI") on 13 July 2018, respectively and TL 6.103.455 which accrued in consequence of the acquisition of the Advanced Honeycomb Technologies Corporation ("AHT") on 1 October 2018.

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

	31 December 2018	31 December 2017
Balance at the beginning of the year	**45.595.167**	**45.595.167**
Acquisition during the year	336.462.913	--
FDI	*140.851.275*	--
TPI	*183.250.699*	--
AHT	*12.360.940*	--
Transfer to tangible and intangible assets(*)	(220.937.355)	--
FDI	*(93.380.930)*	--
TPI	*(121.298.940)*	--
AHT	*(6.257.485)*	--
Currency translation difference	10.791.664	--
Balance at the end of the year	**171.912.390**	**45.595.167**

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

NOTE 15 – GOODWILL (continued)

(*) Pre-acquisition carrying amount of FDI, TPI and AHT were determined based on applicable TFRSs immediately before the acquisition. As at 31 December 2018, upon the completion of the fair value allocation of the identifiable assets, liabilities and contingent liabilities recognized on acquisition, total net identifiable has been changed. Under IFRS 3, TL 186.087.977 has been transferred to customer relationships and other intangible assets in intangible assets after acquisition transactions of FDI, TPI and AHT and recognized amortization over determined useful lives. Additionally, TL 34.849.378 have been transferred to trademarks in intangible assets after the acquisition.

As disclosed in Note 2.6 with the details of assessment for the impairment of goodwill and there is no change in the book value of the goodwill, which is TL 45.595.167 for the year ended as of 31 December 2018 and 2017.

The cash generating unit value, has been tested for the sensitivity of cash flows to the weighted average cost of capital ("WACC") of +1%/-1% (31 December 2017: +1%/-1%). As a result of the impairment test, it has been determined that there is no impairment in the cash generating unit value.

NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

a) Guarantees given	**31 December 2018**	**31 December 2017**
Pledges given to banks	337.007.048	241.623.300
Security (*)	209.657.000	-
Letter of credits	93.164.382	52.028.106
Letter of guarantees	75.933.268	41.682.024
Commitments	1.391.816	1.137.483
	717.153.514	**336.470.913**

(*) As at 13 July 2018, Kordsa Teknik Teksil A.Ş. have been joint guarantor to long-term borrowings used by Kordsa Inc. amounting to USD 35.000.000 equivalents TL 209.657.000.

b) Guarantees received	**31 December 2018**	**31 December 2017**
Letter of guarantees	8.620.427	24.178.284
Cheques and notes received as collateral	315.000	913.067
	8.935.427	**25.091.351**

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

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

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

31 December 2018	**TL Equivalent**	**TL**	**USD**	**EUR**	**Thai Baht**
A. Total amount of GPMs given in the name of its own legal personality	507.496.514	10.342.561	79.741.475	12.643.959	8.784.873
B. Total amount of GPMs given behalf of subsidiaries consolidated in full	209.657.000	--	35.000.000	--	--
C. GPM given for continuation of its economic activities on behalf of third parties	--	--	--	--	--
D. Total amounf of other GPM	--	--	--	--	--
i. Total amount of GPM given behalf of the majority shareholders	--	--	--	--	--
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	--	--	--	--	--
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	--	--	--	--	--
	717.153.514	**10.342.561**	**114.741.475**	**12.643.959**	**8.784.873**

31 December 2017	**TL Equivalent**	**TL**	**USD**	**EUR**	**Thai Baht**
A. Total amount of GPMs given in the name of its own legal personality	336.470.913	8.410.708	74.253.052	10.369.738	10.055.500
B. Total amount of GPMs given behalf of subsidiaries consolidated in full	--	--	--	--	--
C. GPM given for continuation of its economic activities on behalf of third parties	--	--	--	--	--
D. Total amounf of other GPM	--	--	--	--	--
i. Total amount of GPM given behalf of the majority shareholders	--	--	--	--	--
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	--	--	--	--	--
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	--	--	--	--	--
	336.470.913	**8.410.708**	**74.253.052**	**10.369.738**	**10.055.500**

(*) Group equity ratio to other CPM given by the Group is 0 % as of 31 December 2018 (31 December 2017: 0%).

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

NOTE 17 – EMPLOYEE BENEFITS

Short-term provisions for employee benefits	**31 December 2018**	**31 December 2017**
Provision for unused vacation	13.901.403	9.468.393
Provision for bonus accrual	13.306.218	10.894.966
Provision for capital contribution plan (*)	3.945.660	3.249.380
	31.153.281	**23.612.739**

(*) 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 2018	**1 January - 31 December 2017**
Balance at 1 January	9.468.393	9.361.820
Increase during the year	10.706.330	7.895.006
Decrease during the year	(4.750.933)	(6.266.737)
Currency translation differences	(1.522.387)	(1.521.696)
	13.901.403	**9.468.393**

Long-term provisions for employee benefits	**31 December 2018**	**31 December 2017**
Provision for employment termination benefits (*)	43.447.834	38.353.012
Accruals for employee retirement benefit plans (**)	24.848.813	21.480.152
	68.296.647	**59.833.164**

(*) Provision for employment termination benefits

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

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

As at 31 December 2018 the amount payable consists of one month's salary limited to a maximum of TL 5.432,42 (31 December 2017: TL 4.732,48) for each year of service.

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

NOTE 17 – EMPLOYEE BENEFITS (continued)

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

	2018	**2017**
Discount rate (%)	4,26	3,70
The probability of retirement (%)	97,90	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 6.017,60 (1 January 2018: TL 5.001,76), which is effective from 1 January 2019, 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 2018	**1 January - 31 December 2017**
Balance at 1 January	**38.353.012**	**35.875.121**
Increase during the year	17.559.849	3.779.341
Payment during the year	(4.810.728)	(3.563.819)
Actuarial (gain)/loss	(7.654.299)	2.262.369
Balance at 31 December	**43.447.834**	**38.353.012**

(**) Provision for employment retirement benefits plans:

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

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

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

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

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

NOTE 17 – EMPLOYEE BENEFITS (continued)

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

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at 1 January	**21.480.152**	**15.854.431**
Addition during the year	532.730	4.149.239
Payment during the year	(3.467.609)	(335.445)
Currency translation differences	6.303.540	1.811.927
Balance at 31 December	**24.848.813**	**21.480.152**

Employee benefit obligations	**31 December 2018**	**31 December 2017**
Wage accruals	5.184.119	1.799.111
Due to personnel	5.628.476	9.395.770
	10.812.595	**11.194.881**

NOTE 18 – OTHER ASSETS AND LIABILITIES

Other current assets	**31 December 2018**	**31 December 2017**
Deductible VAT	42.145.829	30.362.936
Deferred VAT	42.159.927	25.525.125
Prepaid taxes and funds	7.919.936	1.552.757
Receviables from insurance company	419.106	--
Advances given to personnel	351.338	732.569
Other	--	6.848.859
	92.996.136	**65.022.246**

Other non-current assets	**31 December 2018**	**31 December 2017**
Long-term spare parts	55.088.735	41.269.024
Long-term deposits	293.284	402.271
	55.382.019	**41.671.295**

Other current liabilities	**31 December 2018**	**31 December 2017**
Expense accruals	11.015.585	7.893.452
Sales discounts and commision accruals (*)	9.766.109	5.862.615
Other tax accruals (**)	5.028.589	8.187.984
Other personel expense accruals	614.473	440.558
Other	9.269.908	2.543.174
	35.694.664	**24.927.783**

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

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

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

NOTE 19 – 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 (2017: 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 2018 and 2017 are as follows:

	2018	Ownership interest %	2017	Ownership interest %
Hacı Ömer Sabancı Holding A.Ş.	138.327.614	71,11	138.327.614	71,11
Other	56.201.462	28,89	56.201.462	28,89
	194.529.076	**100,00**	**194.529.076**	**100,00**

Group has adopted the registered capital system in accordance with the provisions of the Capital Market Law No.6362 numbered 594 dated 21.09.1989 and has passed to this system with the permission of the Capital Market Board. The registered capital ceiling of the Company is TL 500.000.000 and consist of 50.000.000.000 shares each with a nominal value of Kr1.

Revalution and hedging reserves

	31 December 2018	31 December 2017
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	(454.977)	11.635
	(725.128)	**(258.516)**

Financial Assets Fair Value Reserve:

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

Hedging Reserve:

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

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

NOTE 19 – EQUITY (continued)

Movements of Hedging Reserve:

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at 1 January	**11.635**	**988.581**
Increases/decreases	12.417.392	(11.209.982)
Income tax related to gains /losses recognized in other comprehensive income	131.534	244.303
Amounts reclassified to profit or loss	(13.015.538)	9.988.733
Balance at 31 December	**(454.977)**	**11.635**

Share Premiums

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

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

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

Restricted Reserves

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

As at 31 December 2018 restricted reserves comprised of legal reserves amounting to TL 69.754.663 (31 December 2017: TL 54.948.350).

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

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

Revaluation gain on property, plant and equipment

The amount of property, plant and equipment that is not recognized in profit or loss is recognized as other comprehensive income. As at 31 December 2018, the gains arising from the fair value changes arise from the parcels and lands transferred from lands of PT Indo Kordsa in the Asia Pacific Region to the invesment properties.

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

NOTE 19 – EQUITY (continued)

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

Revaluation gain on property, plant and equipment (continued)

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

	2018	2017
Balance at beginning of the period	--	--
Gain from change of fair value	40.027.097	--
Balance at closing of the period	**40.027.097**	**--**

Defined Benefit Plans Remeasurement Fund

As at 31 December 2018, TL 2.881.729 (31 December 2017: TL 8.852.082) consists of actuarial gain or loss of long term employee benefits recognized as other comprehensive income.

Currency translation difference

Currency translation difference is consist of foreign currency difference arising from translating to reporting currency from functional currency of financial statements of Group's subsidiaries in the foreign country and exchange difference arising from net investment hedge. There is curency translation difference amounting to TL 576.104.345 (31 December 2017: 289.264.396) in the Group's accompanying consolidated financial statements.

Dividend Payments

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

Retained earnings

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

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

	31 December 2018	31 December 2017
Accumulated profit or loss	603.432.512	520.026.182
Extraordinary reserve	143.139	138.641
Total retaining earnings	**603.575.651**	**520.164.823**

Net profit for the period

Distribution of net profit for the year of 2017 has been approved with the decision of Ordinary General Assembly Meeting which is held on 26 March 2018. According to decision, net period of TL 66.884.932 in accordance with the decision taken first dividend of TL 14.806.313, after the first general legal reserve is set aside, a total of 81.691.245 TL including first and second dividends to the shareholders of the Company has been decided to pay the gross profit share on 2 April 2018.

Net profit for the period of the Group amounting to TL 338.544.645 (2017: TL 212.223.019).

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

NOTE 19 – EQUITY (continued)

Minority interest

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

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

	2018	2017
Balance at the beginning of the period	371.020.900	317.550.556
The portion of total comprehensive income attributed to non-controlling interest	183.235.364	76.745.546
Dividend paid to non-controlling insterest	(50.236.835)	(23.275.202)
Closing at the beginning of the period	**504.019.429**	**371.020.900**

NOTE 20 - REVENUE AND COST OF SALES

	1 January- 31 December 2018	1 January- 31 December 2017
Sales income (gross)	4.019.612.631	2.522.184.022
Sales returns (-)	(9.002.128)	(4.302.979)
Sales discounts (-)	(22.907.268)	(13.442.175)
Other sales discounts (-)	(40.979.047)	(19.273.245)
Sales income (net)	**3.946.724.188**	**2.485.165.623**
Cost of sales (-)	(3.153.040.828)	(2.035.686.160)
Gross Profit	**793.683.360**	**449.479.463**

NOTE 21 - EXPENSES BY NATURE

	1 January- 31 December 2018	1 January- 31 December 2017
Raw materials and consumables used	2.158.586.539	1.145.002.585
Personnel expenses	463.502.160	360.518.754
Energy expenses	337.623.878	216.890.541
Depreciation and amortization expenses	139.595.585	103.141.306
Distribution expenses	92.613.998	60.093.541
Packaging expenses	76.845.660	48.924.624
Consultancy expenses	37.860.463	23.171.439
Idle mill expenses	10.764.782	16.622.954
Maintenance expenses	4.026.885	3.016.513
Rent expenses	3.847.678	3.061.056
Other	139.566.353	268.479.924
	3.464.833.981	**2.248.923.237**

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

NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January-31 December 2018	1 January-31 December 2017
Finance income on trade receviables	37.618.794	13.628.544
Domestic production incentive income (*)	34.063.299	23.659.648
Fx income on credit sales	15.901.872	24.288.881
Rent income	2.763.456	1.296.135
Export incentive income	1.574.026	578.116
Income from insurance claims	48.212	--
Other	7.053.946	11.420.885
	99.023.605	**74.872.209**

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

Other operating expenses	1 January-31 December 2018	1 January-31 December 2017
Donations	24.221.808	12.371.425
Finance expense on credit purchases	19.419.462	7.586.459
Taxes and duties	7.010.969	6.994.685
Expenses of defective goods	664.877	44.419
Other	4.066.744	6.429.421
	55.383.860	**33.426.409**

NOTE 23 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Gains from investing activities	1 January-31 December 2018	1 January-31 December 2017
Gain from fair value of invesment properties	5.950.915	10.762.712
Gain from sale of investment properties	2.109.692	--
Gain on sale of property, plant and equipment	2.284.480	7.761.063
Interest income	3.622.252	2.417.327
	13.967.339	**20.941.102**

Losses from investing activities	1 January-31 December 2018	1 January-31 December 2017
Loss on sale of property, plant and equipment	1.165.711	3.804.666
	1.165.711	**3.804.666**

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

NOTE 24 - FINANCE INCOME/ EXPENSES

Finance income	1 January- 31 December 2018	1 January- 31 December 2017
Gain on derivative instruments	11.248.610	5.770.580
Other	181.747	--
	11.430.357	**5.770.580**

Finance expense	1 January- 31 December 2018	1 January- 31 December 2017
Interest expenses	72.295.456	31.440.493
Foreign exchange losses	38.740.221	20.623.659
Losses on derivative instruments	24.264.148	2.342.323
Other	2.575.369	1.640.241
	137.875.194	**56.046.716**

NOTE 25 – TAXATION ON INCOME

Corporate Tax

	31 December 2018	31 December 2017
Corporate tax payable	9.459.018	18.909.161
Less: Prepaid taxes (*)	(6.649.729)	(24.393.155)
Current tax (asset)/ liability, net	**2.809.289**	**(5.483.994)**

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

Corporate income tax is calculated on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes (carryforwad losses, if any, and if utilized exemptions for investment incentives).
In Turkey, corporate tax rate is 22% as at 31 December 2018 (2017: 20%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2017: 20%) to be calculated and paid based on earnings generated for each quarter for the three month period ended 31 December 2018. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

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

NOTE 25 – TAXATION ON INCOME (continued)

Corporate Tax (continued)

The taxes on income reflected to consolidated income statements for the years ended 31 December 2018 and 2017 are summarized as follows:

	1 January- 31 December 2018	**1 January- 31 December 2017**
Current period corporate tax expense	(47.887.560)	(36.933.461)
Deferred tax income /(expense)	(25.377.917)	1.104.652
	(73.265.477)	**(35.828.809)**

The reconciliation of tax on the consolidated profit or loss tables for the years ended 31 December 2018 and 2017 is as follows:

	1 January- 31 December 2018	**1 January- 31 December 2017**
Profit before tax in the consolidated financial statements	411.787.344	244.548.486
Tax charge according to parent company's tax rate 22%	90.593.216	48.909.697
Tax rate differences of subsidiaries	(6.746.556)	(5.490.881)
Expected tax charge of the Group	**83.846.660**	**43.418.816**
Disallowable expenses	5.572.180	57.839
Other exempt income	(6.092.472)	(29.648)
Exemption of real estate sales	--	(500.141)
Lump-sum expense provision	(1.153.458)	(538.061)
Research and development incentive allowance	(5.716.728)	(3.062.226)
Consolidation eliminations without tax effect	(3.190.705)	(3.517.770)
Current period tax expense	**73.265.477**	**35.828.809**

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.

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

NOTE 25 – TAXATION ON INCOME (continued)

Corporate Tax (continued)

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

Country	31 December 2018	31 December 2017
Turkey	20%-22%	20%
Egypt	30%	30%
United States of America	25%	25%
Brazil	21,5%	21,5%
Indonesia	25%	25%
Thailand	20%	20%

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2018 and 31 December 2017 using the enacted tax rates are as follows:

	Deferred tax assets/(liabilities)	
	31 December 2018	**31 December 2017**
Provision for employment termination benefits	52.128.558	15.948.789
Consignment sales adjusment	18.042.683	1.224.304
Finance income	1.936.018	397.680
Other, net	552.729	20.845.007
Deferred tax assets	**72.659.988**	**38.415.780**
Property, plant and equipment	(105.365.941)	(81.679.888)
Inventories	(34.051.622)	--
Other, net	(50.966.805)	(28.150.027)
Deferred tax liabilities	**(190.384.368)**	**(109.829.915)**
Net deferred tax liabilities	**(117.724.380)**	**(71.414.135)**

Deferred Taxes

	1 January- 31 December 2018	1 January- 31 December 2017
Balance at 1 January	**(71.414.135)**	**(69.115.130)**
Current year deferred tax income – net	(25.377.917)	1.104.652
Charges to equity	(1.552.412)	157.893
Currency translation differences	(19.379.916)	(3.561.550)
Balance at 31 December	**(117.724.380)**	**(71.414.135)**

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

NOTE 26 – EARNING 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 2018	**1 January- 31 December 2017**
Net income attributable to equity holders of the parent	292.457.708	165.102.073
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	15,03	8,49
Earning per share from continiuning operations		
Net income attributable to equity holders of the parent	292.446.091	163.315.369
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	15,03	8,40
Earning per share from discontinued operations		
Net income/(loss) attributable to equity holders of the parent	11.617	1.786.704
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	--	0,09

Nominal values of ordinary shares for the years ended 31 December 2018 and 2017 are assumed to be Kr 1 each.

NOTE 27 – RELATED PARTY DISCLOSURES

Bank balances:	**31 December 2018**	**31 December 2017**
Akbank T.A.Ş. – time deposit	60.464.057	--
Akbank T.A.Ş. – demand deposit	203.916	1.316.653
	60.667.973	**1.316.653**

	31 December 2018	**31 December 2017**
Akbank T.A.Ş. – bank borrowings	--	142.989.264
	--	**142.989.264**

Derivative instruments:	**31 December 2018**	**31 December 2017**
Akbank T.A.Ş.	--	5.482.795
	--	**5.482.795**

Due from related party:	**31 December 2018**	**31 December 2017**
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	68.387.355	26.716.953
Sabancı Üniversitesi	303.104	99.427
Akçansa	--	827.263
Enejisa Enerji Üretim A.Ş.	--	173.735
Other	209.245	100.907
	68.899.704	**27.918.285**

Due to related party:	**31 December 2018**	**31 December 2017**
Enerjisa Enerji Üretim A.Ş.	4.415.884	4.569.248
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	3.656.500	1.219.629
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	183.197	67.211
Sabancı Üniversitesi	--	1.891.031
Teknosa İç ve Dış Ticaret A.Ş.	--	156.947
Other	286.691	37.643
	8.542.272	**7.941.709**

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

NOTE 27 – RELATED PARTY DISCLOSURES (continued)

Product sales:	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	108.293.005	76.117.789
Other	259.628	1.167.784
	108.552.633	**77.285.573**

Service sales:	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Enerjisa Enerji Üretim A.Ş.	1.167.937	606.880
Hacı Ömer Sabancı Holding A.Ş.	9.307	9.281
	1.177.245	**616.161**

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

Product purchase:	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	454.819	379.777
Sabancı Universitesi	--	39.910
	454.819	**419.687**

Service received:	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Enerjisa Enerji Üretim A.Ş.	60.685.395	46.570.658
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	3.191.697	4.194.028
Aksigorta	384.452	6.386.927
AvivaSA Emeklilik ve Hayat A.Ş.	--	411.773
Other	1.484.248	132.648
	65.745.792	**57.696.034**

Property, plant and equipment purchases:	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	2.884.157	445.149
Sabancı Üniversitesi	--	133.066
Other	49.807	6.908
	2.933.964	**585.063**

Interest income:	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Akbank T.A.Ş.	1.441.297	778.614
	1.441.297	**778.614**

Interest expense:	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Akbank T.A.Ş.	5.192.236	6.717.739
	5.192.236	**6.717.739**

Foreign exchange gain /(losses), net	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Akbank T.A.Ş.	(7.276.937)	5.457
	(7.276.937)	**5.457**

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

NOTE 27 – RELATED PARTY DISCLOSURES (continued)

Rent income	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Bimsa Ulus. İş, Bilgi ve Yönetim Sistemleri A.Ş.	67.893	65.687
	67.893	**65.687**

Donations	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Sabancı Üniversitesi	24.026.050	12.252.120
	24.026.050	**12.252.120**

Transactions with key management personnel:

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

Details of the renumerations provided which is consist of per diem payment, salary and other additional renumerations by the Group for 2018 and 2017 are as follows:

	1 January- 31 December 2018	**1 January- 31 December 2017**
Short-term employee benefits	14.290.986	14.880.828
Post-employment benefits	273.885	477.009
	14.564.871	**15.357.837**

Security and guarantee letters given:

31 December 2018

None.

31 December 2017

None.

NOTE 28 - INTERESTS IN OTHER ENTITIES

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

	31 December 2018			
Subsidiaries	**Non-controlling interest %**	**Net profit/loss attributable to non-controlling interest**	**Accumulated profit/(loss) allocated to non-controlling interests**	**Dividend distributed to non-controlling interests**
PT Indo Kordsa Tbk (*)	%38,42	51.144.095	354.559.562	50.236.835
Other		(5.057.155)	149.459.867	
Total		**46.086.940**	**504.019.429**	

	31 December 2017			
Subsidiaries	**Non-controlling interest %**	**Net profit/loss attributable to non-controlling interest**	**Accumulated profit/(loss) allocated to non-controlling interests**	**Dividend distributed to non-controlling interests**
PT Indo Kordsa Tbk (*)	%39,30	51.883.559	361.079.655	23.275.202
Other		(4.762.613)	9.941.245	
Total		**47.120.946**	**371.020.900**	

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

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

NOTE 28 - INTERESTS IN OTHER ENTITIES (continued)

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

Summary of statement of financial position	**PT Indo Kordsa Tbk**	
	31 December 2018	**31 December 2017**
Cash and cash equivalents	30.714.394	12.656.926
Other current assets	501.116.992	356.058.791
Non-current assets	1.048.974.617	743.568.836
Total assets	**1.580.806.003**	**1.112.284.553**
Short-term borrowings	40.157.023	23.159.891
Other short-term liabilities	217.366.289	114.473.522
Long-term borrowings	77.684.313	101.309.879
Other long-term liabilities	76.179.906	62.523.359
Total liabilities	**411.387.531**	**301.466.651**
Total equity	**1.169.418.472**	**810.817.902**
Total equity attributable to owners of the Company	**1.077.687.953**	**740.919.682**
Non-controlling interest (*)	**91.730.519**	**69.898.220**

Summary statement of profit and loss:	**PT Indo Kordsa Tbk**	
	1 January-31 December 2018	**1 January-31 December 2017**
Revenue	1.235.149.633	860.285.984
Cost of sales	(978.301.661)	(642.457.930)
Depreciation and amortization expense	(52.584.040)	(38.519.832)
Operating income	141.942.461	140.679.356
Finance income /(expense), net	(8.824.048)	(8.660.123)
Profit before tax	133.118.414	132.019.233
Tax expenses	(39.640.415)	(36.636.140)
Non-controlling interests (*)	(42.211.500)	(44.842.494)
Profit for the year	51.266.499	50.540.599

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

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

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

Financial risk management

Financial risk factors

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

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

Financial risk management is carried out by Finance department of Kordsa 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.

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2018 and 2017 is as follows:

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

31 December 2018	Carrying value	Contractural cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	1.519.280.334	1.721.230.095	70.120.280	1.078.426.003	572.683.812	--
Trade payables	572.368.514	572.368.514	572.368.514	--	--	--
Other payables	3.966.673	13.053.953	13.053.953	--	--	--
	2.095.615.521	2.306.652.562	655.542.747	1.078.426.003	572.683.812	--

31 December 2017	Carrying value	Contractural cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	632.304.026	731.164.596	353.561.593	165.818.406	211.784.597	--
Trade payables	312.393.072	312.393.072	312.393.072	--	--	--
Other payables	370.530	15.499.146	15.499.146	--	--	--
	945.067.628	**1.059.056.814**	**681.453.811**	**165.818.406**	**211.784.597**	**--**

(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.

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

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

Financial risk management (continued)

(b) Market risk

Interest rate risk

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

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

Variable interest financial instruments	31 December 2018	31 December 2017
Financial liabilities	680.553.332	130.342.246

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 2018, 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 918.048 (2017: TL 1.390.263), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2018, there is no variable interest rate borrowings in EUR (2017: there is no variable interest rate borrowings in EUR).

Foreign exchange risk

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

Derivative financial instruments

The derivative financial instruments of the Group comprise foreign currency forward contracts. The Group entered into foreign currency forward transactions with due date 2018 in order to manage the risks emerging from the sales transactions which are expected to occur within 12 months following the reporting date. The carrying values of the items hedged against the non-financial risk will be adjusted once the expected sales will take place. The Group also entered into foreign currency forward transactions with due date 2017 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.

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

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

Derivative financial instruments (continued)

As of 27 November 2017, Group has executed a EUR/TL foreign currency swap for the principal and interest repayment of TL 94,000,000 with a maturity 3 months and an interest rate of 15,75%. In this context, principal repayments to be made on 26 February 2018 were fixed at EUR 20,000,000, interest payments at 4,70% interest rate and EUR/TL: 4,8604. The fair value of this transaction is TL 5.482.795.

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 121.243.000 (31 December 2017: TL 45.672.408) under Currency Translation Reserves in Equity in accordance with TFRS 9 and TFRS Interpretation 16.

Foreign currency position

Group's assets and liabilities denominated in foreign currencies at 31 December 2018 and 2017 are as follows:

	31 December 2018	**31 December 2017**
Assets	1.196.949.265	465.556.999
Liabilities	(1.184.343.960)	(472.718.973)
Net foreign currency position	**12.605.305**	**(7.161.974)**

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

31 December 2018

Assets:	**Total TL equivalent**	**US Dollars (*)**	**Euro (*)**	**Thai Baht (*)**	**Indonesian Rupiah ('000) (*)**	**Brazilian Real (*)**	**Other TL equivalent**
Trade receivables	354.474.654	11.958.251	39.506.350	--	147.130.912	--	--
Cash and cash equivalent	68.683.929	620.168	10.028.129	--	13.675.911	--	3.313
Other monetary receviables and assets	446.005	--	--	--	1.227.660	--	--
Other non- monetary receviables and assets	38.524.326	--	1.189	--	106.021.206	--	--
Current assets	**462.128.915**	**12.578.419**	**49.535.668**	**--**	**268.055.690**	**--**	**3.313**
Non-current asset held for sale	--	--	--	--	--	--	--
Other monetary receviables and assets	--	--	--	--	--	--	--
Non-current assets	--	--	--	--	--	--	--
Total assets (a)	**462.128.915**	**12.578.419**	**49.535.668**	**--**	**268.055.690**	**--**	**3.313**
Liabilities:							
Trade payables	98.069.916	6.988.548	6.715.150	--	42.484.920	--	5.659.507
Financial liabilities	768.791.823	13.761.912	108.789.218	--	111.782.930	--	--
Other monetary payable and liabilities	5.933.061	(4.923)	--	--	16.402.462	--	--
Current liabilities	**872.794.799**	**20.745.538**	**115.504.367**	**--**	**170.670.312**	**--**	**5.659.507**
Financial liabilities	311.549.161	57.778.025	--	--	20.877.554	--	--
Other monetary receviables and assets	--	--	--	--	--	--	--
Non-current liabilities	**311.549.161**	**57.778.025**	**--**	**--**	**20.877.554**	**--**	**--**
Total liabilities (b)	**1.184.343.960**	**78.523.563**	**115.504.367**	**--**	**191.547.866**	**--**	**5.659.507**
Off-balance sheet derivative assets (c)	734.820.350	71.500.000	59.500.000	--	--	--	--
Off-balance sheet derivative liabilities (d)	--	--	--	--	--	--	--
Net foreign currency asset /(liability) position	**12.605.305**	**5.554.856**	**(6.468.699)**	**-**	**76.507.824**	**-**	**(5.656.194)**
Fair value of financial instruments used for foreign Exchange hedge	**3.089.485**	**--**	**--**	**--**	**--**	**--**	**--**
Hedges amount of foreign currency assets	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Hedges amount of foreign currency liabilities	**734.820.350**	**71.500.000**	**59.500.000**	--	--	--	--

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

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

31 December 2017

Assets:	**Total TL equivalent**	**US Dollars (*)**	**Euro (*)**	**Thai Baht (*)**	**Indonesian Rupiah ('000) (*)**	**Brazilian Real (*)**	**Other TL equivalent**
Trade receivables	181.228.546	15.520.175	22.166.049	--	83.520.171	--	--
Cash and cash equivalent	3.347.771	163.831	300.988	--	4.916.222	--	1.982
Other monetary receviables and assets	1.708.451	--	--	--	1.491.900	--	--
Other non- monetary receviables and assets	25.718.156	--	1.677	--	96.992.448	--	--
Current assets	**212.002.924**	**15.684.006**	**22.468.714**	**--**	**186.920.740**	**--**	**1.982**
Non-current asset held for sale	--	--	--	--	--	--	--
Other monetary receviables and assets	--	--	--	--	--	--	--
Non-current assets	--	--	--	--	--	--	--
Total assets (a)	**212.002.924**	**15.684.006**	**22.468.714**	**--**	**186.920.740**	**--**	**1.982**
Liabilities:							
Trade payables	119.740.271	23.530.995	5.012.971	--	19.985.917	85.260	2.659.229
Financial liabilities	336.781.635	22.111.886	55.150.259	--	17.977.739	--	--
Other monetary payable and liabilities	2.370.858	6.332	--	--	8.429.916	--	--
Current liabilities	**458.892.764**	**45.649.213**	**60.163.230**	**--**	**46.393.571**	**85.260**	**2.659.229**
Financial liabilities	13.826.208	--	--	--	49.657.695	--	--
Other monetary receviables and assets	--	--	--	--	--	--	--
Non-current liabilities	**13.826.208**	**--**	**--**	**--**	**49.657.695**	**--**	**--**
Total liabilities (b)	**472.718.972**	**45.649.213**	**60.163.230**	**--**	**96.051.266**	**85.260**	**2.659.229**
Off-balance sheet derivative assets (c)	253.554.075	181.891	56.000.000	--	--	--	--
Off-balance sheet derivative liabilities (d)	--	--	--	--	--	--	--
Net foreign currency asset /(liability) position	**(7.161.974)**	**(29.783.316)**	**18.305.484**	**--**	**90.869.474**	**(85.260)**	**(2.657.247)**
Fair value of financial instruments used for foreign Exchange hedge	**5.893.324**						
Hedges amount of foreign currency assets	--	--	--	--	--	--	--
Hedges amount of foreign currency liabilities	253.554.075	181.891	56.000.000	--	--	--	--

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

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

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

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

Closing rates	**31 December 2018**	**31 December 2017**
US Dollars	5,2609	3,7719
Euro	6,0280	4,5155
Indonesian Rupiah (1000 units)	0,3633	0,2784
Brezilian Real	1,3577	1,1402
Thai Baht	0,1621	0,1154
Egyptian Pound	0,2941	0,2125

Average rates	**31 December 2018**	**31 December 2017**
US Dollars	4,8135	3,6477
Euro	5,6627	4,1164
Indonesian Rupiah (1000 units)	0,3381	0,2691
Brezilian Real	1,3172	1,1428
Thai Baht	0,1490	0,1075
Egyptian Pound	0,2705	0,2076

Foreign currency position as of 31 December 2018 and 2017 in regard to the 10% changes in foreign currency rates is depicted in the table below:

	Profit / (Loss)		**Equity**	
31 December 2018	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset / liability	2.922.254	(2.922.254)	93.131.085	(93.131.085)
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
3-Net effect of US Dollar (1+2)	**2.922.254**	**(2.922.254)**	**93.131.085**	**(93.131.085)**
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	(3.899.332)	3.899.332	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	**(3.899.332)**	**3.899.332**	**--**	**--**
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	2.237.508	(2.237.508)	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	**2.237.508**	**(2.237.508)**	**--**	**--**
TOTAL (3+6+9)	**1.260.530**	**(1.260.530)**	**93.131.085**	**(93.131.085)**

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

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

	Profit / (Loss)		Equity	
31 December 2017	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset / liability	(11.233.969)	11.233.969	41.373.078	(41.373.078)
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
3-Net effect of US Dollar (1+2)	**(11.233.969)**	**11.233.969**	**41.373.078**	**(41.373.078)**
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	8.265.841	(8.265.841)	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	**8.265.841**	**(8.265.841)**	**--**	**--**
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	2.251.931	(2.251.931)	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	**2.251.931**	**(2.251.931)**	**--**	**--**
TOTAL (3+6+9)	**(716.197)**	**716.197**	**41.373.078**	**(41.373.078)**

Export and import balances from Turkey as of 31 December 2018 and 2017 is as follows:

	31 December 2018		31 December 2017	
	Original Amount	**TL Equivalent**	**Original Amount**	**TL Equivalent**
Euro	139.903.998	792.230.175	131.929.852	542.303.927
US Dollars	72.875.912	350.784.558	67.933.118	247.596.170
TL	8.976.860	8.976.860	27.678.685	27.678.685
Total export		**1.151.991.593**		**817.578.782**

	1 January- 31 December 2018	1 January- 31 December 2017
Total import	895.302.212	555.055.444

(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.

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

(d) Credit risk (continued)

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

Disclosures on the credit quality of financial assets

As at 31 December 2018 and 2017, 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.

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

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

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

	Receivables						
	Trade Receivables		Other Receivables			Bank Deposits	
31 December 2018	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Derivatives**	**Related Party**	**Third Party**
As of reporting date, credit risk exposure (A+B+C+D) (**)	**68.899.704**	**760.775.239**	**--**	**--**	**2.678.327**	**60.667.973**	**67.795.108**
- The part of maximum risk under guarantee with collateral	--	--	--	--	--		
A. Net book value of financial assets that are neither past due nor impaired	68.899.704	711.536.725	--	--	--	60.667.973	67.795.108
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	--	47.560.085	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--	--
- Past due (gross carrying amount)	--	1.678.429	--	--	--	--	--
- Impairment(-)	--	(1.678.429)	--	--	--	--	--
- The part under guarantee with collateral	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- The part under guarantee with collateral	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

(*) Excludes taxes and other similar receivables.

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

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

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

	Receivables						
	Trade Receivables		**Other Receivables (*)**			**Bank Deposits**	
31 December 2017	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Derivatives**	**Related Party**	**Third Party**
As of reporting date, credit risk exposure (A+B+C+D) (**)	**27.918.285**	**455.577.698**	**--**	**--**	**5.893.324**	**1.316.653**	**14.221.110**
- The part of maximum risk under guarantee with collateral	--	--	--	--	--		
A. Net book value of financial assets that are neither past due nor impaired	27.918.285	429.665.040	--	--	--	1.316.653	14.221.110
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	--	25.912.658	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--	--
- Past due (gross carrying amount)	--	1.729.331	--	--	--	--	--
- Impairment(-)	--	(1.729.331)	--	--	--	--	--
- The part under guarantee with collateral	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- The part under guarantee with collateral	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

(*) Excludes taxes and other similar receivables.

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

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

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

(d) Credit risk (continued)

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

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

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

	31 December 2018	31 December 2017
Less than 1 month	35.358.192	21.646.141
Between 1-3 months	10.198.485	2.902.520
Between 3-12 months	2.003.408	1.363.997
	47.560.085	**25.912.658**

(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 at 31 December 2018 and 2017 net debt/(equity+net debt+non-controlling interest) ratio is:

	31 December 2018	31 December 2017
Total financial liabilities	1.519.280.334	632.304.026
Cash and cash equivalents	(130.801.662)	(15.561.882)
Net debt	1.388.478.672	616.742.144
Equity	1.834.894.542	1.276.950.976
Non-controlling interest	504.019.429	371.020.900
Equity+net debt+non-controlling interest	3.727.392.643	2.264.714.020
Net debt/(Equity+non-controlling interest) ratio	37%	27%

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

NOTE 30 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

31 December 2018 **Financial assets**	**Financial assets at amortised cost**	**FVOCI**	**Financial liabilities at amortized cost**	**Derivative financial instruments**	**Carrying value (*)**	**Note**
Cash and cash equivalents	130.801.662	--	--	--	130.801.662	5
Trade receviables	760.775.239	--	--	--	760.775.239	8
Receivables from related parties	68.899.704	--	--	--	68.899.704	27
Financial investments	--	528.396	--	--	528.396	6
Derivative financial instruments	--	--	--	2.678.327	2.678.327	30
Financial liabilities						
Borrowings	--	--	1.519.280.354	--	1.519.280.354	7
Trade payables	--	--	563.826.242	--	563.826.242	8
Payables to related parties	--	--	8.542.272	--	8.542.272	27
Other financial liabilities (**)	--	--	22.853.343	--	22.853.343	9

31 December 2017 **Financial assets**	**Financial assets at amortised cost**	**FVOCI**	**Financial liabilities at amortized cost**	**Derivative financial instruments**	**Carrying value (*)**	**Note**
Cash and cash equivalents	15.561.882	--	--	--	15.561.882	5
Trade receviables	455.577.698	--	--	--	455.477.698	8
Receivables from related parties	27.918.285	--	--	--	27.918.285	27
Financial investments	--	411.103	--	--	411.103	6
Derivative financial instruments	--	--	--	5.893.324	5.893.324	30
Financial liabilities						
Borrowings	--	--	632.304.026	--	632.304.026	7
Trade payables	--	--	306.360.311	--	306.360.311	8
Payables to related parties	--	--	7.941.709	--	7.941.709	27
Other financial liabilities (**)	--	--	11.783.607	--	11.783.607	9

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

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

NOTE 30 - FINANCIAL INSTRUMENTS (continued)

Monetary assets

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

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

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

Monetary liabilities

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

Since, long term foreign currency loans generally have floating rate, fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 7).

Fair value estimation

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

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

Fair value hierarchy of financial assets and liabilities:

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

Financial assets / Financial liabilities	**Fair Value**		**Fair value hierarchy**	**Valuation technique**
	31 December 2018	**31 December 2017**		
Foreign currency forward/swap contracts	2.678.327	5.893.324	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties' credit risk.

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

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

According to The Group's Board of Management decision numbered 2015/29 dated 31 December 2016, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. %51 of rates, would be classified as "Assets Held for Sale" in the balance sheet as of 31 December 2016. Hence, these companies were classified as "Assets Held for Sale" in preparation for financial tables in 31 December 2018 and 31 December 2017.

For the year ended 1 January- 31 December 2018 and 1 January- 31 December 2017, the result of the operating activities shown at below:

Nile Kordsa	**1 January - 31 December 2018**	**1 January - 31 December 2017**
Revenue	--	--
Cost of sales	--	--
Gross profit	**--**	**--**
General and administrative expenses	--	--
Selling, marketing and distribution expenses	--	--
Research and development expenses	--	--
Other income from operating activities	22.778	4.253.342
Other expense from operating activities (*)	--	(750.000)
Operating profit	**22.778**	**3.503.342**
Gain from investing activities	--	--
Loss from investing activities	--	--
Operating profit before finance costs	**--**	**--**
Finance income	--	--
Finance costs	--	--
Profit before tax from continuing operations	**22.778**	**3.503.342**
Tax expense/income from continuning operations	--	--
Current tax expense	--	--
Deferred tax benefit	--	--
Profit/ (Loss) for the period	**22.778**	**3.503.342**

(*) Refers to provision expenses which are related to impairment of property, plant and equipment of Nile Kordsa.

NOTE 32 – EVENTS AFTER THE REPORTING PERIOD

Kordsa Inc., a wholly-owned subsidiary of the Group and resident in the United States of America, decided to purchase Axiom Materials Acquisition LLC that operates in the space and aerospace industry, as well as the next generation of transportation, which provides advanced composite materials. The receipt of all regulatory approvals in Turkey and the United States to create the conditions and registration with 95.83% for a total consideration of USD 174.830.000, excluding closing adjustments decision to be taken and completion of transactions after completion of approvals are met. The final purchase price will be finalized, after US competition law and Foreign Investments Authority in America approvals.