

**Kordsa Teknik Tekstil A.Ş. and
Its Subsidiaries**

Convenience Translation into English of the
Condensed Consolidated Financial Statements
for the Interim Period
1 January-30 June 2018 together with
Auditor's Review Report

(Originally Issued in Turkish)

8 August 2018



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Review Report on Interim Condensed Financial Information

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Kordsa Teknik Tekstil Anonim Şirketi (the "Company") and its subsidiaries (the "Group") as at 30 June 2018, the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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



Conclusion

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative



Ruşen Fikret Selamet, SMMM

Partner

8 August 2018

Istanbul, Turkey

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KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
ASSETS			
Current Assets			
Cash and Cash Equivalents		33,559,181	15,561,882
Financial Investments		146,760	121,377
<i>Investments in equity securities</i>		146,760	121,377
Trade Receivables		612,990,988	483,495,983
<i>Trade Receivables from Related Parties</i>	17	36,985,299	27,918,285
<i>Trade Receivables from Third Parties</i>		576,005,689	455,577,698
Other Receivables	5	6,911,707	5,482,795
<i>Other Receivables from Third Parties</i>		6,911,707	5,482,795
Derivatives	18	14,127,641	5,893,324
<i>Derivative financial assets</i>		14,127,641	5,893,324
Inventories	6	956,751,400	585,300,852
Prepayments		30,222,949	19,548,866
<i>Prepayments from Third Parties</i>		30,222,949	19,548,866
Current Tax Assets	15	-	5,483,994
Other Current Assets		73,202,701	65,022,246
<i>Other Current Assets from Third Parties</i>		73,202,701	65,022,246
Subtotal		1,727,913,327	1,185,911,319
Assets Held for Sale		14,064,700	11,194,785
Current Assets		1,741,978,027	1.197.106.104
Non-Current Assets			
Financial Investments		459.158	411.103
<i>Investments in equity securities</i>		459.158	411.103
Other Receivables	5	34.425.503	30.603.616
<i>Other Receivables from Third Parties</i>		34.425.503	30.603.616
Investment Property	8	94.622.036	47.041.172
Property, Plant and Equipment	7	1.639.750.979	1.426.734.593
Intangible Assets		85.181.878	82.521.648
<i>Goodwill</i>		45.595.167	45.595.167
<i>Other Intangible Assets</i>		39.586.711	36.926.481
Prepayments		2.304.353	2.048.075
<i>Prepayments from Third Parties</i>		2.304.353	2.048.075
Deferred Tax Assets	15	59.630.315	38.415.780
Other Non-Current Assets		40.973.894	41.671.295
<i>Other Non-Current Assets from Third Parties</i>		40.973.894	41.671.295
Non-Current Assets		1.957.348.116	1.669.447.282
Total Assets		3.699.326.143	2.866.553.386

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
LIABILITIES			
Short Term Liabilities			
Short Term Loans and Borrowings	4	822.707.612	511.678.928
Short Term Portion of Long Term Loans and Borrowings	4	1.144.927	19.314.214
Trade Payables		457.899.090	314.302.020
<i>Due to Related Parties</i>	17	16.353.070	7.941.709
<i>Due to Third Parties</i>		441.546.020	306.360.311
Payables Related to Employee Benefits		10.187.639	11.194.881
Other Payables	5	21.113.488	11.783.607
<i>Other Payables to Third Parties</i>		21.113.488	11.783.607
Derivatives	18	1.135.836	-
<i>Derivative financial liabilities</i>		1.135.836	-
Deferred Revenue		10.117.700	7.195.555
<i>Deferred Revenue from Third Parties</i>		10.117.700	7.195.555
Current Tax Liabilities	15	9.499.513	-
Short Term Provisions		23.683.151	23.660.799
<i>Short Term Employee Benefits</i>		23.635.091	23.612.739
<i>Other Short Term Provisions</i>		48.060	48.060
Other Short Term Liabilities		37.227.828	24.927.783
<i>Other Current Liabilities to Third Parties</i>		37.227.828	24.927.783
Subtotal		1.394.716.784	924.057.787
Liabilities directly associated with assets held for sale		5.655.699	5.261.866
Total Short Term liabilities		1.400.372.483	929.319.653
Long Term Liabilities			
Long Term Loans and Borrowings	4	114.017.481	101.310.884
Other Payables	5	19.987.249	16.847.743
<i>Other Payables to Third Parties</i>		19.987.249	16.847.743
Long Term Provisions		66.166.343	61.273.315
<i>Long Term Employee Benefits</i>		64.726.192	59.833.164
<i>Other Long Term Provisions</i>		1.440.151	1.440.151
Deferred Tax Liabilities	15	143.402.174	109.829.915
Total Long Term Liabilities		343.573.247	289.261.857
Total Liabilities		1.743.945.730	1.218.581.510
Shareholder's Equity			
Equity Attributable to Owners of the Company		1.527.354.792	1.276.950.976
Share Capital		194.529.076	194.529.076
Share Premium		62.052.856	62.052.856
Other Comprehensive Income or Expenses That Will Not Be			
Reclassified to Profit or Loss		25.941.910	(8.852.082)
<i>Revaluation and Remeasurement Gain / (Loss)</i>		25.941.910	(8.852.082)
<i>Defined Benefit Plans Remeasurement Fund</i>		(8.757.777)	(8.852.082)
<i>Other Revaluation and Remeasurement Gain / (Loss)</i>		34.699.687	--
Other Comprehensive Income or Expenses That Will Be			
Reclassified to Profit or Loss		435.752.538	289.005.880
<i>Currency Translation Difference</i>		431.398.776	289.264.396
<i>Gain/(Loss) on Hedge</i>		4.623.913	11.635
<i>Cashflow Hedge Gains/ (Loss)</i>		4.623.913	11.635
<i>Revaluation and Reclassification Gain/(Loss)</i>		(270.151)	(270.151)
<i>Other Financial Assets Fair Value</i>		(270.151)	(270.151)
Restricted Reserves		69.754.662	54.948.350
Retained Earnings		603.575.652	520.164.823
Profit for the period		135.748.098	165.102.073
Non-Controlling Interests		428.025.621	371.020.900
Total Equity		1.955.380.413	1.647.971.876
Total Liabilities and Equity		3.699.326.143	2.866.553.386

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

	Notes	Reviewed 1 January- 30 June 2018	Not-reviewed 1 April- 30 June 2018	Reviewed 1 January- 30 June 2017	Not-reviewed 1 April- 30 June 2017
PROFIT or LOSS					
Revenue	10	1.538.299.973	825.386.267	1.239.157.072	607.913.240
Cost of Sales	10	(1.210.313.751)	(647.656.814)	(996.657.539)	(501.852.242)
GROSS PROFIT		327.986.222	177.729.453	242.499.533	106.060.998
General and Administrative Expenses		(60.434.882)	(31.110.192)	(48.555.941)	(21.987.637)
Marketing Expenses		(62.273.757)	(32.909.096)	(47.963.405)	(24.060.848)
Research and Development Expenses		(3.856.369)	(2.712.779)	(3.358.408)	(2.146.647)
Other Income From Operating Activities	12	250.541.500	155.353.205	63.831.930	15.277.681
Other Expense From Operating Activities	12	(208.344.677)	(133.844.223)	(54.714.486)	(17.801.266)
OPERATING PROFIT		243.618.037	132.506.368	151.739.223	55.342.281
Income From Investing Activities	13	3.551.287	2.640.189	8.746.964	4.436.823
Expenses From Investing Activities	13	(414.732)	(264.045)	(252.433)	(248.694)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		246.754.592	134.882.512	160.233.754	59.530.410
Finance Income	14	8.921.738	8.764.184	-	-
Finance Expense	14	(66.073.320)	(39.612.001)	(23.466.060)	(10.678.966)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		189.603.010	104.034.695	136.767.694	48.851.444
Tax Expense From Continuing Operations		(34.263.506)	(19.940.070)	(21.241.247)	(7.641.024)
<i>Current Tax Expense</i>	15	<i>(31.895.300)</i>	<i>(18.695.404)</i>	<i>(25.110.849)</i>	<i>(13.309.043)</i>
<i>Deferred Tax (Expense) / Benefit</i>	15	<i>(2.368.206)</i>	<i>(1.244.666)</i>	<i>3.869.602</i>	<i>5.668.019</i>
PROFIT FROM CONTINUING OPERATIONS		155.339.504	84.094.625	115.526.447	41.210.420
PROFIT/ (LOSS) FROM DISCONTINUED OPERATIONS	19	26.896	1.629	(3.752.849)	(3.752.849)
PROFIT FOR THE PERIOD		155.366.400	84.096.254	111.773.598	37.457.571
Profit Attributable To:					
Non-Controlling Interests		19.618.302	9.389.794	23.669.527	10.493.807
Owners of the Parent		135.748.098	74.706.460	88.104.071	26.963.764
Earnings per shares	16	6,98	3,84	4,53	1,39
<i>Earnings per share from continuing operations</i>	16	<i>6,98</i>	<i>3,84</i>	<i>4,63</i>	<i>1,48</i>
<i>Loss per share from discontinuing operations</i>	16	<i>-</i>	<i>-</i>	<i>(0,10)</i>	<i>(0,10)</i>
<i>Diluted earning per share</i>	16	<i>6,98</i>	<i>3,84</i>	<i>4,63</i>	<i>1,48</i>

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF OTHER
COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD 30 JUNE 2018 AND 2017**

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

	Reviewed 1 January- 30 June 2018	Not Reviewed 1 April- 30 June 2018	Reviewed 1 January- 30 June 2017	Not Reviewed 1 April- 30 June 2017
PROFIT FOR THE PERIOD	155.366.400	84.096.254	111.773.598	37.457.571
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss	34.793.993	4.417.170	(1.093.264)	(536.559)
<i>Defined benefit plans remeasurement fund</i>	<i>117.883</i>	<i>340.926</i>	<i>(1.311.917)</i>	<i>(643.871)</i>
<i>Other revaluation and remeasurement gain / (loss)</i>	8 <i>34,699,687</i>	<i>4.144.429</i>	-	-
<i>Deferred tax income or expenses that will not be reclassified to profit or loss</i>	<i>(23.577)</i>	<i>(68.185)</i>	<i>218.653</i>	<i>107.312</i>
<i>Deferred tax income(*)</i>	<i>(23.577)</i>	<i>(68.185)</i>	<i>218.653</i>	<i>107.312</i>
Items that are or may be reclassified to profit or loss	216.929.354	165.871.156	(21.346.068)	(60.980.814)
<i>Currency translation differences</i>	<i>212.317.076</i>	<i>162.890.184</i>	<i>(15.133.518)</i>	<i>(55.125.272)</i>
<i>Hedging reverse gain / (loss)</i>	<i>5.913.177</i>	<i>3.836.137</i>	<i>(7.765.688)</i>	<i>(7.322.270)</i>
<i>Deferred tax income or expenses that will be reclassified to profit or loss</i>	<i>(1.300.899)</i>	<i>(855.165)</i>	<i>1.553.138</i>	<i>1.466.728</i>
<i>Deferred tax (expense)/ income (*)</i>	<i>(1.300.899)</i>	<i>(855.165)</i>	<i>1.553.138</i>	<i>1.466.728</i>
OTHER COMPREHENSIVE INCOME / (EXPENSE)	251.723.347	170.288.326	(22.439.332)	(61.517.373)
TOTAL COMPREHENSIVE INCOME / (EXPENSE)	407,089,747	254.384.580	89.334.266	(24.059.802)
Total Comprehensive Income Attributable To				
Non-Controlling Interests	89.800.998	62.044.055	25.587.582	(10.134.190)
Owners of the Parent	317.288.749	192.340.525	63.746.684	(13.925.612)

(*) Related tax of items that are or may be reclassified to profit or loss comprised of tax effect of hedge reserve and related tax of items that will not be reclassified to profit or loss comprised of tax effect of defined benefit plans remeasurement.

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

	Share Capital	Share Premium	Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss		Other Comprehensive Income That Will Be Reclassified to Profit or Loss			Restricted Reserves Appropriated From Profit	Retained Earnings				
			Revaluation and Remeasurement Gain / (Losses)		Currency Translation Reserves	Gains / (Losses) on Hedging Reserve	Revaluation and Remeasurement Gain / (Losses)		Retained Earning	Net Income For The Period	Equity Attributable to Owners of The Company	Non- Controlling Interests	Total Equity
			Defined Benefit Plans Remeasurement Fund	Other Revaluation and Remeasurement Gain / (Losses)		Gains / (Losses) on Cashflow Hedges	Other Revaluation and Reclassified Gain / (Losses)						
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
Transfers	-	-	-	-	-	-	-	8.185.033	134.895.768	(143.080.801)	-	-	-
Total comprehensive income	-	-	(1.093.264)	-	(17.051.573)	(6.212.550)	-	-	-	88.104.071	63.746.684	25.587.582	89.334.266
Dividend paid (*)	-	-	-	-	-	-	-	-	(57.662.309)	-	(57.662.309)	(16.512.593)	(74.174.902)
Balances at 30 June 2017	194.529.076	62.052.856	(7.682.977)	-	253.589.639	(5.223.969)	(270.151)	54.948.350	520.164.823	88.104.071	1.160.211.718	326.625.545	1.486.837.263
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
Transfers	-	-	-	-	-	-	-	14.806.312	150.295.761	(165.102.073)	-	-	-
Total comprehensive income	-	-	94.305	34.699.687	142.134.380	4.612.278	-	-	-	135.748.098	317.288.748	89.800.998	407.089.746
Dividend paid (**)	-	-	-	-	-	-	-	-	(66.884.932)	-	(66.884.932)	(32.796.277)	(99.681.209)
Balances at 30 June 2018	194.529.076	62.052.856	(8.757.777)	34.699.687	431.398.776	4.623.913	(270.151)	69.754.662	603.575.652	135.748.098	1.527.354.792	428.025.621	1.955.380.413

(*) 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 (Per share TL 0,2964 gross and TL 0,2520 net.) In accordance with the resolution, the dividend payment was made on 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 (Per share TL 0,3438 gross and TL 0,2923 net.) In accordance with the resolution, the dividend payment was made on 2 April 2018.

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

Notes	Reviewed 1 January- 30 June 2018	Reviewed 1 January- 30 June 2017
A. CASH FLOWS (USED IN)/ FROM BY OPERATING ACTIVITIES	(88.242.160)	39.441.933
CASH FLOWS FROM BY OPERATING ACTIVITIES		
Profit For The Period	155.366.400	111.773.598
Profit/(loss) for the period from continuing operations	155.339.504	115.526.447
Profit/(loss) from discontinuing operations	26.896	(3.752.849)
Adjustment to Reconcile Profit / (Loss) For The Period	131.576.914	85.894.899
Adjustment Related to Depreciation and Amortization Expenses	11 61.549.984	50.492.747
Adjustment Related to Impairment	(4.538.362)	(2.747.201)
<i>Adjustments related to provision for (reversal) of doubtful receivables</i>	-	(840.557)
<i>Adjustments related to provision for (reversal) of inventory allowances</i>	6 (4.538.362)	(1.746.715)
<i>Adjustments related to provision for (reversal) of impairment of fixed assets</i>	-	(159.929)
Adjustment Related Provisions	17.676.943	17.113.058
<i>Adjustments related to provision for employee retirement benefit provision</i>	18.728.305	17.103.367
<i>Adjustments related to provision for (reversal) of other provisions</i>	(1.051.362)	9.691
Adjustment Related to Interest Income / (Expense)	10.965.313	11.437.993
<i>Adjustment Related to Interest Income</i>	(3.402.052)	(1.097.804)
<i>Adjustment Related to Interest Expense</i>	14 20.265.232	14.578.079
<i>Adjustments related to unrealized finance expenses on credit purchases</i>	5.656.368	3.666.615
<i>Adjustments related to unrealized finance income on credit sales</i>	(11.554.235)	(5.708.897)
Adjustments related to unrealized currency translation difference	20.897.761	20.282
Adjustment Related to Fair Value	(9.503.728)	(4.902.930)
<i>Adjustments related to fair value losses /(gains) of derivatives</i>	(9.503.728)	(4.902.930)
Adjustment Related to Tax Expense	15 34.263.506	21.241.247
Adjustment Related to (Gain) / Loss on Sale of Non-Current Assets	265.497	(6.760.297)
<i>Adjustments related to losses /(gains) disposal of tangible assets</i>	265.497	(6.760.297)
Changes in Working Capital	(375.185.474)	(158.226.564)
Adjustment Related to (Increase) / Decrease in Trade Receivables	(134.954.990)	(105.369.144)
Adjustment Related to (Increase) / Decrease in Other Receivables Associated with Operating Activities	7.816.292	(8.185.591)
Change in Derivative Instrument	(8.234.318)	7.439.019
Adjustment Related to (Increase) / Decrease in Inventories	(367.634.582)	(49.481.817)
Changes in Prepayments	(10.930.360)	(2.814.985)
Adjustment Related to Increase / (Decrease) in Trade Payables	155.151.305	2.310.660
Adjustment Related to Increase / (Decrease) in Employee Benefits	(984.890)	(2.715.487)
Adjustment Related to Increase / (Decrease) in Other Receivables Associated with Operating Activities	3.139.506	484.577
Change in Deferred Income	2.922.145	(236.288)
Adjustment Related to (Increase) Decrease in Working Capital	16.338.610	29.621.275
<i>Changes in Other Assets Related to Operating Activities</i>	(105.639)	13.706.683
<i>Changes in Other Liabilities Related to Operating Activities</i>	16.444.249	15.914.592
Provisions for Employment Termination Benefits Paid	(12.942.323)	(8.691.964)
Tax Refund / (Payments)	(22.395.787)	(25.680.379)
Net Cash Flow Related to Discontinued Operations	(2.476.082)	5.093.560
B. CASH FLOWS USED IN INVESTING ACTIVITIES	(94.359.053)	(61.192.582)
Proceeds from Sale Property, Plant and Equipment and Intangible Assets	7.251.515	7.289.674
Purchase of Property, Plant and Equipment and Intangible Assets	(105.012.620)	(69.580.060)
Interest Received	3.402.052	1.097.804
C. CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES	164.748.411	50.285.637
Proceeds from Borrowings	284.668.233	139.050.747
Cash inflows /(outflows) from factoring transactions	26.619	(12.129)
Dividends Paid	(66.884.932)	(57.662.309)
Interest Paid	14 (20.265.232)	(14.578.079)
Cash outflow for dividend paid to non-controlling interest and other cash outflows	(32.796.277)	(16.512.593)
NET INCREASE IN CASH AND CASH EQUIVALENT BEFORE THE CURRENCY TRANSLATION DIFFERENCE IMPACT (A+B+C)	(17.852.802)	28.534.988
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES CASH AND CASH EQUIVALENTS	35.850.101	(17.677.676)
NET INCREASE IN CASH AND CASH EQUIVALENT (A+B+C+D)	17.997.299	10.857.312
E. CASH AND CASH EQUIVALENT AT THE BEGINNING PERIOD	15.561.882	38.578.445
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (A+B+C+D+E)	33.559.181	49.435.757

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

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

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

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

Kordsa is registered with the Capital Markets Board of Turkey (“CMB”) and its shares have been traded in Borsa Istanbul (“BIST”) since 1991. As of 30 June 2018, 28,89% of the Group shares are listed on BIST. As of the same date, the shareholders owning the Group shares and the percentage of the shares are as follows:

Shareholder Structure	Capital Share (%)	
	30 June 2018	31 December 2017
Hacı Ömer Sabancı Holding A.Ş.	71,11	71,11
Other	28,89	28,89
	100,00	100,00

Average number of employees of the Group 4.105 (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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

Subsidiaries

The subsidiaries included in the consolidation scope of the accompanying condensed consolidated financial statements, their country of incorporation, nature of business and their respective operating segments as at 30 June 2018 and 31 December 2017 are as follows:

30 June 2018

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

31 December 2017

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

(**) In accordance with the Group’s Board of Directories’ decision numbered 2015/29 dated 31 December 2015, the assets and liabilities of Nile Kordsa Company for Industrial Fabrics S.A.E. and Interkordsa GmbH of which shares held by the Group by 51% and 100%, respectively, have been classified as “Assets/liabilities held for sale” in the condensed consolidated statement of financial position as of 31 December 2015.

Approval of the Financial Statements

These interim condensed consolidated financial statements have been approved to be issued at the Board of Directors’ Meeting held on 8 August 2018, and have been signed by the Deputy General Manager Volkan Özkan, and Global Finance Manager, Serdar Samsun. The Company’s shareholders have the power to amend the consolidated financial statements after their issue.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

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

The condensed consolidated interim financial statements are presented in accordance with the reporting templates promulgated by Capital Market Board of Turkey on 7 June 2013.

The Group issued the condensed financial statements as of 30 June 2018 in accordance with Turkish Accounting Standard No: 34 “Interim Financial Reporting”. These condensed consolidated interim financial statements do not constitute solely an indicator for the yearend figures and do not include all the information and explanations required for full annual financial statements and should be read in conjunction with the Group’s last audited annual consolidated financial statements as at and for the year ended 31 December 2017.

The Group has begun to apply the TFRS 15 and TFRS 9 standards with an initial application date of 1 January 2018. Comparative information has not been rearranged in accordance with the transition method used.

Functional and Presentation Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which they operate (its functional currency). For the purpose of these condensed 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

In accordance with a decision taken by CMB numbered 11/367 on 17 March 2005, it has announced that inflation accounting is not effective for the entities operating in Turkey and preparing their financial statements in accordance with the TAS starting from 1 January 2005. Therefore, TAS 29 “Financial Reporting in Hyperinflationary Economies” has not been applied since 1 January 2005.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.1 Basis of Presentation (cont’d)

Basis of Consolidation

The table below sets out all subsidiaries and shows their shareholding rates at 30 June 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
Kordsa Brezilya 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 in PT Indo Kordsa Tbk increased to 61.58% from 60.70% per the share purchase agreement dated 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 Brezilya 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 in PT Indo Kordsa Tbk increased to 60.48% from 60.21% per the share purchase agreement dated 26 May 2017.

The accompanying condensed consolidated financial statements include the financial statements of the Group and entities controlled by the Group’s subsidiaries. The Group has control over an entity when

- the Group has power over the investee/assets,
- exposure, or rights, to variable returns from its involvement with the entity and
- the ability to use its power over the entity to affect the amount of the Group’s returns.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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

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

- The comparison of voting rights held by the Group to those held by the other shareholders;
- Potential voting rights held by the Group and other shareholders;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that 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 condensed 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.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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

2.2 Summary of Significant Accounting Policies

Except as described below, the accounting policies applied in these interim condensed 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.

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

- Determination of contracts with customers
- Determination of performance obligations in the contract
- Determination of transaction price in the contract
- Allocating the transaction price to performance obligations in the contract
- Revenue recognition when each performance obligation is fulfilled

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

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.2 Summary of Significant Accounting Policies (cont’d)

2.2.2 TFRS 9 Financial Instruments

The Group has started to apply the TFRS 9 Financial Instruments standard, which was published in July 2014, with the initial implementation date of 1 January 2018. TFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

i. Classification and measurement of financial assets and financial liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of TFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities and derivative financial instruments. Detailed information on how the Group classifies, measures and recognizes the related income and expenses in accordance with TFRS 9 is presented below.

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (“FVOCI”) – debt investment; FVOCI – equity investment; or fair value through profit or loss (“FVTPL”). The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised 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 investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial 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.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.2 Summary of Significant Accounting Policies (cont’d)

2.2.2 TFRS 9 Financial Instruments (cont’d)

i. Classification and measurement of financial assets and financial liabilities (cont’d)

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

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.2 TFRS 9 Financial Instruments (cont'd)

i. Classification and measurement of financial assets and financial liabilities (cont'd)

The following accounting policies apply to the subsequent measurement of financial assets.

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

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 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

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.2 TFRS 9 Financial Instruments (cont'd)

ii. Impairment of financial assets

TFRS 9 replaces the "incurred loss" model in TAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost and contract assets but not to investments in equity instruments.

The financial assets at amortised cost comprised of trade receivables, other receivables and cash and cash equivalents.

The Group recognizes loss allowances for the expected credit losses of the following items under TFRS 9:

- financial assets measured at amortized cost;

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

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

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime expected credit losses.

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

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its obligations arising from rent contracts to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or the financial asset is more than 90 days past due.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime expected credit losses are that result from all possible default events over the expected life of a financial instrument.

2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods. There are no significant changes in the accounting estimates for the current period.

Significant accounting errors should be applied retrospectively and prior period consolidated financial statements should be restated.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.4 New and Revised Accounting and Reporting Standards

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

None.

- b) Standards and interpretations issued but not yet effective and not early adopted as of 30 June 2018

Standards and interpretations but not yet effective and not early adopted as of 30 June 2018

Standards issued but not yet effective and not early adopted as of 30 June 2018

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

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 provided that an entity also adopts TFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 16.

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.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.4 New and Revised Accounting and Reporting Standards (cont’d)

- b) Standards and interpretations issued but not yet effective and not early adopted as of 30 June 2018.(cont’d)

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 is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 9.

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 is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 28.

The new standards, amendments and interpretations that are issued by the IASB but not issued by POA

The following standards, interpretations 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 TFRS by the POA, thus they do not constitute part of TFRS. 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 TFRS.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.4 New and Revised Accounting and Reporting Standards (cont’d)

- b) Standards and interpretations issued but not yet effective and not early adopted as of 30 June 2018 (cont’d)

The new standards, amendments and interpretations that are issued by the IASB but not issued by POA (cont’d)

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

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.

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 is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

2.4 New and Revised Accounting and Reporting Standards (cont’d)

- b) Standards and interpretations issued but not yet effective and not early adopted as of 30 June 2018 (cont’d)

The new standards, amendments and interpretations that are issued by the IASB but not issued by POA (cont’d)

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS 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 IFRS 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 Board 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 IFRS 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.

2.5 Summary of Significant Accounting Policies

The condensed consolidated interim financial statements for the period ended on 30 June 2018 have been prepared in accordance with TAS 34, the standard on the preparation and presentation of interim period financial statements. The accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended 31 December 2017 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2017. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the consolidated statements for the year ended 31 December 2017.

2.6 Critical Accounting Judgments, Estimates and Assumptions

The preparation of condensed consolidated interim financial statements in conformity with TAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing these condensed consolidated interim financial statements, the significant judgments and estimates made by the management in applying the Group’s accounting policies and the key sources of estimations and assumptions were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

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

NOTE 3 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) Segment analysis for the period 1 January – 30 June 2018

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	591.659.867	286.320.743	199.080.411	461.238.952	-	1.538.299.973
Intersegment revenue	41.867.137	92.288.199	4.077.546	37.666.568	(175.899.450)	-
Revenue	633.527.004	378.608.942	203.157.957	498.905.520	(175.899.450)	1.538.299.973
Segment operating expenses	(431.758.521)	(356.348.955)	(190.557.601)	(423.211.167)	107.194.308	(1.294.681.936)
Segment operating result	201.768.484	22.259.987	12.600.355	75.694.353	(68.705.142)	243.618.037
OPERATING PROFIT	201.768.484	22.259.987	12.600.355	75.694.353	(68.705.142)	243.618.037
Income / (Expense) From Investing Activities, net	573.379	416.971	180.464	2.480.838	(515.097)	3.136.555
Operating Profit Before Financial Expense	202.341.863	22.676.958	12.780.819	78.175.191	(69.220.239)	246.754.592
Finance Income / (Expense), net	(90.515.039)	(822.683)	(5.798.052)	(4.064.454)	44.048.646	(57.151.582)
Profit Before Tax From Continuing Expense	111.826.824	21.854.275	6.982.767	74.110.737	(25.171.593)	189.603.010
Tax Expense	(5.674.694)	(2.024.618)	-	(17.764.012)	(8.800.182)	(34.263.506)
Net Income From Continuing Operations	106.152.130	19.829.657	6.982.767	56.346.725	(33.971.775)	155.339.504
Discontinued Operations	26.896	-	-	-	-	26.896
PROFIT FOR THE PERIOD	106.179.026	19.829.657	6.982.767	56.346.725	(33.971.775)	155.366.400

b) Segment analysis for the period 1 April – 30 June 2018

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	312.896.513	150.405.222	108.634.765	253.449.767	-	825.386.267
Intersegment revenue	20.950.276	52.582.157	553.998	19.511.807	(93.598.238)	-
Revenue	333.846.789	202.987.379	109.188.763	272.961.574	(93.598.238)	825.386.267
Segment operating expenses	(209.931.987)	(190.255.772)	(104.466.886)	(234.808.506)	46.583.251	(692.879.899)
Segment operating result	123.914.803	12.731.608	4.721.877	38.153.068	(47.014.987)	132.506.368
OPERATING PROFIT	123.914.803	12.731.608	4.721.877	38.153.068	(47.014.987)	132.506.368
Income / (Expense) From Investing Activities, net	140.807	291.679	(25.856)	2.264.251	(294.737)	2.376.144
Operating Profit Before Financial Expense	124.055.610	13.023.286	4.696.021	40.417.319	(47.309.724)	134.882.512
Finance Income / (Expense), net	(48.123.597)	(656.151)	(4.837.536)	(2.257.913)	25.027.380	(30.847.817)
Profit Before Tax From Continuing Expense	75.932.013	12.367.135	(141.515)	38.159.406	(22.282.344)	104.034.695
Tax Expense	(2.801.907)	(1.193.123)	-	(10.404.501)	(5.540.539)	(19.940.070)
Net Income From Continuing Operations	73.130.106	11.174.012	(141.515)	27.754.905	(27.822.883)	84.094.625
Discontinued Operations	1.629	-	-	-	-	1.629
PROFIT FOR THE PERIOD	73.131.735	11.174.012	(141.515)	27.754.905	(27.822.883)	84.096.254

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

NOTE 3 - SEGMENT REPORTING (cont'd)

c) Segment analysis for the period 1 January – 30 June 2017

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	453.771.764	216.560.915	175.943.195	392.881.197	-	1.239.157.072
Intersegment revenue	24.516.763	50.206.293	18.913	26.883.861	(101.625.830)	-
Revenue	478.288.527	266.767.208	175.962.108	419.765.058	(101.625.830)	1.239.157.072
Segment operating expenses	(373.650.725)	(277.176.940)	(167.063.264)	(333.101.447)	63.574.528	(1.087.417.848)
Segment operating result	104.637.802	(10.409.732)	8.898.844	86.663.611	(38.051.302)	151.739.223
OPERATING PROFIT	104.637.802	(10.409.732)	8.898.844	86.663.611	(38.051.302)	151.739.223
Income / (Expense) From Investing Activities, net	7.252.349	843.724	481.291	760.891	(843.724)	8.494.531
Operating Profit Before Financial Expense	111.890.151	(9.566.008)	9.380.135	87.424.502	(38.895.026)	160.233.754
Finance Income / (Expense), net	(32.605.059)	(158.926)	(4.443.037)	(4.696.190)	18.437.152	(23.466.060)
Operating Profit Before Financial Expense	79.285.092	(9.724.934)	4.937.098	82.728.312	(20.457.874)	136.767.694
Tax Expense	(7.576.456)	7.793.343	-	(16.482.300)	(4.975.834)	(21.241.247)
Net Income From Continuing Operations	71.708.636	(1.931.591)	4.937.098	66.246.012	(25.433.708)	115.526.447
Discontinued Operations	(3.752.849)	-	-	-	-	(3.752.849)
PROFIT FOR THE PERIOD	67.955.787	(1.931.591)	4.937.098	66.246.012	(25.433.708)	111.773.598

d) Segment analysis for the period 1 April – 30 June 2017

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	224.218.810	107.603.996	80.159.189	195.931.245	-	607.913.239
Intersegment revenue	9.220.009	26.592.656	(500)	16.235.049	(52.047.214)	-
Revenue	233.438.819	134.196.652	80.158.689	212.166.294	(52.047.214)	607.913.239
Segment operating expenses	(189.691.947)	(141.900.774)	(80.712.137)	(170.530.841)	30.264.741	(552.570.958)
Segment operating result	43.746.872	(7.704.122)	(553.448)	41.635.453	(21.782.473)	55.342.281
OPERATING PROFIT	43.746.872	(7.704.122)	(553.448)	41.635.453	(21.782.473)	55.342.281
Income / (Expense) From Investing Activities, net	3.131.086	433.257	350.424	706.619	(433.257)	4.188.129
Operating Profit Before Financial Expense	46.877.958	(7.270.865)	(203.025)	42.342.072	(22.215.730)	59.530.410
Finance Income / (Expense), net	(13.141.463)	(85.839)	(4.392.804)	(2.212.163)	9.153.303	(10.678.966)
Operating Profit Before Financial Expense	33.736.495	(7.356.704)	(4.595.829)	40.129.909	(13.062.427)	48.851.444
Tax Expense	(1.750.487)	4.242.991	-	(7.993.430)	(2.140.098)	(7.641.024)
Net Income From Continuing Operations	31.986.008	(3.113.713)	(4.595.829)	32.136.479	(15.202.525)	41.210.420
Discontinued Operations	(3.752.849)	-	-	-	-	(3.752.849)
PROFIT FOR THE PERIOD	28.233.159	(3.113.713)	(4.595.829)	32.136.479	(15.202.525)	37.457.571

(*) Consolidation adjustments that are not associated with the segments are not included in this line.

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

NOTE 3 - SEGMENT REPORTING (cont'd)

e) Segment Assets

	30 June 2018	31 December 2017
Europe, Middle East and Africa	1.327.815.696	991.642.165
Asia	1.330.668.365	1.081.324.750
South America	360.651.218	294.717.558
North America	651.853.031	449.433.174
Segment assets (*)	3.670.988.310	2.817.117.647
Unallocated assets	96.039.249	65.889.689
Less: Intersegment eliminations	(67.701.416)	(16.453.950)
Total assets per consolidated financial statements	3.699.326.143	2.866.553.386

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

f) Segment liabilities

	30 June 2018	31 December 2017
Europe, Middle East and Africa	952.646.866	665.348.273
Asia	323.024.130	259.089.611
South America	269.335.864	205.952.419
North America	193.018.035	76.365.121
Segment liabilities (**)	1.738.024.895	1.206.755.424
Unallocated liabilities	122.191.443	79.696.201
Less: Intersegment eliminations	(116.270.608)	(67.870.115)
Total liabilities per consolidated financial statements	1.743.945.730	1.218.581.510

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

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

g) External revenues

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Fabric	1.115.129.666	593.084.397	951.269.522	464.024.526
Nylon Yarn	320.001.820	168.395.698	241.579.106	122.012.881
Other	103.168.487	63.906.172	46.308.444	21.875.833
	1.538.299.973	825.386.267	1.239.157.072	607.913.240

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NOTE 4 - BORROWINGS

	30 June 2018	31 December 2017
Short-term borrowings	822.707.612	511.678.928
Short-term portion of long term borrowings	1.144.927	19.314.214
Total short term financial liabilities	823.852.539	530.993.142
Long-term borrowings	114.017.481	101.310.884
Total long-term financial liabilities	114.017.481	101.310.884
Total financial liabilities	937.870.020	632.304.026

As at 30 June 2018 and 31 December 2017 the details of short and long term borrowings are as follows:

Bank borrowings

	30 June 2018		31 December 2017	
	Weighted average effective Interest rate %	TL	Weighted average effective Interest rate %	TL
Short-term borrowings				
TL borrowings	16,86	186.245.188	15,07	149.770.583
USD borrowings	3,77	180.311.425	3,60	107.872.165
EUR borrowings	1,05	451.281.944	1,24	249.030.996
Other (*)	10,50	4.869.055	9,40	5.005.184
		822.707.612		511.678.928
Short-term portion of long term borrowings				
USD borrowings	5,01	1.144.927	-	-
TL borrowings	-	-	15,07	19.314.214
		1.144.927		19.314.214
Total short term borrowings		823.852.539		530.993.142
Long-term borrowings				
USD borrowings	5,01	99.410.315	5,01	87.485.680
Other (*)	10,50	14.607.166	10,50	13.825.204
Total long-term borrowings		114.017.481		101.310.884

(*) Comprised of Indonesian Rupee borrowings.

	30 June 2018		31 December 2017	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
USD borrowings	279.721.740	279.721.740	195.357.845	195.357.845
TL borrowings	186.245.188	186.245.188	149.770.583	149.770.583
EUR borrowings	452.426.871	452.426.871	268.345.210	268.345.210
Other	19.476.221	19.476.221	18.830.388	18.830.388
	937.870.020	937.870.020	632.304.026	632.304.026

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

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NOTE 4 – BORROWINGS (cont'd)

The redemption schedules of borrowings are summarized below:

	30 June 2018	31 December 2017
1 to 2 years	30.120.044	23.066.077
2 to 3 years	32.177.013	25.968.014
3 to 4 years	29.965.083	25.968.082
4 to 5 years	7.083.351	24.513.134
Over 5 years	14.671.990	1.795.577
	114.017.481	101.310.884

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

	30 June 2018
1 January 2018 financial liabilities	632.304.026
Current period additions	483.333.894
Current period capital repayments	(261.497.142)
Current period interest expense	20.265.232
Effects of change in foreign exchange	42.566.250
Effects of currency translation	20.897.760
30 June 2018 financial liabilities	937.870.020

NOTE 5 – OTHER RECEIVABLES AND PAYABLES

Other short-term receivables	30 June 2018	31 December 2017
Taxes and other duties (*)	5.515.622	3.774.344
Other	1.396.085	1.708.451
	6.911.707	5.482.795

Other long-term receivables	30 June 2018	31 December 2017
Litigation guarantee receivables (**)	19.007.725	18.504.697
Other	15.417.778	12.098.919
	34.425.503	30.603.616

(*) Taxes and other duties mainly comprise of Kordsa Brasil's other tax receivables from tax incentives for the domestic production which are not collected yet.

(**) This amount related to the guarantees paid to Brazilian courts for the lawsuits against Kordsa Brasil.

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

Other short term payables	30 June 2018	31 December 2017
Taxes and duties payable	20.730.396	11.413.077
Other	383.092	370.530
	21.113.488	11.783.607

Other long term payables	30 June 2018	31 December 2017
Taxes and duties payable (***)	14.037.963	16.847.743
Other	5.949.286	-
	19.987.249	16.847.743

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

NOTE 6 – INVENTORIES

	30 June 2018	31 December 2017
Raw materials and supplies	385.713.708	169.206.630
Finished goods	374.793.133	270.182.186
Semi-finished goods	93.692.769	75.654.875
Spare parts	44.594.530	29.767.670
Intermediate goods	25.200.358	17.128.458
Other inventories	42.765.626	37.185.723
	966.760.124	599.125.542
Less: Provision for obsolescence	(10.008.724)	(13.824.690)
	956.751.400	585.300.852

Movement schedules for provision for obsolescence for the six month periods ended 30 June 2018 and 30 June 2017 are as follows:

	1 January- 30 June 2018	1 January- 30 June 2017
Balances at 1 January	13.824.690	16.422.586
Additions	3.324.542	1.838.407
Reversals	(7.862.904)	(3.585.122)
Currency translation differences	722.396	23.758
Balances at 30 June	10.008.724	14.699.629

The amount of provision for inventory obsolescence classified to cost of goods sold for the periods 30 June 2018 and 30 June 2017.

Total cost of raw materials and supplies within the cost of sales is TL 636.691.642 in current period (1 January – 30 June 2017: TL 555.604.126)

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

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

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the six month periods ended 30 June 2018 is as follows:

	1 January 2018	Additions	Disposals	Transfers(**)	Transfers to Investment Properties(*)	Currency Translation Differences	30 June 2018
Cost:							
Land and land improvements	76.929.971	-	(594.001)	8.986.604	(9.418.120)	8.141.227	84.045.681
Buildings	441.901.137	319.407	-	5.539.195	-	42.628.960	490.388.699
Machinery and equipment	2.175.261.051	6.516.058	(2.113.265)	86.473.620	-	262.936.584	2.529.074.048
Motor vehicles	3.900.115	178.912	(725.514)	-	-	520.425	3.873.938
Furniture and fixtures	81.130.628	2.323.357	(502.030)	4.901.230	-	8.012.766	95.865.951
Construction in progress	181.633.491	95.350.052	(6.713.331)	(111.603.363)	-	8.851.007	167.517.856
	2.960.756.393	104.687.786	(10.648.141)	(5.702.714)	(9.418.120)	331.090.969	3.370.766.173
Accumulated depreciation:							
Land improvements	33.218.604	296.398	(544.751)	-	(8.480.016)	2.739.613	27.229.848
Buildings	220.727.755	6.281.254	-	-	-	19.811.164	246.820.173
Machinery and equipment	1.220.070.237	47.326.511	(1.374.116)	-	-	122.500.653	1.388.523.285
Motor vehicles	2.724.981	270.663	(725.514)	-	-	355.211	2.625.341
Furniture and fixtures	57.280.223	2.739.548	(486.748)	-	-	6.283.524	65.816.547
	1.534.021.800	56.914.374	(3.131.129)	-	(8.480.016)	151.690.165	1.731.015.194
Net book value	1.426.734.593						1.639.750.979

(*) Refer to Note 8

(**) TL 5.702.714 has been transferred to other intangible assets in the six month periods ended 30 June 2018.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

The movement of property, plant and equipment for the six month periods ended 30 June 2017 is as follows:

	1 January 2017	Additions	Disposals	Transfers	Currency Translation Differences	30 June 2017
Cost:						
Land and land improvements	73.609.189	-	(524.044)	-	609.035	73.694.180
Buildings	352.920.133	140.511	-	235.740	1.365.392	354.661.776
Machinery and equipment	1.989.454.268	9.646.267	(1.365.155)	34.058.548	(544.713)	2.031.239.215
Motor vehicles	3.368.246	-	-	7.407	(19.456)	3.356.197
Furniture and fixtures	67.704.965	50.282	(203.277)	4.956.410	(412.395)	72.095.985
Construction in progress	110.579.839	58.988.183	-	(46.607.700)	(1.257.478)	121.702.844
	2.597.636.640	68.825.243	(2.092.476)	(7.359.595)	(259.615)	2.656.750.197
Accumulated depreciation:						
Land improvements	31.270.820	386.580	(21.419)	-	(72.295)	31.563.686
Buildings	199.410.727	3.783.686	-	-	1.180.356	204.374.769
Machinery and equipment	1.097.674.702	40.101.799	(1.345.059)	-	(1.155.252)	1.135.276.190
Motor vehicles	2.865.247	129.690	-	-	(20.859)	2.974.078
Furniture and fixtures	50.582.719	2.339.282	(196.622)	-	(305.818)	52.419.560
	1.381.804.214	46.741.037	(1.563.100)	-	(373.868)	1.426.608.283
Net book value	1.215.832.426					1.230.141.914

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

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

TL 55.414.125 (30 June 2017: TL 45.482.220) of current period depreciation and amortisation expenses are included in cost of sales, TL 475.060 (30 June 2017: TL 1.205.398) is included in research and development expenses and TL 5.660.799 (30 June 2017: TL 3.805.129) is included in general administrative expenses.

NOTE 8 – INVESTMENT PROPERTY

Movement schedule of investment properties for the interim periods ended at 30 June 2018 and 30 June 2017 is as follows:

	30 June 2018	30 June 2017
Balance at the beginning of the year	47.041.172	40.123.712
Gains from change of fair value (*)	34.699.687	-
Disposals	(1.885.890)	-
Currency translation differences	13.828.963	(137.956)
Transfers	938.104	-
Closing balance	94.622.036	39.985.756

(*)The fair value of PT Indo Kordsa's investment properties in the Asia Pacific Region as at 31 December 2017 and 31 December 2016 has been determined by an independent valuation company. The independent appraisal company has sufficient experience and qualification to measure the fair value of the properties in the relevant regions. The fair value of the lands have determined pursuant to market comparative approach that has reflected resembling properties current transaction prices. The highest and the best of the present value has been used in determining the fair value of the lands. No different valuation methodology has been applied in current period.

As at 30 June 2018 TL 34.699.687 of the gain on change of fair value is due to the land where is PT Indo Kordsa in the Asia Pacific Region transferred from property, plant and equipment to investment properties. This amount has been accounted as “other revaluation and remeasurement gain” for under equity and other comprehensive income.

As at 30 June 2018, the Group has a fair value hierarchy of investment properties and related assets at Level 2, with no transition between Level 2 and Level 3 in the current period.

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NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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NOTE 9 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

a) Guarantees given	30 June 2018	31 December 2017
Pledges given to banks	292.152.454	241.623.300
Letter of guarantees	64.209.176	41.682.024
Letter credits	70.277.112	52.028.106
Pledges	978.531	1.137.483
	427.617.273	336.470.913

b) Guarantees received:	30 June 2018	31 December 2017
Letter of guarantees	29.973.903	24.178.284
Cheques and notes received as collateral	315.000	913.067
	30.288.903	25.091.351

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

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

30 June 2018	TL Equivalent	TL	USD	EUR	Thai Baht
A.Total of GPMs given on behalf of own legal personality	427.617.273	9.380.366	76.656.020	12.737.467	7.316.250
B.Total of GPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-
C.GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-
D.Total amount of other GPM	-	-	-	-	-
i. Total amount of GPM given on behalf of the major shareholder	-	-	-	-	-
ii. Total amount of GPM given on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-
iii. Total amount of GPM given on behalf of third parties which are not in scope of clause C	-	-	-	-	-
	427.617.273	9.380.366	76.656.020	12.737.467	7.316.250
31 December 2017	TL Equivalent	TL	USD	EUR	Thai Baht
A.Total of GPMs given on behalf of own legal personality	336.470.913	8.410.708	74.253.052	10.369.738	10.055.500
B.Total of GPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-
C.GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-
D.Total amount of other GPM	-	-	-	-	-
i. Total amount of GPM given on behalf of the major shareholder	-	-	-	-	-
ii. Total amount of GPM given on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-
iii. Total amount of GPM given on behalf of third parties which are not in scope of clause C	-	-	-	-	-
	336.470.913	8.410.708	74.253.052	10.369.738	10.055.500

The ratio of the other GPMs given by the Group to equity is 0% as at 30 June 2018 (As at 31 December 2017 0%).

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NOTE 10 - SALES AND COST OF SALES

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Sales income (gross)	1.563.564.778	838.538.421	1.252.309.804	617.847.642
Sales returns (-)	(4.009.161)	(1.845.614)	(1.613.787)	(452.583)
Sales discounts (-)	(8.694.580)	(4.430.960)	(3.185.488)	(5.075.963)
Other sales discounts (-)	(12.561.064)	(6.875.580)	(8.353.457)	(4.405.856)
Sales Income (Net)	1.538.299.973	825.386.267	1.239.157.072	607.913.240
Cost of sales (-)	(1.210.313.751)	(647.656.814)	(996.657.539)	(501.852.242)
Gross Profit	327.986.222	177.729.453	242.499.533	106.060.998

NOTE 11 - EXPENSES BY NATURE

For the periods ended 30 June 2018 and 2017, expenses by nature of the cost of sales, general and administrative expenses, marketing expenses and research and development expenses, respectively, comprised the following:

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Raw material and supply expenses	636.691.642	317.525.705	555.604.126	284.129.276
Personnel expenses	180.392.766	86.398.792	177.282.607	85.588.648
Energy expenses	113.451.200	52.706.482	110.309.812	49.101.206
Depreciation and amortization expenses	61.549.984	32.166.409	50.492.747	25.368.801
Distribution expenses	39.056.596	21.427.394	29.734.803	14.697.573
Packing expenses	27.578.372	13.301.060	22.953.980	10.934.954
Consultancy expenses	15.001.100	6.822.107	9.249.525	6.188.140
Idle mill expenses	3.395.103	2.127.302	3.603.666	2.894.383
Service, maintenance expenses	1.640.586	743.655	1.408.507	784.891
Rent expenses	1.750.441	916.202	1.478.770	791.266
Other	256.370.969	180.253.773	129.611.863	69.568.236
	1.336.878.759	714.388.881	1.096.535.293	550.047.374

NOTE 12 - OTHER OPERATING INCOME AND EXPENSES

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Other operating income				
Foreign exchange gains on trade receivables	221.046.327	139.818.185	41.522.648	5.444.309
Domestic production incentive income (*)	14.030.738	7.786.212	12.531.100	5.650.340
Unearned finance income on credit sales	11.554.235	6.742.183	5.708.897	3.379.566
Rent income	639.104	319.552	135.739	71.369
Export incentive income	754.880	455.746	237.111	59.072
Other	2.516.216	231.327	3.696.435	673.025
	250.541.500	155.353.205	63.831.930	15.277.681

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

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

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Other operating expenses				
Foreign exchange losses on trade payables	189.134.686	123.714.882	34.259.487	8.211.281
Donations	9.640.361	5.380.492	7.604.280	4.008.750
Unrealized finance expense on credit purchase	5.656.368	3.049.899	3.666.615	1.843.183
Taxes and duties	2.919.275	2.318.657	4.609.191	2.315.393
Other	993.987	(619.708)	4.574.913	1.422.659
	208.344.677	133.844.223	54.714.486	17.801.266

NOTE 13 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Income from investing activities				
Gain from sale of investment properties	1.885.890	1.762.404	-	-
Interest income	1.516.162	739.535	1.734.234	1.351.205
Gain on sale of property, plant and equipment	149.235	138.250	7.012.730	3.085.618
	3.551.287	2.640.189	8.746.964	4.436.823

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Expense from investing activities				
Loss on sale of property, plant and equipment	414.732	264.045	252.433	248.694
	414.732	264.045	252.433	248.694

NOTE 14 - FINANCIAL INCOME/ EXPENSES

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Finance income				
Gain on derivative instruments	8.921.738	8.764.184	-	-
	8.921.738	8.764.184	-	-

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Finance expense				
Foreign exchange losses	42.605.096	24.828.963	5.497.150	2.449.835
Interest expenses	20.265.232	14.302.307	14.578.079	8.313.452
Losses on derivative instruments	1.585.748	-	2.770.585	(210.716)
Other financial expenses	1.617.244	480.731	620.246	126.395
	66.073.320	39.612.001	23.466.060	10.678.966

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NOTE 15 - TAXATION ON INCOME

Corporate Tax

	30 June 2018	31 December 2017
Corporate tax payable	23.072.400	18.909.161
Less: Prepaid taxes on income	(13.572.887)	(24.393.155)
	9.499.513	(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 condensed consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

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

In Turkey, corporate tax rate is 22% as at 30 June 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 30 June 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.

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NOTE 15 - TAXATION ON INCOME (cont'd)

The taxes on income presented in the condensed consolidated statement of profit or loss for the periods ended 30 June 2018 and 2017 are summarized as follows:

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Current period corporate tax expense	(31.895.300)	(18.695.404)	(25.110.849)	(13.309.043)
Deferred tax income / (expense)	(2.368.206)	(1.244.666)	3.869.602	5.668.019
	(34.263.506)	(19.940.070)	(21.241.247)	(7.641.024)

Deferred taxes

	30 June 2018	31 December 2017
Deferred tax assets	59.630.315	38.415.780
Deferred tax liabilities	(143.402.174)	(109.829.915)
Deferred tax liabilities – net	(83.771.859)	(71.414.135)

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

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

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

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NOTE 15 - TAXATION ON INCOME (cont'd)

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 30 June 2018 and 31 December 2017 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/liabilities	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Provision for employment termination benefits	78.618.677	68.397.518	18.583.842	15.948.789
Inventories	(11.594.122)	5.744.295	(3.013.023)	1.149.694
Consignment sales adjustment	74.506.281	5.565.019	16.391.382	1.224.304
Finance income	2.550.530	1.807.636	561.117	397.680
Other, net	109.625.618	83.699.357	27.106.997	19.695.313
Deferred tax assets			59.630.315	38.415.780
Property, plant and equipment and intangibles	341.296.008	249.348.549	(81.020.646)	(81.679.888)
Other, net	248.743.957	139.746.303	(62.381.528)	(28.150.027)
Deferred tax liability			(143.402.174)	(109.829.915)
Net deferred tax liability			(83.771.859)	(71.414.135)

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NOTE 15 - TAXATION ON INCOME (cont'd)

Movements of deferred tax balances for the six months period ended 30 June 2018 and 30 June 2017 are as follows:

	1 January- 30 June 2018	1 January- 30 June 2017
Balance at 1 January	(71.414.135)	(69.115.130)
Current year deferred income / (expense)-net	(2.368.206)	3.869.602
Charges to equity	(1.324.476)	1.771.791
Currency translation differences	(8.665.042)	2.324.184
Balances 30 June	(83.771.859)	(61.149.553)

NOTE 16 – EARNING PER SHARE

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

	1 January- 30 June 2018	1 January- 30 June 2017
Net income attributable to equity holders of the parent	135.748.098	88.104.071
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	6,98	4,53
 Earnings per share from continuing operations		
Net income attributable to equity holder of the parent	135.734.381	90.018.024
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	6,98	4,63
 Earnings per share from continuing operations		
Net income attributable to equity holders of the parent	13.717	(1.913.953)
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	-	(0,10)

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NOTE 17 – RELATED PARTY DISCLOSURES

Bank balances:	30 June 2018	31 December 2017
Akbank T.A.Ş. – demand deposits	1.297.521	1.316.653
	1.297.521	1.316.653

	30 June 2018	31 December 2017
Akbank T.A.Ş. – bank borrowings	61.493.600	142.989.264
	61.493.600	142.989.264

Due from related parties:	30 June 2018	31 December 2017
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. (“Brisa”)	36.318.765	26.716.953
Aksigorta A.Ş.	314.121	-
Sabancı Holding	165.113	-
Sabancı Üniversitesi	123.911	99.427
Enerjisa Enerji Üretim A.Ş. (“Enerjisa”)	60.121	173.735
Akçansa	-	827.263
Other	3.268	100.907
	36.985.299	27.918.285

Due to related parties:	30 June 2018	31 December 2017
Sabancı Üniversitesi	9.467.835	1.891.031
Enerjisa Enerji Üretim A.Ş. (“Enerjisa”)	5.010.860	4.569.248
Bimsa	1.009.784	1.219.629
Aksigorta A.Ş.	756.302	-
Teknosa İç ve Dış Ticaret A.Ş. (“Teknosa”)	-	156.947
Other	108.289	104.854
	16.353.070	7.941.709

Product sales	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Brisa	48.237.452	26.283.483	35.340.987	17.563.449
Other	49.056	7.345	-	-
	48.286.508	26.290.828	35.340.987	17.563.449

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017**

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NOTE 17 – RELATED PARTY DISCLOSURES (cont’d)

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Service sales				
Enerjisa Enerji Uretim A.S	561.057	364.641	-	-
Sabancı Holding	6.092	6.092	-	-
	567.149	370.733	-	-
Service received				
Aksigorta	5.349.597	(943.020)	6.369.452	1.272.845
Bimsa	1.645.940	925.188	2.532.958	1.577.366
AvivaSA Emeklilik ve Hayat A.Ş.	547.773	220	520.999	-
Sabancı Holding	8.616	146	-	-
Sabancı Üniversitesi	-	-	515.638	448.297
Other	285.194	-	419.559	-
	7.837.120	(17.466)	10.358.606	3.298.508
Property, plant and equipment purchases				
Bimsa	263.328	156.650	167.639	-
Other	33.384	33.384	-	-
	296.712	190.034	167.639	-

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NOTE 17 – RELATED PARTY DISCLOSURES (cont’d)

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Interest income				
Akbank T.A.Ş.	503.121	143.408	476.488	281.637
Interest expense				
Akbank T.A.Ş.	2.556.143	(195.403)	2.806.072	1.416.176
Foreign exchange gains / (losses) -net:				
Akbank T.A.Ş.	5.436	4.837	3.314	-
Rent income				
Bimsa	40.736	20.368	29.858	11.943
Donations				
Sabancı Üniversitesi	9.467.835	5.365.352	7.500.000	4.000.000

Transactions with key management personnel:

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

Details of the remunerations provided by the Group for 30 June 2018 and 2017 are as follows:

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Short term employee benefits	9.149.103	4.413.903	5.897.442	2.792.877
Other long term benefits	-	-	54.021	25.906
Post employment benefits	131.437	24.819	182.728	72.411
	9.280.540	4.438.722	6.134.191	2.891.194

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NOTE 17 – RELATED PARTY DISCLOSURES (cont’d)

Security and guarantee letters given

None.

NOTE 18 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Foreign exchange risk

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

Foreign currency position

Group’s assets and liabilities denominated in foreign currencies at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
Assets (a+c)	565.383.197	465.556.999
Liabilities (b)	(623.295.984)	(472.718.973)
Net foreign currency position	(57.912.787)	(7.161.974)

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NOTE 18 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

30 June 2018	Total TL Equivalents	USD (*)	EUR (*)	Indonesian Rupiah (‘000) (*)	Brazilian Real (*)	Other TL Equivalent
Assets:						
Trade receivables	237.741.698	13.932.189	30.698.759	85.377.689	-	-
Cash and cash equivalents	8.788.472	617.654	54.610	17.873.350	-	22.407
Other monetary receivables and assets	1.396.085	-	-	1.242.104	-	-
Other non-monetary receivables and assets	19.312.191	-	698	64.148.875	-	-
Current assets	267.238.446	14.549.844	30.754.067	168.642.019	-	22.407
Financial assets available for sale	-	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-	-
Non-current assets	-	-	-	-	-	-
Total assets (a)	267.238.446	14.549.844	30.754.067	168.642.019	-	22.407
Liabilities:						
Trade Payables	162.421.850	27.646.061	5.324.774	23.090.665	12.641	739.784
Borrowings	438.553.285	17.564.097	67.565.737	2.040.296	-	-
Other monetary payables and liabilities	7.846.885	868.528	265.513	7.820.316	-	-
Total short term liabilities	608.822.020	46.078.686	73.156.024	32.951.277	12.641	739.784
Borrowings	14.473.965	-	-	45.712.936	-	-
Other monetary payables and liabilities	-	-	-	-	-	-
Total long term liabilities	14.473.965	-	-	45.712.936	-	-
Total liabilities (b)	623.295.984	46.078.686	73.156.024	78.664.213	12.641	739.784
Off-balance sheet derivative assets (c)	298.144.751	181.891	56.000.000	-	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-	-
Net foreign currency asset/(liability) position (a-b+c-d)	(57.912.787)	(31.346.951)	13.598.043	89.977.806	(12.641)	(717.377)
Fair value of financial instruments used for foreign currency hedge	12.991.805	-	-	-	-	-
Hedged portion of foreign currency assets	-	-	-	-	-	-
Hedged portion of foreign currency liabilities	298.144.751	181.891	56.000.000	-	-	-

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

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

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

31 December 2017	Total TL Equivalents	USD (*)	EUR (*)	Thai Baht (*)	Indonesian Rupiah ('000) (*)	Brazilian Real (*)	Other TL Equivalent
Assets:							
Trade receivables	181.228.546	15.520.175	22.166.049	-	83.520.171	-	-
Cash and cash equivalents	3.347.771	163.831	300.988	-	4.916.222	-	1.982
Other monetary receivables and assets	1.708.451	-	-	-	1.491.900	-	-
Other non-monetary receivables 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
Financial assets available for sale	-	-	-	-	-	-	-
Other monetary receivables 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	85.620	2.659.229
Borrowings	336.781.635	22.111.886	55.150.259	-	17.977.739	-	-
Other monetary payables and liabilities	2.370.858	6.332	-	-	8.429.916	-	-
Total short term liabilities	458.892.764	45.649.213	60.163.230	-	46.393.571	85.620	2.659.229
Borrowings	13.826.208	-	-	-	49.657.695	-	-
Other monetary payables and liabilities	-	-	-	-	-	-	-
Total long term liabilities	13.826.208	-	-	-	49.657.695	-	-
Total liabilities (b)	472.718.972	45.649.213	60.163.230	-	96.051.266	85.620	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 (a-b+c-d)	(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 currency hedge	5.893.324			-			
Hedged portion of foreign currency assets	-	-	-	-	-	-	-
Hedged portion of foreign currency liabilities	253.554.075	181.891	56.000.000	-	-	-	-

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30 JUNE 2018 AND 2017

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

NOTE 18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

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

	30 June 2018	31 December 2017
Closing rates		
USD	4,5607	3,7719
EUR	5,3092	4,5155
Indonesian Rubiah (1000 units)	0,3166	0,2784
Brazilian Real	1,1828	1,1402
Thai Baht	0,1375	0,1154
Egyptian Pound	0,2553	0,2125

	30 June 2018	30 June 2017
Average rates		
USD	4,0848	3,6367
EUR	4,9401	3,9308
Indonesian Rubiah (1000 units)	0,2966	0,2735
Brazilian Real	1,1928	1,1442
Thai Baht	0,1287	0,1048
Egyptian Pound	0,2302	0,2085

A change of the TL against the other currencies below would have effect the condensed consolidated financial statement as at 30 June 2018 and 31 December 2017 as follows:

30 June 2018

	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
USD net assets/liabilities	(14.296.404)	14.296.404	50.886.403	(50.886.403)
Hedged portion of USD (-)	-	-	-	-
USD net effect	(14.296.404)	14.296.404	50.886.403	(50.886.403)
Change in EUR against TL by 10%				
EUR net assets/liabilities	7.219.473	(7.219.473)	-	-
Hedged portion EUR (-)	-	-	-	-
EUR net effect	7.219.473	(7.219.473)	-	-
Change in other currency against TL by 10%				
Other currency net assets/liabilities	1.285.652	(1.285.652)	-	-
Hedged portion of other currency (-)	-	-	-	-
Other currency net effect	1.285.652	(1.285.652)	-	-
	(5.791.279)	5.791.279	50.886.403	(50.886.403)

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NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED

30 JUNE 2018 AND 2017

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

NOTE 18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

31 December 2017

	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
USD net assets/liabilities	(11.233.969)	11.233.969	41.373.078	(41.373.078)
Hedged portion of USD (-)	-	-	-	-
USD net effect	(11.233.969)	11.233.969	41.373.078	(41.373.078)
Change in EUR against TL by 10%				
EUR net assets/liabilities	8.265.841	(8.265.841)	-	-
Hedged portion of EUR (-)	-	-	-	-
EUR net effect	8.265.841	(8.265.841)	-	-
Change in other currency against TL by 10%				
Other currency net assets/liabilities	2.251.931	(2.251.931)	-	-
Hedged portion of other currency (-)	-	-	-	-
Other currency net effect	2.251.931	(2.251.931)	-	-
	(716.197)	716.197	41.373.078	(41.373.078)

Export and import balances from Turkey as at 30 June 2018 and 2017 is as follows:

	30 June 2018		30 June 2017	
	Original balance	TL	Original balance	TL
EUR	72.002.359	344.087.097	68.332.229	268.483.924
USD	38.275.891	156.350.126	34.544.607	125.796.083
TL	4.746.575	4.746.575	-	-
Total export	505.183.798			394.280.007
Total import			1 January- 30 June 2018	1 January- 30 June 2017
			397.171.417	285.522.334

Derivative financial instruments:

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 6 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 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 reporting date.

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NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED

30 JUNE 2018 AND 2017

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

NOTE 18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

As at 30 June 2018 and 31 December 2017 net book values of the derivative financial instruments are summarized as follows:

30 June 2018	Average Rate	Foreign Currency (TL)	Contract Value (USD)	Fair Value (TL)
USD buy EUR sell				
Less than 3 months	1,2557	31.855.200	7.534.200	2.353.261
Between 3-6 months	1,2557	31.855.200	7.534.200	2.103.716
BRL buy USD sell	Average Rate	Foreign Currency (TL)	Contract Value (BRL)	Fair Value (TL)
Less than 3 months	3,1950	21.577.867	12.780.000	1.835.108
Between 3-6 months	3,3795	75.657.395	45.950.750	7.835.556
				14.127.641
IDR buy USD sell	Average Rate	Foreign Currency (TL)	Contract Value (IDR)	Fair Value (TL)
Less than 3 months	13.948	16.555.341	50.675.800.000	(517.441)
Between 3-6 months	14.025	15.506.380	47.701.800.000	(618.395)
				(1.135.836)

31 December 2017:

The Group has performed a EUR / TL rate swap for the principal and interest repayment amounted TL 94 million with a maturity of 3 months and an interest rate of 15,75% at 27 November 2017. In this context, principal repayments to be made on 26 February 2018 were fixed at 20 million Euro, interest payments at 4.7% interest rate and EUR / TL: 4,8604. The fair value of this transaction is amounting to TL 5.482.795.

Hedge reserve movement table

	1 January- 30 June 2018	1 January- 30 June 2017
Balances at 1 January	11.635	988.581
Increases / decreases	3.456.481	(7.714.307)
Tax related to gains / losses recognized in other comprehensive income	(1.300.899)	1.553.138
Foreign currency translation differences	2.456.696	(51.381)
Balances at 30 June	4.623.913	(5.223.969)

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

NOTE 18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

Fair value estimation

The fair value of the financial assets and liabilities is determined as follows:

- Level 1: Financial assets and liabilities are measured at quoted market prices in active market for identical assets and liabilities.
- Level 2: Financial assets and liabilities are measured using inputs that are used to determine the price of the asset or liability that is observable either directly or indirectly in the market, other than quoted included within Level 1.
- Level 3: Financial assets and liabilities are measured using inputs that are based on unobservable basis in market for the fair value of an asset or liability.

Financial assets / Financial liabilities	Fair value		Fair value level	Valuation technique
	30 June 2018	31 December 2017		
Foreign currency forward / swap contracts, net	12.991.805	5.893.324	Level 2	Discounted cash flow method: Future cash flows estimated using forward exchange rates (observable forward exchange rates at the end of the reporting period) and contract rates are discounted using a rate that reflects the credit risk of the various parties.

Hedges of Net Investment in a Foreign Operation:

When there are derivative instruments or non-derivative financial liabilities arising from net investments abroad in order to hedge financial risks;

The gain or loss arising from the fair value hedge of the hedging instrument is recognized in other comprehensive income as translation reserves. The ineffective portion of the difference arising from the fair value of the hedging instrument is recognized directly in profit or loss. Gains or losses recognized in other comprehensive income related to the effective portion of the hedging instrument are reclassified to profit or loss as a result of other comprehensive income as a reclassification adjustment in the hedging of the hedged item or net investment in foreign operations.

The Company subjected the net investment in its foreign subsidiaries and the US Dollar borrowings in other subsidiaries to the hedge of a net investment in foreign operations.

The Company accounted for foreign exchange losses arising from borrowings amounting to TL 43.533.551 (31 December 2017: TL 45.672.408 foreign exchange loss) under Currency Translation Reserves in Equity in accordance with TAS 39 and TFRS Interpretation 16.

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

Net profit amounting to TL 26.896 for the six month period ended 30 June 2018 presented in the condensed consolidated profit or loss comprises the profit from Nile Kordsa (1 January – 30 June 2017: TL 3.752.849 loss).

NOTE 20 - INTEREST IN OTHER ENTITIES

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

Subsidiary	30 June 2018			
	Non-controlling interests %	Profit / (loss) allocated to non-controlling interests	Net profit / loss attributable to non-controlling interests	Dividend distributed to non-controlling interests
PT Indo Kordsa Tbk (*)	38,42%	23.042.084	429.768.693	32.796.277
Other		(3.423.782)	(1.743.072)	
Total		19.618.302	428.025.621	

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

Summary balance sheet information:

	PT Indo Kordsa Tbk	
	30 June 2018	31 December 2017
Cash and cash equivalents	31.372.126	12.656.926
Other current assets	427.855.659	356.058.791
Non-current assets	910.108.683	743.568.836
Total assets	1.369.336.468	1.112.284.553
Short term borrowings	60.911.308	23.159.891
Other short term liabilities	125.662.418	114.473.522
Long term borrowings	114.016.318	101.309.879
Other long term liabilities	76.470.204	62.523.359
Total liabilities	377.060.248	301.466.651
Total equity	992.276.220	810.817.902
Equity attributable to owners of the parent	913.458.147	740.919.682
Non-controlling interests (*)	78.818.073	69.898.220

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

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

Summary of the profit or loss statement information:

	PT Indo Kordsa Tbk (*)	
	1 January – 30 June 2018	1 January – 30 June 2017
Sales	498.800.103	419.477.307
Cost of sales	(386.110.208)	(304.000.185)
Depreciation and amortization	(22.216.461)	(18.821.011)
Operating profit / (loss)	65.560.935	74.543.252
Net financial income / (expense)	(5.586.745)	(4.633.791)
Profit / (loss) before tax	59.974.190	69.909.461
Tax expenses (-)	(17.764.012)	(16.482.301)
Minority interests (**)	(19.367.725)	(25.483.799)
Profit for the period	22.842.453	27.943.361

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

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

NOTE 21 – EVENTS AFTER THE REPORTING PERIOD

The Group's wholly-owned subsidiary of Kordsa, Inc. which is located in the United States of America, has completed the purchase of two separate companies named "Fabric Development, Inc." and "Textile Products, Inc." owned by Piyush A.Shah and Abantika P.Shah which provides advanced composite materials to the commercial aviation industry for USD 98.181.859. Regarding the acquisition of related companies, the borrowing amounting to USD 100,000,000 was obtained from Bank of America Merrill Lynch.

Regarding to acquisition, the Company has decided to participate in the capital increase of Kordsa Inc. with the decision of the Board of Directors dated 13 July 2018 numbered 2018/23. The estimated increase in total capital is amounting USD 65.000.000. The Company will participate in the line with its ownership percentage at Kordsa Inc. which is 100%.

According to the Group Board of Directors Decision dated 31 December 2015 numbered 2015/29, the Company has a 51% shareholding as of 31 December 2015, Nile Kordsa Company for Industrial Fabrics S.A.E. it has been decided to classify the financial statements as "Asset held for sale" in the balance sheet. Thus it was decided to start the liquidation process at the Nile Kordsa General Assembly held on 30 July 2018.