

**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 2020 together with
Independent Auditor's Report on Review of
Interim Financial Information

(Originally Issued in Turkish)

7 August 2020

This report contains 2 pages of Independent Auditor's Report on Review and 50 pages of condensed consolidated financial statements together with their explanatory notes.



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

Independent Auditor's Report on Review of Interim 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 2020, the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows ("the condensed consolidated interim financial information") 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 firm of KPMG International Cooperative

A handwritten signature in blue ink, consisting of a stylized 'R' followed by a horizontal line and a small flourish.

Ruşen Fikret Selamet, SMMM

Partner

7 August 2020

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 2020

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

	Notes	Reviewed 30 June 2020	Audited 31 Aralık 2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	720.045.785	729.636.576
Financial Investments		88	76
Trade Receivables	6	672.755.838	969.210.914
<i>Trade Receivables from Related Parties</i>	21	44.903.422	77.461.866
<i>Trade Receivables from Third Parties</i>		627.852.416	891.749.048
Other Receivables	7	53.860.955	25.785.710
<i>Other Receivables from Third Parties</i>		53.860.955	25.785.710
Derivatives		61.815.154	8.146.818
<i>Derivative financial assets</i>	23	61.815.154	8.146.818
Inventories	8	1.467.923.207	1.231.050.823
Prepayments		66.220.716	41.551.462
<i>Prepayments to Third Parties</i>		66.220.716	41.551.462
Current Tax Assets	20	-	4.312.390
Other Current Assets		64.320.389	58.207.881
<i>Other Current Assets from Third Parties</i>		64.320.389	58.207.881
Subtotal		3.106.942.132	3.067.902.650
Assets Held for Sale		8.565.339	7.347.731
Current Assets		3.115.507.471	3.075.250.381
Non-Current Assets			
Financial Investments		588.198	585.981
Other Receivables	7	37.382.611	41.441.509
Investment Properties	12	159.152.037	138.171.192
Property, Plant and Equipment	9	2.316.567.506	2.174.297.121
Right of Use Assets	11	93.247.020	83.802.346
Intangible Assets		1.644.051.569	1.531.484.773
<i>Goodwill</i>	13	825.834.455	798.034.611
<i>Other Intangible Assets</i>	10	818.217.114	733.450.162
Prepayments		23.501.668	9.051.777
<i>Prepayments to Third Parties</i>		23.501.668	9.051.777
Deferred Tax Assets	20	65.417.392	44.284.637
Other Non-Current Assets		82.117.477	72.254.616
Non-Current Assets		4.422.025.478	4.095.373.952
Total Assets		7.537.532.949	7.170.624.333

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 2020

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

	Notes	Reviewed 30 June 2020	Audited 31 Aralık 2019
LIABILITIES			
Short Term Liabilities			
Short Term Loans and Borrowings	5	3.224.275.156	1.699.341.631
Short Term Portion of Long Term Loans and Borrowings	5	-	96.925.852
Short Term Lease Liabilities		10.427.655	9.592.693
Trade Payables		393.781.484	620.387.291
<i>Due to Related Parties</i>	22	14.602.297	12.103.105
<i>Due to Third Parties</i>		379.179.187	608.284.186
Payables Related to Employee Benefits		16.243.865	10.539.421
Other Payables	7	70.095.116	42.283.219
<i>Other Payables to Third Parties</i>		70.095.116	42.283.219
Deferred Revenue		11.897.277	9.641.055
<i>Deferred Revenue from Third Parties</i>		11.897.277	9.641.055
Current Tax Liabilities	20	5.129.831	-
Short Term Provisions		33.332.661	48.940.287
<i>Short Term Employee Benefits</i>		33.332.661	48.940.287
Other Short Term Liabilities		73.650.419	53.708.642
<i>Other Current Liabilities to Third Parties</i>		73.650.419	53.708.642
Derivative financial instruments	23	59.677.031	14.828.992
Subtotal		3.898.510.495	2.606.189.083
Liability directly associated with the assets held for sale		3.562.107	3.116.609
Total short term liabilities		3.902.072.602	2.609.305.692
Long term liabilities			
Long term borrowings	5	69.497.155	1.232.858.578
Long Term Lease Liabilities		86.449.463	75.390.820
Other Payables	7	12.591.516	14.244.118
<i>Other Payables to Third Parties</i>		12.591.516	14.244.118
Other Long Term Liabilities		39.856.647	33.681.278
Long Term Provisions		103.967.902	92.604.113
<i>Long Term Employee Benefits</i>		97.454.668	86.116.601
<i>Other Long Term Provisions</i>		6.513.234	6.487.512
Deferred Tax Liabilities	20	338.254.388	292.981.127
Total Long Term Liabilities		650.617.071	1.741.760.034
Total Liabilities		4.552.689.673	4.351.065.726
Shareholder's Equity			
Equity Attributable to Owners of the Company		2.349.849.502	2.246.916.091
Share Capital		194.529.076	194.529.076
Share Premium		62.052.856	62.052.856
Kontrol Gücü Olmayan Paylara İlişkin Satış Opsiyon Değerleme Fonu		(29.892.485)	(25.260.958)
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or (Loss)		36.067.283	36.119.595
<i>Revaluation and Remeasurement Gain / (Loss)</i>		(3.959.814)	(3.907.502)
<i>Defined benefit plans remeasurement fund</i>		(3.959.814)	(3.907.502)
<i>Revaluation and reclassification gain /(loss)</i>		40.027.097	40.027.097
<i>Other revaluation and reclassification gain/(loss)</i>		40.027.097	40.027.097
Other comprehensive income or expenses that will be reclassified to profit or (loss)		823.938.782	742.017.606
<i>Currency translation difference</i>		827.197.705	742.290.484
<i>Gain/loss on hedge reserve</i>		(2.988.772)	(2.727)
<i>Cash flow hedge gains/loss</i>		(2.988.772)	(2.727)
<i>Revaluation and reclassification gain /(loss)</i>		(270.151)	(270.151)
<i>Other Financial Assets Fair Value</i>		(270.151)	(270.151)
Restricted Reserves		171.866.385	122.445.409
Retained Earnings		1.016.959.262	775.257.436
Profit for the period		74.328.343	339.755.071
Non-Controlling Interests		634.993.774	572.642.516
Total Equity		2.984.843.276	2.819.558.607
Total Liabilities and Equity		7.537.532.949	7.170.624.333

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 2020 AND 2019

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

	Notes	Reviewed 1 January- 30 June 2020	Reviewed 1 April- 30 June 2020	Reviewed 1 January- 30 June 2019	Reviewed 1 April- 30 June 2019
PROFIT or LOSS					
Revenue	15	2.006.534.475	807.564.335	2.585.979.670	1.320.839.159
Cost of Sales	15	(1.644.592.824)	(660.866.366)	(2.060.259.230)	(1.052.003.950)
GROSS PROFIT		361.941.651	146.697.969	525.720.440	268.835.209
General and Administrative Expenses	16	(132.869.585)	(63.135.443)	(104.951.247)	(54.059.530)
Marketing Expenses	16	(86.998.324)	(34.242.750)	(102.080.566)	(51.923.712)
Research and Development Expenses	16	(9.718.881)	(5.003.201)	(3.596.079)	(2.030.959)
Other Income From Operating Activities	17	82.410.605	43.199.917	89.700.306	44.461.719
Other Expense From Operating Activities	17	(23.274.006)	(11.757.443)	(43.554.620)	(24.944.198)
OPERATING PROFIT		191.491.460	75.759.049	361.238.234	180.338.529
Income From Investing Activities	18	6.478.001	5.368.031	2.774.122	1.508.528
Expenses From Investing Activities	18	(395.298)	(291.484)	(247.912)	(78.997)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		197.574.163	80.835.596	363.764.444	181.768.060
Finance Income	19	78.147.269	57.256.613	2.661.250	145.109
Finance Expense	19	(188.620.088)	(118.304.836)	(86.890.178)	(42.537.269)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		87.101.344	19.787.373	279.535.516	139.375.900
Tax Expense From Continuing Operations		(12.066.957)	(6.571.942)	(60.506.863)	(31.123.201)
<i>Current Tax Expense</i>	20	(6.958.532)	(514.737)	(51.495.785)	(28.669.542)
<i>Deferred Tax (Expense) / Benefit</i>	20	(5.108.425)	(6.057.205)	(9.011.078)	(2.453.659)
PROFIT FROM CONTINUING OPERATIONS		75.034.387	13.215.431	219.028.653	108.252.699
PROFIT/ (LOSS) FROM DISCONTINUED OPERATIONS	24	(5.957)	16.870	(59.957)	(38.221)
PROFIT FOR THE PERIOD		75.028.430	13.232.301	218.968.696	108.214.478
Profit Attributable To:					
Non-Controlling Interests		700.087	(2.134.661)	27.776.884	10.054.806
Owners of the Parent		74.328.343	15.366.962	191.191.812	98.159.672
Earnings per shares	21	3,82	0,79	9,83	5,05
<i>Earnings per share from continuing operations</i>	21	3,82	0,79	9,83	5,05
<i>Loss per share from discontinuing operations</i>	21	-	-	-	-
<i>Diluted earnings per share</i>	21	3,82	0,79	9,83	5,05

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 2020 AND 2019**

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

	Reviewed 1 January- 30 June 2020	Reviewed 1 April- 30 June 2020	Reviewed 1 January- 30 June 2019	Reviewed 1 April- 30 June 2019
PROFIT FOR THE PERIOD	75.028.430	13.232.301	218.968.696	108.214.478
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss	(52.312)	(52.312)	(199.524)	223.925
<i>Defined benefit plans remeasurement fund</i>	(69.749)	(69.749)	(255.800)	287.083
<i>Deferred tax benefit/(expense)(*)</i> 20	17.437	17.437	56.276	(63.158)
Items that are or may be reclassified subsequently to profit or loss	147.939.790	112.689.743	180.102.301	50.691.498
<i>Foreign currency translation differences, after tax</i>	150.925.835	105.200.029	178.281.060	48.165.202
<i>Hedging reserve gain/(loss)</i>	(3.828.263)	6.759.555	2.243.908	3.125.227
<i>Deferred tax benefit/(expense)(*)</i> 20	842.218	730.159	(422.667)	(598.931)
Total other comprehensive income	147.887.478	112.637.431	179.902.777	50.915.423
Total comprehensive income	222.915.908	125.869.732	398.871.473	159.129.901
Total comprehensive income attributable to:				
Non-controlling interests	66.718.701	21.494.312	85.581.857	28.846.512
Owners of the company	156.197.207	104.375.420	313.289.616	130.283.389

(*) 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 2020 AND 2019

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

				Other comprehensive income or expenses that will not be reclassified to profit or loss		Other comprehensive income or expenses that will be reclassified to profit or loss			Retained earnings					
	Share capital	Share premium	Put option valuation fund on non-controlling interest	Revaluation and remeasurement gain/(loss)		Currency translation differences	Gain/(loss) on hedge reserve	Revaluation and reclassification gain/(loss)	Restricted reserves	Retained earnings	Net profit for the year	Equity attributable to owners of the company	Non-controlling interests	Total equity
				Defined benefit plans Remeasurement fund	Other revaluation and reclassification gain/(loss)		Gain/(loss) on cash flow hedge	Other revaluation and reclassification gain/(loss)						
Balance at 1 January 2019	194.529.076	62.052.856	-	(2.881.729)	40.027.097	576.104.345	(454.977)	(270.151)	69.754.663	603.575.651	292.457.708	1.834.894.539	504.019.429	2.338.913.968
Transfer	-	-	-	-	-	-	-	-	52.690.746	239.766.962	(292.457.708)	-	-	-
Total comprehensive Income	-	-	-	(199.524)	-	120.476.087	1.821.241	-	-	-	191.191.812	313.289.616	85.581.857	398.871.473
Dividend paid (*)	-	-	-	-	-	-	-	-	-	(68.085.177)	-	(68.085.177)	(28.856.150)	(96.941.327)
Balance at 30 June 2020	194.529.076	62.052.856	-	(3.081.253)	40.027.097	696.580.432	1.366.264	(270.151)	122.445.409	775.257.436	191.191.812	2.080.098.978	560.745.136	2.640.844.114
Balance at 1 January 2020	194.529.076	62.052.856	(25.260.958)	(3.907.502)	40.027.097	742.290.484	(2.727)	(270.151)	122.445.409	775.257.436	339.755.071	2.246.916.091	572.642.516	2.819.558.607
Transfer	-	-	-	-	-	-	-	-	49.420.976	290.334.095	(339.755.071)	-	-	-
Total comprehensive Income	-	-	-	(52.312)	-	84.907.221	(2.986.045)	-	-	-	74.328.343	156.197.207	66.718.701	222.915.908
Gains/(losses) due to other changes (***)	-	-	(4.631.527)	-	-	-	-	-	-	-	-	(4.631.527)	-	(4.631.527)
Dividend paid (**)	-	-	-	-	-	-	-	-	-	(48.632.269)	-	(48.632.269)	(4.367.443)	(52.999.712)
Balance at 30 June 2020	194.529.076	62.052.856	(29.892.485)	(3.959.814)	40.027.097	827.197.705	(2.988.772)	(270.151)	171.866.385	1.016.959.262	74.328.343	2.349.849.502	634.993.774	2.984.843.276

(*) In accordance with the Ordinary General Assembly Meeting for 2019 of the Group held on 20 March 2019 the Company distributed a dividend of 35% gross and 29.75% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 68.085.177 (gross TL per share 0,35, net TL per share 0,2975). In accordance with the resolution, the dividend payment was made after 25 March 2019.

(**) In accordance with the Ordinary General Assembly Meeting for 2020 of the Group held on 25 March 2020, the company distributed a dividend of 25% gross and 21,25% net profit to shareholders representing TL 194.529.076 of the capital in accordance with their legal status, amounting to TL 48.632.269 (Per share TL 0,25 gross and TL 0,2125 net.) In accordance with the resolution, the dividend payment was made on 26 March 2020.

(***)The increase (decrease) due to other changes consists of the put option valuation fund of the non-controlling shares of the Group's subsidiary Axiom Materials Acquisition LLC.

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 2020 AND 2019

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

	Notes	Reviewed 1 January- 30 June 2020	Reviewed 1 January- 30 June 2019
A. CASH FLOWS (USED IN)/ FROM BY OPERATING ACTIVITIES		224.521.520	319.861.512
CASH FLOWS FROM BY OPERATING ACTIVITIES			
Profit For The Period		75.028.430	218.968.696
Profit/(loss) for the period from continuing operations		75.034.387	219.028.653
Profit/(loss) from discontinuing operations		(5.957)	(59.957)
Adjustment to Reconcile Profit / (Loss) For The Period		356.358.570	359.712.927
Adjustment Related to Depreciation and Amortization Expenses	11	135.119.321	92.345.132
Adjustment Related to Impairment		5.854.958	387.817
Adjustments related to provision for (reversal) of doubtful receivables	6	1.266.136	-
Adjustments related to provision for (reversal) of inventory allowances	8	3.323.126	561.636
Adjustment Related Provisions		(1.221.927)	6.975.858
Adjustments related to provision for employee benefit provision		(1.221.927)	9.584.987
Adjustments related to provision for (reversal) of other provisions		-	(2.609.129)
Adjustment Related to Interest Income / (Expense)		66.469.890	35.172.449
Adjustment Related to Interest Income	18	(6.021.900)	(2.257.514)
Adjustment Related to Interest Expense	19	82.393.462	50.876.376
Adjustments related to unrealized finance expenses on credit purchases	17	9.061.521	(29.396.707)
Adjustments related to unrealized finance income on credit sales	17	(18.963.192)	15.950.293
Adjustments related to unrealized currency translation difference		123.775.966	163.686.267
Adjustments related to fair value changes		15.619.903	-
Adjustments related to fair value losses /(gains) of derivatives		15.619.903	-
Adjustment Related to Tax Expense	20	12.066.957	60.506.863
Adjustment Related to (Gain) / Loss on Sale of Non-Current Assets		(60.803)	(116.846)
Adjustments related to losses /(gains) disposal of tangible assets		(60.803)	(116.846)
Other adjustments related to operating activities		-	581.569
Changes in Working Capital		(206.865.480)	(258.820.111)
Adjustment Related to (Increase) / Decrease in Trade Receivables		313.857.633	(165.216.705)
Adjustment Related to (Increase) / Decrease in Other Receivables From Operating Activities		(18.345.392)	(12.835.428)
Adjustment Related to (Increase) / Decrease in Inventories		(249.053.768)	(297.889.280)
Changes in Prepayments		(33.356.069)	(32.531.820)
Adjustment Related to Increase / (Decrease) in Trade Payables		(235.583.341)	257.866.312
Adjustment Related to Increase / (Decrease) in Employee Benefits		5.682.224	3.905.391
Adjustment Related to Increase / (Decrease) in Other From Operating Activities		27.689.088	(7.535.263)
Change in Deferred Income		2.256.222	(7.771.155)
Adjustment Related to (Increase) Decrease in Working Capital		(12.962.043)	32.118.947
Changes in Other Assets Related to Operating Activities		(16.257.982)	8.798.608
Changes in Other Liabilities Related to Operating Activities		3.295.939	23.320.339
Cash Paid Related to Employee Termination Benefits Provisions		(3.047.632)	-
Tax Refund / (Payments)		(3.230.291)	(36.677.823)
Net Cash Flow Related to Discontinued Operations		(772.111)	7.746.713
B. CASH FLOWS USED IN INVESTING ACTIVITIES		(55.614.059)	(70.744.542)
Proceeds from Sale Property, Plant and Equipment and Intangible Assets		15.540.581	5.065.865
Purchase of Property, Plant and Equipment and Intangible Assets	9,10	(77.176.540)	(78.067.920)
Interest Received		6.021.900	2.257.513
C. CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES		(201.135.007)	143.607.173
Proceeds from Borrowings	5	112.541.434	567.702.847
Cash Outflows from Borrowings	5	(192.716.713)	(291.133.479)
Cash Outflows from Lease Agreements	5	(8.053.880)	-
Dividends Paid		(48.632.269)	(68.085.177)
Interest Paid	5	(59.906.136)	(36.020.866)
Cash outflow for dividend paid to non-controlling interest and other cash outflows		(4.367.443)	(28.856.152)
NET INCREASE IN CASH AND CASH EQUIVALENT BEFORE THE CURRENCY TRANSLATION DIFFERENCE IMPACT (A+B+C)		(32.227.546)	392.724.143
IMPACT OF THE CURRENCY TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENT		22.636.755	-
E. CASH AND CASH EQUIVALENT AT THE BEGINNING PERIOD		729.636.576	130.801.662
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (A+B+C+D+E)		720.045.785	523.525.805

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 2020

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

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

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

Kordsa changed its name which was “Kordsa Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret Anonim Şirketi”, to “Kordsa Teknik Tekstil Anonim Şirketi” in accordance with the decision made at the General Assembly for the year 2016 dated 27 March 2017. The change of the title has been registered by the 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 1986. As at 31 December 2019, 28,89% of the Group’s shares are listed on BIST. As of the same date, the shareholders owning the Group’s shares and the percentage of the shares are as follows:

Shareholder Structure	Shareholding %	
	30 June 2020	31 December 2019
Hacı Ömer Sabancı Holding A.Ş.	71,11	71,11
Other	28,89	28,89
	100,00	100,00

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

Average number of employees within the Group is 4.342 (31 December 2019: 4.497).

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 2020

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

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

Subsidiaries

Geographical divisions in which the subsidiaries that are consolidated in the consolidated financial statements as at 30 June 2020 and 31 December 2019 in accordance with the operating country and segment reporting purpose are as follows:

30 June 2019

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

31 December 2019

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

(*) The Company’s shares are traded in Indonesia Stock Exchange (“IDX”).

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED 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.

Consolidated financial statements are presented in accordance with the illustrative financial statements published by CMB and TAS Taxonomy published by POA on 15 April 2019.

The Group issued the condensed financial statements as at 30 June 2020 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.

The accompanying financial statements should be read in conjunction with the Group’s last audited annual consolidated financial statements as at and for the year ended 31 December 2019.

Approval of the Financial Statements

These consolidated financial statements have been approved to be issued during the meeting of the Board of Directors held on 7 August 2020, and have been signed by Deputy General Manager Volkan Özkan and Global Finance Manager Olcay Demirkesen on behalf of the Board of Directors.

Functional and Presentation Currency

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

Preparation of Financial Statements in Hyperinflationary Periods

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

2.1 Basis of Presentation (continued)

Comparative Information and Correction of the Financial Tables from Previous Periods

The Group's consolidated financial statements are prepared by comparing that of previous periods to determine financial situation and performance trends. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when necessary and significant differences are disclosed.

Basis of Consolidation

The table below sets out all Subsidiaries and shows their shareholding rates at 30 June 2020:

Subsidiaries	Direct and indirect ownership interest by the Group and its subsidiaries (%)	Proportion of effective interest (%)
Nile Kordsa Company SAE	51,00	51,00
Kordsa Inc.	100,00	100,00
Fabric Development Inc.	100,00	100,00
Textile Products Inc.	100,00	100,00
Advanced Honeycomb Technologies Corporation	100,00	100,00
Axiom Materials Acquisition LLC	95,86	95,86
Kordsa Brasil S.A.	97,31	97,31
PT Indo Kordsa Tbk	61,58	61,58
PT Indo Kordsa Polyester	99,97	61,56
Thai Indo Kordsa Co., Ltd.	64,19	39,53

The table below sets out all Subsidiaries and shows their shareholding rates at 31 December 2019:

Subsidiaries	Direct and indirect ownership interest by the Group and its subsidiaries (%)	Proportion of effective interest (%)
Nile Kordsa Company SAE	51,00	51,00
Kordsa Inc.	100,00	100,00
Fabric Development Inc.	100,00	100,00
Textile Products Inc.	100,00	100,00
Advanced Honeycomb Technologies Corporation	100,00	100,00
Axiom Materials Acquisition LLC	95,86	95,86
Kordsa Brasil S.A.	97,31	97,31
PT Indo Kordsa Tbk	61,58	61,58
PT Indo Kordsa Polyester	99,97	61,56
Thai Indo Kordsa Co., Ltd.	64,19	39,53

(*) As a result of the acquisition made on 23 July 2019, the shares of Axiom Materials Acquisition LLC are purchased by Kordsa Inc.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

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

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

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 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 2020

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

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

2.1 Basis of Presentation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

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

Elimination transactions in consolidation

During the preparation of the consolidated financial statements, intragroup balances, transactions and unrealized income and expenses arising from intragroup transactions are eliminated mutually.

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

Accounting policy changes resulting from the first application of a new standard are applied retrospectively or prospectively in accordance with the transition provisions, if any. Changes without any transition requirement, optional significant changes in accounting policies or identified accounting errors are applied retrospectively and the financial statements of the previous period are restated. Changes in accounting estimates are applied in the current period when the change is made if they are related to only one period, and if they are related to future periods, they are applied both in the period of the change and prospectively.

There has been no change in any accounting policy starting from 1 January 2020.

2.3 New and Revised Accounting Standards

Standards issued but not yet effective and not early adopted as at 30 June 2020

Standards issued but not yet effective and not early adopted

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

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

2.3 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted as of 30 June 2020 (continued)

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

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position. Those amendments are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, the amendment published on 15 July 2020, IASB decided to defer the effective date of TAS 1 until 1 January 2023.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 1.

Covid-19 related rent concession (Amendments to TFRS 16)

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases which is issued by POA on 5 June 2020.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only be applicable to lease privileges granted due to the COVID-19 outbreak and only if all of the following conditions are met:

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

2.3 New and Revised Accounting Standards (continued)

Standards issued but not yet effective and not early adopted as at 30 June 2020 (continued)

Covid-19 related rent concession (Amendments to TFRS 16) (continued)

- the change in the lease payments causes the rental price to be revised and the revised consideration is substantially the same or lower than the rental price immediately before the change.
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

Concessions Recognized in Lease Payments Regarding COVID-19-Changes Regarding TFRS 16 Tenants are allowed to apply early, with reporting periods starting on and after June 1, 2020.

Amendments are effective on 1 January 2020

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

The changes that become effective as of January 1, 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to TFRS 3 - Definition of a Business

The application of the amendment in TFRS 3 did not have a significant impact on the consolidated financial statements of the Group.

3-) Amendments to TAS 1 and TAS 8 - Definition of Material

The application of the amendment to TAS 1 and TAS 8 does not have a significant impact on the consolidated financial statements of the Group.

4-) Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

The application of this amendment is not expected to have a significant impact on the consolidated financial statements of the Group.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

2.3 New and Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted as at 30 June 2020 (continued)

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

Reference to the Conceptual Framework (Amendments to IFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

IASB developed amendments to IAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

2.3 New and Revised Accounting Standards (continued)

Standards issued but not yet effective and not early adopted as at 30 June 2020 (continued)

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. 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 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to IFRS Standards. This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

IFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

IFRS 16 Leases, Illustrative Example 13

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

IAS 41 Agriculture

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with IFRS 13.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

2.4 Summary of Significant Accounting Policies

The COVID-19 outbreak has had serious effects on health systems and the economy with the spread of the virus around the world in the first quarter of 2020. Countries have taken measures to slow the spread of the pandemic, such as testing and treating patients, imposing travel restrictions, quarantining citizens, and canceling large gatherings. Along with these social measures, comprehensive financial measures were taken simultaneously to reduce negative impacts on the economic outlook. Similarly, Turkey has many citizens' health and safety measures, as well as to ensure that companies and regulators to support the households in these challenging circumstances, fiscal and monetary actions have been implemented.

The Group management closely monitors all developments and takes necessary measures in order to effectively manage the negative effects of the COVID-19 pandemic on the consolidated financial position consolidated financial performance and consolidated cash flows of the Group. The Group management believes that the Group can successfully manage its commercial risks and liquidity reserves despite the current uncertain economic outlook. In order to evaluate the potential effects of the social and economic situation arising due to the pandemic, the developments in the regions where the activity is operated are closely monitored. Accordingly; due to the effects of the pandemic, production cuts are made in some facilities, stocks and receivables management are focused on to increase liquidity and operational efficiency, and investment expenditures are also regularly monitored.

The Group evaluated the possible effects of the COVID-19 outbreak on the condensed consolidated interim financial statements as at June 30, 2020, and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, the Group has tested the possible impairment of financial and non-financial assets included in the condensed consolidated interim financial statements and no impairment was detected.

As of the report date, there are no significant issues affecting the Group's operations and consolidated financial statements, except those disclosed in the condensed consolidated interim financial statements.

2.5 Summary of Significant Accounting Policies

The condensed consolidated interim financial statements for the six month period ended 30 June 2020 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 consolidated interim financial statements for the six month period ended 30 June 2020 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2019. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the consolidated statements for the year ended 31 December 2019.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

2.6 Critical Accounting Judgments, Estimates and Assumptions

The preparation of condensed consolidated interim financial statements in conformity with TFRS 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 as at 30 June 2020, were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019.

NOTE 3 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

3.1.1) Segment analysis for the period 1 January – 30 June 2020

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	657.652.782	717.126.534	198.720.186	433.034.973	-	2.006.534.475
Intersegment revenue	59.664.292	185.473.134	-	42.124.594	(287.262.020)	-
Revenue	717.317.074	902.599.668	198.720.186	475.159.567	(287.262.020)	2.006.534.475
Segment operating expenses	(528.682.301)	(847.075.509)	(177.664.006)	(459.707.983)	198.086.784	(1.815.043.015)
Segment operating result	188.634.773	55.524.159	21.056.180	15.451.584	(89.175.236)	191.491.460
OPERATING PROFIT	188.634.773	55.524.159	21.056.180	15.451.584	(89.175.236)	191.491.460
Income / (Expense) From Investing Activities, net	4.855.087	150.723	351.892	973.699	(248.698)	6.082.703
Operating Profit Before Financial Expense	193.489.860	55.674.882	21.408.072	16.425.283	(89.423.934)	197.574.163
Finance Income / (Expense), net	(192.934.274)	(30.021.473)	(8.720.080)	(2.757.464)	123.960.472	(110.472.819)
Profit Before Tax From Continuing Expense	555.586	25.653.409	12.687.992	13.667.819	34.536.538	87.101.344
Tax Expense	(5.954)	(5.670.980)	-	5.981.390	(12.371.413)	(12.066.957)
Net Income From Continuing Operations	549.632	19.982.429	12.687.992	19.649.209	22.165.125	75.034.387
Discontinued Operations	(5.957)	-	-	-	-	(5.957)
PROFIT FOR THE PERIOD	543.675	19.982.429	12.687.992	19.649.209	22.165.125	75.028.430

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NOTE 3 - SEGMENT REPORTING (continued)

3.1.2) Segment analysis for the period 1 April – 30 June 2020

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	268.837.632	284.312.243	80.325.196	174.089.264	-	807.564.335
Intersegment revenue	11.342.515	50.399.285	-	15.840.576	(77.582.376)	-
Revenue	280.180.147	334.711.528	80.325.196	189.929.840	(77.582.376)	807.564.335
Segment operating expenses	(179.180.787)	(327.006.933)	(68.197.060)	(184.484.097)	27.063.592	(731.805.286)
Segment operating result	100.999.360	7.704.594	12.128.136	5.445.742	(50.518.783)	75.759.049
OPERATING PROFIT	100.999.360	7.704.594	12.128.136	5.445.742	(50.518.783)	75.759.049
Income / (Expense) From Investing Activities, net	4.139.331	8.914	340.041	590.846	(2.585)	5.076.547
Operating Profit Before Financial Expense	105.138.691	7.713.508	12.468.177	6.036.588	(50.521.368)	80.835.596
Finance Income / (Expense), net	(100.715.786)	(15.867.216)	(5.463.702)	(1.486.060)	62.484.541	(61.048.223)
Profit Before Tax From Continuing Expense	4.422.905	(8.153.708)	7.004.475	4.550.528	11.963.173	19.787.373
Tax Expense	16.869	591.068	-	(1.838.071)	(5.341.808)	(6.571.942)
Net Income From Continuing Operations	4.439.774	(7.562.640)	7.004.475	2.712.457	6.621.365	13.215.431
Discontinued Operations	16.869	-	-	-	-	16.870
PROFIT FOR THE PERIOD	4.456.643	(7.562.640)	7.004.475	2.712.457	6.621.365	13.232.301

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

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

3.1.3) Segment analysis for the period 1 January – 30 June 2019

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	786.691.363	841.891.174	294.799.174	662.597.959	-	2.585.979.670
Intersegment revenue	71.321.541	258.137.659	-	45.645.067	(375.104.267)	-
Revenue	858.012.904	1.100.028.833	294.799.174	708.243.026	(375.104.267)	2.585.979.670
Segment operating expenses	(644.996.380)	(959.601.358)	(267.137.966)	(594.338.359)	241.332.627	(2.224.741.436)
Segment operating result	213.016.524	140.427.475	27.661.208	113.904.667	(133.771.640)	361.238.234
OPERATING PROFIT	213.016.524	140.427.475	27.661.208	113.904.667	(133.771.640)	361.238.234
Income / (Expense) From Investing Activities, net	1.062.328	109.536	698.104	693.267	(37.025)	2.526.210
Operating Profit Before Financial Expense	214.078.852	140.537.011	28.359.312	114.597.934	(133.808.665)	363.764.444
Finance Income / (Expense), net	(133.284.641)	(5.597.703)	(3.940.273)	(3.630.633)	62.224.322	(84.228.928)
Profit Before Tax From Continuing Expense	80.794.211	134.939.308	24.419.039	110.967.301	(71.584.343)	279.535.516
Tax Expense	1.902.685	(26.915.219)	-	(27.251.451)	(8.242.878)	(60.506.863)
Net Income From Continuing Operations	82.696.896	108.024.089	24.419.039	83.715.850	(79.827.221)	219.028.653
Discontinued Operations	(59.957)	-	-	-	-	(59.957)
PROFIT FOR THE PERIOD	82.636.939	108.024.089	24.419.039	83.715.850	(79.827.221)	218.968.696

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NOTE 3 - SEGMENT REPORTING (continued)

3.1.4) Segment analysis for the period 1 April – 30 June 2019

	Europe, Middle East and Africa	North America	South America	Asia	Intersegment elimination (*)	Total
External revenue	395.256.068	433.127.173	152.640.833	339.815.085	-	1.320.839.159
Intersegment revenue	30.074.825	135.081.783	-	19.999.709	(185.156.317)	-
Revenue	425.330.893	568.208.956	152.640.833	359.814.794	(185.156.317)	1.320.839.159
Segment operating expenses	(292.573.123)	(485.694.312)	(136.198.984)	(309.113.232)	83.079.021	(1.140.500.630)
Segment operating result	132.757.770	82.514.644	16.441.849	50.701.562	(102.077.296)	180.338.529
OPERATING PROFIT	132.757.770	82.514.644	16.441.849	50.701.562	(102.077.296)	180.338.529
Income / (Expense) From Investing Activities, net	489.099	(12.182)	416.366	486.448	49.800	1.429.531
Operating Profit Before Financial Expense	133.246.869	82.502.462	16.858.215	51.188.010	(102.027.496)	181.768.060
Finance Income / (Expense), net	(58.870.382)	(2.883.045)	(632.892)	(1.971.040)	21.965.199	(42.392.160)
Profit Before Tax From Continuing Expense	74.376.487	79.619.417	16.225.323	49.216.970	(80.062.297)	139.375.900
Tax Expense	1.656.843	(15.925.052)	-	(14.379.959)	(2.475.033)	(31.123.201)
Net Income From Continuing Operations	76.033.330	63.694.365	16.225.323	34.837.011	(82.537.330)	108.252.699
Discontinued Operations	(38.221)	-	-	-	-	(38.221)
PROFIT FOR THE PERIOD	75.995.109	63.694.365	16.225.323	34.837.011	(82.537.330)	108.214.478

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

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

3.2.1) Segment Assets

	30 June 2020	31 December 2019
Europe, Middle East and Africa	2.205.119.558	2.232.011.259
Asia	1.795.060.662	1.671.194.896
South America	416.561.220	450.697.653
North America	3.023.899.420	2.820.253.939
Segment assets (*)	7.440.640.860	7.174.157.747
Unallocated assets	516.460.249	399.441.630
Less: Intersegment eliminations	(419.568.160)	(402.975.044)
Total assets per consolidated financial statements	7.537.532.949	7.170.624.333

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

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NOTE 3 - SEGMENT REPORTING (continued)

3.2.2) Segment liabilities

	30 June 2020	31 December 2019
Europe, Middle East and Africa	2.149.642.396	2.075.386.841
Asia	306.783.778	309.107.472
South America	274.589.039	264.156.417
North America	1.519.135.840	1.441.857.205
Segment liabilities (**)	4.250.151.053	4.090.507.935
Unallocated liabilities	357.504.038	311.564.146
Less: Intersegment eliminations	(54.965.418)	(51.006.355)
Total liabilities per consolidated financial statements	4.552.689.673	4.351.065.726

(**)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:

3.2.3) External revenues

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Industrial Yarn and Cord Fabric	1.581.774.022	626.170.513	2.164.966.713	1.092.035.322
Advanced Composite Materials	367.042.382	150.480.818	327.769.879	175.322.407
Other	57.718.071	30.913.004	93.243.078	53.481.430
	2.006.534.475	807.564.335	2.585.979.670	1.320.839.159

NOTE 4 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2020 and 2019 are as follows:

	30 June 2020	31 December 2019
Cash	55.887	52.073
Bank-demand deposits	180.277.936	129.148.181
Bank-time deposits	539.711.962	600.436.322
	720.045.785	729.636.576

Time deposits have less than 3 months maturity. Average annual interest rate for time deposits are 0,01% for Euro (31 December 2019: 0,5%). Average annual interest rate for time deposits are 0,01% for US Dollars (31 December 2019: 0,75%). Average annual interest rate for time deposits are 7,62% for US Dollars (31 December 2019: 0,11%).

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NOTE 5 - BORROWINGS

	30 June 2020	31 December 2019
Short-term borrowings	3.224.275.156	1.699.341.631
Short-term portion of long term borrowings	-	96.925.852
Total short term financial liabilities	3.224.275.156	1.796.267.483
Long-term borrowings	69.497.155	1.232.858.578
Total long-term financial liabilities	69.497.155	1.232.858.578
Total financial liabilities	3.293.772.311	3.029.126.061

As at 30 June 2020 and 31 December 2019 the details of short and long term borrowings are as follows:

	30 June 2020		31 December 2019	
	Weighted average effective Interest rate %	TL	Weighted average effective Interest rate %	TL
Short-term borrowings				
TL borrowings	9,91	791.746.503	12,01	735.324.326
USD borrowings	4,96	1.727.706.451	3,05	220.949.956
EUR borrowings	0,71	703.705.427	0,82	743.051.737
Other (*)	9,9	1.116.775	10,5	15.612
		3.224.275.156		1.699.341.631
Short-term portion of long term borrowings				
USD borrowings	-	-	4,97	96.925.852
		-		96.925.852
Total short term borrowings		3.224.275.156		1.796.267.483
Long-term borrowings				
USD borrowings	3,92	63.789.726	4,97	1.225.210.236
Other (*)	10,50	5.707.429	10,50	7.648.342
Total long-term borrowings		69.497.155		1.232.858.578

(*) Comprised of Indonesian Rupee borrowings.

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NOTE 5 – BORROWINGS (continued)

The redemption schedules of borrowings are summarized below:

	30 June 2020	31 December 2019
1 to 2 years	36.858.859	354.594.832
2 to 3 years	13.648.767	328.842.508
3 to 4 years	18.989.529	315.781.514
4 to 5 years	-	224.825.918
Over 5 years	-	8.813.806
	69.497.155	1.232.858.578

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

The affiliated company Kordsa Inc. located in United State of America has purchased 95,86% shares of "Axiom Materials Acquisition LLC" providing advanced composite materials to civil aviation sector amounting to USD 178.323.365. According to financing of the purchase transaction, Kordsa Inc. used borrowings amounting to USD 140.000.000 equivalent to TL 793.576.000 at 23 July 2019 at the interest rate of 3,00%+libor and one-year no repayment and once in six months, nine repayments were used to repay the principal.

The Group has financial commitments that it is obliged to fulfill under the scope of the loan agreements in US Dollars used for financing its investments. In the consolidated financial statements prepared as at June 30, 2020, it has been observed that these commitments could not be fulfilled due to the impact of the Covid-19 outbreak, which is also stated in Note 2, on Group operations. In accordance with the terms of the aforementioned loan agreements, TL 364.917.333 (USD 53.333.333) has been classified as short-term borrowings from the short-term portions of long-term borrowings, and TL 1.125.161.778 (USD 164.444.444) from long-term borrowings. As of the reporting period, the loans have not been recalled by the banks. Subsequent to the reporting period, the explanatory note for the ongoing process held with the banks in respect of the revision of the financial covenants has been disclosed in Note 26.

The reconciliation of the Group's obligations arising from its financial activities including lease liabilities are as follows:

	1 January - 30 June 2020	1 January - 30 June 2019
1 January financial liabilities	3.114.109.573	1.519.280.334
Current period additions	112.541.434	567.702.847
Current period capital repayments	(192.716.713)	(291.133.479)
Interest expense through profit and loss	82.393.462	50.876.376
Interest payments	(59.906.136)	(36.020.866)
Additional lease contracts	6.021.087	-
Lease payments	(8.053.880)	-
Effects of change in foreign exchange	336.260.602	154.696.005
30 June financial liabilities	3.390.649.429	1.965.401.217

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

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

NOTE 6 - TRADE RECEIVABLES

Trade receivables	30 June 2020	31 December 2019
Trade receivables	629.141.370	891.749.048
Cheques received	7.341.851	7.795.383
Due from related parties	44.903.422	77.461.866
	681.386.643	977.006.297
Less: Provision for doubtful receivables	(5.537.121)	(3.976.486)
Less: Unearned credit finance income	(3.093.684)	(3.818.897)
	672.755.838	969.210.914

As of 30 June 2020, annual interest rates for discount of TL, USD and Euro trade receivables and payables are 10%, 4,75% and 3,5% respectively (2019: 12%, 4,75% and 3,5%). The average maturities of the trade receivables as of 30 June 2020 is 69 days and average duration of trade payables is 59 days (31 December 2019: 66 days, 69 days).

As of 30 June 2020, though, trade receivables amounting to TL 139.531.005 (2019: TL 84.669.620) were overdue they are not regarded as doubtful receivable. The aging of these receivables as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Up to 1 month	73.508.198	56.222.363
1 to 3 months	58.040.508	22.770.619
3 to 12 months	5.646.786	3.649.013
1 to 5 years	2.335.513	2.027.625
	139.531.005	84.669.620

As of 30 June 2020, trade receivables amounting to TL 5.537.121 (2019: TL 3.976.486) are overdue and the provision for doubtful receivables has been set aside. As of 30 June 2020 and 31 December 2019, the aging schedule of the related receivables is as follows:

	31 December 2020	31 December 2019
Up to 1 month	-	-
1 to 3 months	-	-
3 to 12 months	-	-
1 to 5 years	5.537.121	3.976.486
	5.537.121	3.976.486

Movement schedules of provision for doubtful receivables for the six month periods ended 30 June 2020 and 2019 are as follows:

	1 January- 30 June 2020	1 January- 30 June 2019
Balance at 1 January	3.976.486	1.678.429
Additions	1.266.136	-
Currency translation differences	294.499	46.305
Balance at 30 June	5.537.121	1.724.734

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

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

Other short-term receivables	30 June 2020	31 December 2019
Taxes and other duties (*)	38.160.421	15.506.798
Other	15.700.534	10.278.912
	53.860.955	25.785.710

Other long-term receivables	30 June 2020	31 December 2019
Litigation guarantee receivables (**)	19.748.061	22.870.002
Other	17.634.550	18.571.507
	37.382.611	41.441.509

(*) 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.

Other short term payables	30 June 2020	31 December 2019
Taxes and duties payable	57.593.405	34.011.987
Other	12.501.711	8.271.232
	70.095.116	42.283.219

Other long term payables	30 June 2020	31 December 2019
Taxes and duties payable (***)	12.591.516	14.244.118
	12.591.516	14.244.118

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

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NOTE 8 – INVENTORIES

	30 June 2020	31 December 2019
Raw materials and supplies	724.556.992	532.007.762
Finished goods	487.052.993	460.247.419
Semi-finished goods	122.851.393	120.411.647
Spare parts	70.311.493	63.760.053
Intermediate goods	44.796.667	43.341.519
Other inventories	51.134.201	38.629.955
	1.500.703.739	1.258.398.355
Less: Provision for obsolescence	(32.780.532)	(27.347.532)
	1.467.923.207	1.231.050.823

Movement schedules for provision for obsolescence for the six month periods ended 30 June 2020 and 2019 are as follows:

	1 January- 30 June 2020	1 January- 30 June 2019
Balances at 1 January	27.347.532	21.467.744
Additions	3.748.414	1.116.994
Reversals	(425.288)	(555.358)
Currency translation differences	2.109.874	1.372.066
Balances at 30 June	32.780.532	23.401.446

The amount of provision for inventory obsolescence is classified to cost of goods sold for the periods 30 June 2020 and 30 June 2019.

Total cost of raw materials and supplies within the cost of sales is TL 1.023.482.650 in current period (1 January – 30 June 2019: TL 1.410.764.783)

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NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the six month periods ended 30 June 2020 is as follows:

	1 January 2020	Additions	Disposals	Transfers	Currency Translation Differences	30 June 2020
Cost:						
Land and land improvements	109.321.441	1.701.250	-	-	8.927.314	119.950.005
Buildings	692.681.329	726.723	(3.833)	2.025.636	54.450.146	649.015.133
Machinery and equipment	3.376.827.022	24.395.015	(20.572.938)	34.451.240	264.578.230	3.679.678.569
Motor vehicles	4.412.732	-	(2.382.906)	-	1.633.106	3.662.932
Furniture and fixtures	127.559.014	711.898	(127.539)	626.909	3.509.564	132.279.847
Construction in progress	136.811.567	42.201.529	-	(37.103.785)	4.776.731	146.686.042
	4.447.613.105	69.736.415	(23.087.216)	-	337.875.091	4.832.137.395
Accumulated depreciation:						
Land improvements	24.314.197	757.826	-	-	1.281.625	26.353.648
Buildings	317.166.519	9.201.513	(2.140)	-	21.056.817	347.422.709
Machinery and equipment	1.840.777.810	80.697.635	(2.978.552)	-	123.170.393	2.041.667.286
Motor vehicles	2.160.900	1.595.555	(2.382.906)	-	98.934	1.472.483
Furniture and fixtures	88.896.558	5.256.926	(12.223)	-	4.512.502	98.653.763
	2.273.315.984	97.509.455	(5.375.821)	-	150.120.271	2.515.569.889
Net book value	2.174.297.121					2.316.567.506

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

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NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (continued)

The movement of property, plant and equipment for the six month periods ended 30 June 2019 is as follows:

	1 January 2019	Additions	Disposals	Transfers	Currency Translation Differences	30 June 2019
Cost:						
Land and land improvements	93.420.818	391.806	(29.772)	-	6.497.447	100.280.299
Buildings	578.239.869	54.265	-	32.035.827	38.685.172	649.015.133
Machinery and equipment	2.871.991.197	6.847.997	(7.642.581)	120.230.048	216.488.452	3.207.915.113
Motor vehicles	5.189.934	-	(1.226.069)	-	431.465	4.395.330
Furniture and fixtures	109.761.332	403.569	(632.531)	777.843	8.260.837	118.571.050
Construction in progress	210.942.506	69.631.910	(14.256)	(153.122.582)	2.732.915	130.170.493
	3.869.545.656	77.329.547	(9.545.209)	(78.864)	273.096.288	4.210.347.418
Accumulated depreciation:						
Land improvements	29.591.640	477.049	(29.772)	-	1.377.166	31.416.083
Buildings	276.242.373	7.804.031	-	-	18.766.898	302.813.302
Machinery and equipment	1.544.588.670	64.518.116	(2.787.387)	-	111.432.961	1.717.752.360
Motor vehicles	3.176.097	389.526	(1.172.543)	-	247.191	2.640.271
Furniture and fixtures	76.374.695	3.567.719	(606.705)	-	6.083.883	85.419.592
	1.929.973.475	76.756.441	(4.596.407)	-	137.908.099	2.140.041.608
Net book value	1.939.572.181					2.070.305.810

(*) For the six months period ended 30 June 2019, 78.864 TL was transferred to other intangible assets.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 10 – INTANGIBLE ASSETS

The movement of intangible assets for the six month periods ended 30 June 2020 is as follows:

	1 January 2020	Additions	Disposals	Transfers	Currency translation differences	30 June 2020
Cost:						
Rights	33.659.625	-	-	-	-	33.659.625
Technology licences	100.107.720	-	-	-	12.694.303	112.802.023
Capitalized development costs	12.737.753	-	-	-	-	12.737.753
Computer software	85.156.256	9.599.153	(4.366.310)	543.249	3.896.818	94.829.165
Customer relationships	461.975.413	-	-	-	70.049.320	532.024.733
Trademarks	143.990.448	129.223	-	-	21.872.101	165.991.772
Other intangible assets	27.891.310	-	-	(543.249)	3.646.145	30.994.207
	865.518.525	9.728.376	(4.366.310)	-	112.158.687	983.039.278
Accumulated Depreciation						
Rights	14.194.888	825.644	-	-	-	15.020.532
Technology licences	28.727.880	4.883.545	-	-	2.008.048	35.619.473
Capitalized development costs	10.335.847	325.298	-	-	-	10.661.145
Computer software	51.607.542	7.755.013	(4.366.310)	-	2.756.859	57.753.104
Customer relationships	21.113.104	12.188.412	-	-	2.847.568	36.149.084
Brandname	-	-	-	-	-	-
Rights	6.089.102	3.443.825	-	-	85.899	9.618.826
	132.068.363	29.421.737	(4.366.310)	-	7.698.374	164.822.164
Net defter değeri	733.450.162					818.217.114

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

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

NOTE 10 – INTANGIBLE ASSETS (continued)

The movement of intangible assets for the six month periods ended 30 June 2019 is as follows:

	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	30 June 2019
Cost:						
Rights	33.659.625	-	-	-	-	33.659.625
Technology licences	26.353.453	-	-	-	1.912.707	28.266.160
Capitalized development costs	12.737.753	-	-	-	-	12.737.753
Computer software	64.599.720	5.652.104	-	(922.933)	4.107.514	73.436.405
Customer relationships	193.524.075	-	-	-	18.117.372	211.641.447
Trademarks	38.088.916	-	-	-	3.578.008	41.666.924
Other intangible assets	14.731.967	-	-	922.933	1.121.845	16.776.745
	383.695.509	5.652.104	-	-	28.837.446	418.185.059
Accumulated Depreciation						
Rights	11.919.157	1.174.744	-	-	-	13.093.901
Technology licences	22.427.661	41.903	-	-	1.802.505	24.272.069
Capitalized development costs	9.615.351	-	-	-	-	9.615.351
Computer software	36.842.259	5.833.055	-	-	3.115.828	45.791.142
Customer relationships	4.939.986	5.089.570	-	-	595.994	10.625.550
Brandname	-	-	-	-	-	-
Rights	5.007.799	472.919	-	-	75.078	5.555.796
	90.752.213	12.612.191	-	-	5.589.405	108.953.809
Net defter değeri	292.943.296					309.231.250

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

DİPNOT 11 – RIGHT OF USE ASSETS

The movement of right of lease assets for the six month periods ended 30 June 2020 is as follows:

	1 January 2020	Addition	Disposal	Currency Translation Differences	30 June 2020
Cost					
Property	74.783.447	3.399.679	-	12.364.795	90.547.921
Fixture	594.307	-	(425.471)	66.815	235.651
Vehicles	7.207.216	194.997	-	851.430	8.253.643
Other	10.682.397	-	-	1.851.145	12.533.542
	93.267.367	3.594.676	(425.471)	15.134.185	111.570.757
Accumulated Depreciation					
Property	(4.736.158)	(5.064.768)	-	(1.061.860)	(10.862.786)
Fixture	(186.857)	(30.328)	243.759	(101.067)	(74.492)
Vehicles	(2.435.694)	(1.537.994)	-	166.860	(3.806.828)
Other	(2.106.312)	(1.555.039)	-	81.720	(3.579.631)
	(9.465.021)	(8.188.129)	243.759	(914.347)	(18.323.737)
Net book value	83.802.346				93.247.020

The movement of right of lease assets for the six month period ended 30 June 2019 is as follows:

	IFRS 16 Opening effects	Addition	Currency Translation Differences	30 June 2019
Cost				
Property	8.255.810	525.415	524.923	9.306.148
Fixture	407.038	-	25.184	432.222
Vehicles	2.821.629	546.424	291.229	3.659.282
Other	8.986.542	182.341	597.583	9.766.466
	20.471.019	1.254.180	1.438.919	23.164.118
Accumulated Depreciation				
Property	-	(858.006)	-	(858.006)
Fixture	-	(48.613)	-	(48.613)
Vehicles	-	(793.763)	-	(793.763)
Other	-	(1.381.030)	-	(1.381.030)
	-	(3.081.412)	-	(3.081.412)
Net book value	20.471.019			20.082.706

TL 109.439.500 (30 June 2019: TL 81.235.237) of current period depreciation and amortisation expenses are included in cost of sales, TL 1.639.653 (30 June 2019: TL 733.786) is included in research and development expenses and TL 24.040.167 (30 June 2019: TL 10.376.109) is included in general administrative expenses.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 12 – INVESTMENT PROPERTY

	2020	2019
Balance as at 1 January - opening	138.171.192	114.874.106
Disposals	-	(151.850)
Currency translation differences	20.980.845	10.942.928
Balance as at 30 Jun - Closing	159.152.037	125.665.184

(*)The fair value of PT Indo Kordsa's investment properties in the Asia Pacific Region as at 31 December 2019 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 2020, 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.

NOTE 13 – GOODWILL

As at 30 June 2020 the goodwill having net book value amounting TL 825.834.455 (2019: TL 798.034.611) consist of TL 42.570.007 (2019: TL 42.570.007), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş on 30 September 1999, TL 3.025.160 (2019: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006, respectively TL 67.119.623 (2019: TL 47.470.345) and TL 88.167.492 (2019: TL 61.951.759) which accrued in consequence of the acquisition of the Fabric Development Inc. ("FDI") and Textile Products, Inc. ("TPI") on 13 July 2019, TL 8.813.969 (2019: TL 6.103.455) accrued in consequence of the acquisition of the Advanced Honeycomb Technologies Corporation ("AHT") on 1 October 2019, and TL 616.138.204 (2019: TL 503.153.010) which accrued in consequence of the acquisition of the Axiom Materials Acquisition LLC ("AXM") on 23 July 2020.

As at 30 June, the movements in goodwill is as follow;

	1 January – 30 June 2020	1 January – 30 June 2019
Balance at the beginning of the year	798.034.611	171.912.390
Acquisition during the year	-	40.897.916
<i>TPI (*)</i>	-	40.897.916
Currency translation difference	27.799.844	11.866.031
Balances at 30 June	825.834.455	224.676.337

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 13 – GOODWILL (continued)

(*) Kordsa Inc., a subsidiary of the Group, has a tax incentive ("338 (h) / 10") related to the acquisition in the US treasury legislation to which FDI and TPI are acquired in 2019. Related to aforementioned legislation, the purchase can be defined as the purchase of assets instead of a share purchase and the purchase value of the recognized identifiable assets can be depreciated instead of taxable book values of assets. Kordsa Inc. has completed its assessment of the incentives within the legal deadline and decided to apply only for FDI on 11 April 2019 and to exclude TPI from the process. The amount recognized as a result of differences arising from adjustment of tax base of identifiable assets accounted for at purchase has recognized under goodwill amounting to TL 40.897.916 (USD 7.209.603), deferred tax liability amounting to TL 52.368.393 (USD 9.231.652) and other current assets amounting to TL 11.470.477 (USD 2.022.049).

As at 30 June 2020 and 31 December 2019, there is no change determined in the registered value of the registered goodwill amounting to 825,834,455 TL and 798,034,611 TL. The cash-generating unit value has been tested with the sensitivity of the cash flows + 1% / - 1% Weighted Average Cost of Capital ("WACC") (31 December 2019: + 1% / - 1%). Cash flows and WACCs used for impairment testing have been revised with up-to-date assessments as of 30 June 2020. As a result of the impairment sensitivity test, it is determined that there is no impairment in the cash-generating unit value.

NOTE 14 - 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 2020	31 December 2019
Pledges given to banks	421.886.597	380.551.336
Security (*)	1.144.167.895	1.016.434.222
Letter of credits	44.673.017	69.073.708
Letter of guarantees	326.054.950	176.760.700
Pledges	43.192	-
	1.936.825.651	1.642.819.966

(*) As at 13 July 2018, Kordsa Teknik Tekstil A.Ş. have been joint guarantor to long-term borrowings used by Kordsa Inc. amounting to USD 35.000.000 (30 June 2020: 27.222.223 equivalents TL 186.259.895) and As at 17 July 2019, to long-term borrowings amounting to USD 140.000.000 (30 June 2020: 140.000.000 equivalents TL 957.908.000).

b) Guarantees received:	30 June 2020	31 December 2019
Letter of guarantees	9.647.986	8.825.629
Cheques and notes received as collateral	31.350	15.000
	9.679.336	8.840.629

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

30 June 2020	TL Equivalent	TL	USD	EUR	Thai Baht
A.Total of GPMs given on behalf of own legal personality	792.657.756	20.028.635	68.735.347	39.204.643	395.000
B.Total of GPMs given on behalf of subsidiaries consolidated in full	1.144.167.895	-	167.222.223	-	-
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	-	-	-	-	-
	1.936.825.651	20.028.635	235.957.570	39.204.643	395.000
31 December 2019	TL Equivalent	TL	USD	EUR	Thai Baht
A.Total of GPMs given on behalf of own legal personality	626.385.744	29.911.724	76.555.272	21.303.491	200.000
B.Total of GPMs given on behalf of subsidiaries consolidated in full	1.016.434.222	--	171.111.111	--	--
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	--	--	--	--	--
	1.642.819.966	29.911.724	247.666.383	21.303.491	200.000

The ratio of the other GPMs given by the Group to equity is 0% as at 30 June 2020 (As at 31 December 2019 0%).

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 15 - SALES AND COST OF SALES

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Sales income (gross)	2.040.423.192	818.273.910	2.627.444.553	1.338.624.676
Sales returns (-)	(7.258.002)	(2.287.235)	(4.835.240)	(1.747.537)
Sales discounts (-)	(14.482.438)	(3.931.502)	(12.113.213)	(3.671.153)
Other sales discounts (-)	(12.148.277)	(4.490.838)	(24.516.430)	(12.366.827)
Sales Income (Net)	2.006.534.475	807.564.335	2.585.979.670	1.320.839.159
Cost of sales (-)	(1.644.592.824)	(660.866.366)	(2.060.259.230)	(1.052.003.950)
Gross Profit	361.941.651	146.697.969	525.720.440	268.835.209

NOTE 16 - EXPENSES BY NATURE

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Raw material and supply expenses	1.023.482.650	388.751.074	1.410.764.783	726.456.581
Personnel expenses	292.311.195	117.142.430	309.529.572	158.413.229
Energy expenses	150.613.263	55.872.424	243.788.720	125.536.108
Depreciation and amortization expenses	135.119.321	70.023.998	92.345.132	48.982.762
Idle mill expenses	52.947.451	41.742.268	8.302.059	5.147.161
Distribution expenses	50.437.916	19.455.469	60.087.984	30.583.981
Packing expenses	38.261.447	14.920.287	47.487.341	24.453.043
Consultancy expenses	25.295.090	12.350.919	25.031.520	13.356.460
Service, maintenance expenses	2.730.818	1.265.962	2.629.867	1.557.702
Rent expenses	2.464.323	1.495.083	2.650.120	1.464.014
Other	100.516.140	40.227.846	68.270.024	24.067.110
	1.874.179.614	763.247.760	2.270.887.122	1.160.018.151

NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Other operating income				
Unearned finance income on credit sales	18.963.192	8.291.777	29.396.707	14.871.326
Domestic production incentive income (*)	35.667.633	21.626.290	26.811.545	7.190.385
Foreign exchange gains on trade receivables	14.788.960	5.092.616	19.416.319	11.287.435
Export incentive income	1.302.450	647.608	657.867	572.497
Rent income	731.937	389.000	2.523.143	1.302.851
Other	10.956.433	7.152.626	10.894.725	9.237.225
	82.410.605	43.199.917	89.700.306	44.461.719

(*) 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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NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 17 - OTHER OPERATING INCOME AND EXPENSES (continued)

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Other operating expenses				
Unrealized finance expense on credit purchase	9.061.521	4.610.611	15.950.293	8.779.025
Donations	4.354.769	992.167	15.534.147	8.730.378
Taxes and duties	4.662.895	3.334.484	4.329.404	3.722.580
Other	5.194.821	2.820.181	7.740.776	3.712.215
	23.274.006	11.757.443	43.554.620	24.944.198

NOTE 18 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Income from investing activities				
Interest income	6.021.900	5.095.160	2.257.514	1.097.540
Gain from sale of fixed assets	456.101	272.871	364.758	245.166
Gain from sale of investment properties	-	-	151.850	165.822
	6.478.001	5.368.031	2.774.122	1.508.528

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Expense from investing activities				
Loss on sale of property, plant and equipment	395.298	291.484	247.912	78.997
	395.298	291.484	247.912	78.997

NOTE 19 - FINANCIAL INCOME/ EXPENSES

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Finance income				
Gain on derivative instruments	31.096.435	10.227.935	-	-
Foreign exchange gain	47.050.834	47.050.834	2.661.250	145.109
	78.147.269	57.278.769	2.661.250	145.109

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Finance expense				
Interest expenses	82.393.462	45.829.195	50.876.376	29.096.761
Losses on derivative instruments	54.362.421	48.199.724	3.416.343	4.918
Foreign exchange losses	46.716.337	20.736.062	29.823.783	11.779.172
Other	5.147.867	3.517.699	2.773.676	1.665.078
	188.620.088	118.282.680	86.890.178	42.537.269

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 20 - TAXATION ON INCOME

Corporate Tax

	30 June 2020	31 December 2019
Corporate tax payable	5.129.831	-
Less: Prepaid taxes on income	-	(4.312.390)
	5.129.831	(4.312.390)

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 separately 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 2020 (2019: 22%). 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 2019 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% (2019: 20%) to be calculated and paid based on earnings generated for each quarter for the three month period ended 30 June 2020. 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.

The taxes on income presented in the condensed consolidated statement of profit or loss for the periods ended 30 June 2020 and 2019 are summarized as follows:

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Current period corporate tax expense	(6.958.532)	(514.737)	(51.495.785)	(28.669.542)
Deferred tax benefit/ (expense)	(5.108.425)	(6.057.205)	(9.011.078)	(2.453.659)
	(12.066.957)	(6.571.942)	(60.506.863)	(31.123.201)

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 20 - TAXATION ON INCOME (continued)

Corporate Tax (continued)

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

Country	30 June 2020	31 December 2019
Turkey	%20 - %22	%20 - %22
Egypt	%30	%30
United States of America	%25	%25
Brazil	%34	%34
Indonesia	%22	%25
Thailand	%20	%20

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 30 June 2020 and 31 December 2019 using the enacted tax rates are as follows:

	Deferred tax assets/liabilities	
	30 June 2020	31 December 2019
Provision for employment termination benefits	22.008.898	10.060.161
Consignment sales adjustment	14.271.524	14.828.779
Finance income	338.277	1.010.005
Losses carried forward	827.419	-
Other, net	27.971.274	18.385.692
Deferred tax assets	65.417.392	44.284.637
Property, plant and equipment and intangibles	(253.728.034)	(219.279.360)
Other, net	(84.526.354)	(73.701.767)
Deferred tax liability	(338.254.388)	(292.981.127)
Net deferred tax liability	(272.836.996)	(248.696.490)

Movements of deferred tax balances for the six months period ended 30 June 2020 and 30 June 2019 are as follows:

	1 January- 30 June 2020	1 January- 30 June 2019
Balance at 1 January	(248.696.490)	(117.724.380)
Current year deferred income / (expense)-net	(5.108.425)	(9.011.078)
Charges to equity	859.655	(366.391)
Effect of other adjustments (*)	-	(52.368.393)
Currency translation differences	(19.891.736)	(6.921.245)
Balances 30 June	(272.836.996)	(186.391.487)

(*) Please refer to Note 13.

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 21 – 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 2020	1 January- 30 June 2019
Net income attributable to equity holders of the parent	74.328.343	191.191.812
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	3,82	9,83
Earnings per share from continuing operations		
Net income attributable to equity holder of the parent	74.331.381	191.222.390
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	3,82	9,83
Earnings per share from continuing operations		
Net income attributable to equity holders of the parent	(3.038)	(30.578)
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	-	-

NOTE 22 – RELATED PARTY DISCLOSURES

Bank balances:	30 June 2020	31 December 2019
Akbank T.A.Ş. – demand deposits	328.434.500	98.871.580
Akbank T.A.Ş. – time deposits	4.386.673	982.153
	332.821.173	99.853.733

	30 June 2020	31 December 2019
Akbank T.A.Ş. – bank borrowings	641.996.456	635.324.326
	641.996.456	635.324.326

Due from related parties:	30 June 2020	31 December 2019
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. (“Brisa”)	44.714.991	75.270.703
Enerjisa Enerji Üretim A.Ş. (“Enerjisa”)	74.640	82.601
Sabancı Dijital Teknoloji Hizmetleri A.Ş. (“SabancıDx”)	47.298	-
Akçansa Çimento Sanayi ve Ticaret A.Ş.	-	1.631.518
Other	66.493	477.044
	44.903.422	77.461.866

Due to related parties:	30 June 2020	31 December 2019
Enerjisa	11.014.987	8.162.434
SabancıDx	3.472.698	2.935.505
Brisa	62.168	265.391
Temsa Global Sanayi ve Ticaret A.Ş. (“Temsa”)	3.298	100.000
Hacı Ömer Sabancı Holding A.Ş.	47.774	25.650
Aksigorta A.Ş. (“Aksigorta”)	-	612.052
Other	1.372	2.073
	14.602.297	12.103.105

KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 22 – RELATED PARTY DISCLOSURES (continued)

Product sales	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Brisa	47.815.136	17.349.446	61.785.848	30.383.883
Other	419.076	396.000	417.538	61.393
	48.234.212	17.745.446	62.203.386	30.445.276

Service received	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Enerjisa	56.757.551	34.867.413	47.232.350	24.752.640
Aksigorta	12.687.861	1.726.375	9.623.838	171.999
SabancıDx	9.014.172	3.909.586	4.608.470	2.180.677
	871.289	86.509	816.585	70.674
	79.330.873	40.589.883	62.281.243	27.175.990

Property, plant and equipment purchases	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Teknosa	155.687	155.687	73.729	73.729
Other	2.897	2.897	4.557	4.557
	158.584	158.584	78.286	78.286

Interest income	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Akbank T.A.Ş.	3.759.632	3.010.271	603.708	236.826

Interest expense	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Akbank T.A.Ş.	28.921.974	14.850.544	7.568.954	6.022.304

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NOTE 22 – RELATED PARTY DISCLOSURES (continued)

Foreign exchange gains / (losses) -net:	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Akbank T.A.Ş.	2.013.622	1.882.904	5.064.967	1.509.113
Rent income	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Bimsa	46.292	27.775	32.682	16.521

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 2020 and 2019 are as follows:

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Short term employee benefits	11.412.853	1.921.155	9.491.698	4.714.504
Post employment benefits	137.939	(5.673)	143.612	22.289
	11.550.792	1.915.482	9.635.310	4.736.793

Security and guarantee letters given

The Group does not have any guarantees and letters of guarantee given as of 30 June 2020 and 31 December 2019.

NOTE 23 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Foreign currency position

Group's assets and liabilities denominated in foreign currencies at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Assets	1.381.006.281	1.450.790.809
Liabilities	(1.337.651.248)	(1.394.350.199)
Net foreign currency position	43.355.033	56.440.610

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NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 23 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

30 June 2020	Total TL Equivalents	USD (*)	EUR (*)	Indonesian Rupiah ('000) (*)	Other TL Equivalent
Assets:					
Trade receivables	236.840.931	10.883.390	19.479.095	25.480.921	35.547
Cash and cash equivalents	390.803.644	4.559.538	39.126.433	121.054.844	98.325
Other monetary receivables and assets	-	-	-	-	-
Other non-monetary receivables and assets	19.181.507	-	113.620	38.174.219	42.823
Current assets	646.826.082	15.442.928	58.719.148	184.709.984	176.695
Financial assets available for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
Non-current assets	-	-	-	-	-
Total assets (a)	646.826.082	15.442.928	58.719.148	184.709.984	176.695
Liabilities:					
Trade Payables	197.652.858	21.143.067	6.205.887	8.703.250	987.839
Borrowings	856.704.167	23.149.311	90.036.171	8.977.966	-
Other monetary payables and liabilities	30.507.349	-	-	63.768.394	-
Total short term liabilities	1.084.864.374	44.292.378	96.242.058	81.449.610	987.839
Borrowings	252.786.874	36.111.111	-	11.930.031	-
Other monetary payables and liabilities	-	-	-	-	-
Total long term liabilities	252.786.874	36.111.111	-	11.930.031	-
Total liabilities (b)	1.337.651.248	80.403.489	96.242.058	93.379.641	987.839
Off-balance sheet derivative assets (c)	734.180.199	72.793.169	30.631.636	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
Net foreign currency asset/(liability) position (a-b+c-d)	43.355.033	7.832.608	(6.891.274)	91.330.343	(811.144)
Fair value of financial instruments used for foreign currency hedge	4.533.263	-	-	-	-
Hedged portion of foreign currency assets	-	-	-	-	-
Hedged portion of foreign currency liabilities	734.180.199	72.793.169	30.631.636	-	-

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

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31 December 2019	Total TL Equivalents	USD (*)	EUR (*)	Indonesian Rupiah ('000) (*)	Other TL Equivalent
Assets:					
Trade receivables	409.157.118	17.119.965	40.439.945	90.122.265	-
Cash and cash equivalents	600.297.075	11.080.186	80.172.019	2.963.680	20.077
Other monetary receivables and assets	-	-	-	-	-
Other non-monetary receivables and assets	24.775.170	-	8.970	57.838.184	-
Current assets	1.034.229.363	28.200.151	120.620.934	150.924.129	20.077
Financial assets available for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
Non-current assets	-	-	-	-	-
Total assets (a)	1.034.229.363	28.200.151	120.620.934	150.924.129	20.077
Liabilities:					
Trade Payables	293.657.624	32.610.245	12.026.579	30.357.148	6.990.015
Borrowings	823.783.971	15.838.930	109.525.073	3.019.043	-
Other monetary payables and liabilities	11.852.994	-	4.000	27.358.458	135.527
Total short term liabilities	1.129.294.589	48.449.175	121.555.652	60.734.649	7.125.542
Borrowings	265.055.610	43.333.333	-	17.895.045	-
Other monetary payables and liabilities	-	-	-	-	-
Total long term liabilities	265.055.610	43.333.333	-	17.895.045	-
Total liabilities (b)	1.394.350.199	91.782.508	121.555.652	78.629.695	7.125.542
Off-balance sheet derivative assets (c)	416.561.446	81.126.615	-	-	-
Off-balance sheet derivative liabilities (d)	-	-	(9.825.711)	-	-
Net foreign currency asset/(liability) position (a-b+c-d)	56.440.610	17.544.258	(10.760.429)	72.294.434	(7.105.465)
Fair value of financial instruments used for foreign currency hedge	(6.682.174)	-	-	-	-
Hedged portion of foreign currency assets	-	-	-	-	-
Hedged portion of foreign currency liabilities	416.561.446	81.126.615	(9.825.711)	-	-

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

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NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

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

	30 June 2020	31 December 2019
Closing rates		
USD	6,8422	5,9402
EUR	7,7082	6,6506
Indonesian Rubiah (1000 units)	0,4784	0,4273
Brazilian Real	1,2495	1,4737
Thai Baht	0,2215	0,1970
Egyptian Pound	0,4242	0,3711
	30 June 2020	30 June 2019
Average rates		
USD	6,4611	5,6097
EUR	7,1219	6,3372
Indonesian Rubiah (1000 units)	0,4422	0,3952
Brazilian Real	1,3124	1,4591
Thai Baht	0,2044	0,1775
Egyptian Pound	0,4092	0,3269

A %10 change of the TL against the other currencies below would have effect the condensed consolidated financial statement as at 30 June 2020 and 31 December 2019 as follows:

30 June 2020

	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	5.359.227	(5.359.227)	5.359.227	(5.359.227)
Hedged portion of USD (-)	-	-	-	-
USD net effect	5.359.227	(5.359.227)	5.359.227	(5.359.227)
Change in EUR against TL by 10%				
EUR net assets/liabilities	(5.311.932)	5.311.932	(5.311.932)	5.311.932
Hedged portion EUR (-)	-	-	-	-
EUR net effect	(5.311.932)	5.311.932	(5.311.932)	5.311.932
Change in other currency against TL by 10%				
Other currency net assets/liabilities	4.288.208	(4.288.208)	4.288.208	(4.288.208)
Hedged portion of other currency (-)	-	-	-	-
Other currency net effect	4.288.208	(4.288.208)	4.288.208	(4.288.208)
	4.335.503	(4.335.503)	4.335.503	(4.335.503)

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NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31 December 2019

	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	10.421.640	(10.421.640)	10.421.640	(10.421.640)
Hedged portion of USD (-)	-	-	-	-
USD net effect	10.421.640	(10.421.640)	10.421.640	(10.421.640)
Change in EUR against TL by 10%				
EUR net assets/liabilities	(7.156.331)	7.156.331	(7.156.331)	7.156.331
Hedged portion of EUR (-)	-	-	-	-
EUR net effect	(7.156.331)	7.156.331	(7.156.331)	7.156.331
Change in other currency against TL by 10%				
Other currency net assets/liabilities	2.378.752	(2.378.752)	2.378.752	(2.378.752)
Hedged portion of other currency (-)	-	-	-	-
Other currency net effect	2.237.508	(2.378.752)	2.237.508	(2.378.752)
	5.644.061	(5.644.061)	5.644.061	(5.644.061)

Export and import balances from Turkey as at 30 June 2020 and 2019 is as follows:

	30 June 2020		30 June 2019	
	Original balance	TL	Original balance	TL
EUR	51.828.013	369.115.478	71.916.454	455.751.232
USD	30.629.103	197.898.924	39.367.361	220.838.187
TL	-	-	1.020.861	1.020.861
Total export		567.014.402		677.610.280
Total import			1 January-30 June 2020	1 January-30 June 2019
			362.413.433	568.162.792

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NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments:

The Group entered into foreign currency forward transactions with due date 2020 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.

As at 30 June 2020, Kordsa Inc. has IRS as a derivative instrument for the repayment of the loan agreement amounting to USD 140.000.000, to manage the variable interest risk of USD 75.000.000. The fair value of the derivative instrument as at 30 June 2020 is TL 2.395.138 of loss.

As at 30 June 2020, net book values of the derivative financial instruments are summarized as follows:

	Average Rates	Foreign Currency (Avro)	Contract Value (TL)	Fair Value (TL)
EUR sell TRY buy				
0-3 months	7,1295	43.154.173	307.665.867	(31.661.071)
3-6 months	7,3126	32.196.612	235.442.073	(25.620.820)
Total				(57.281.891)
EUR sell USD buy				
0-3 months	1,1323	6.000.000	6.793.800	385.607
3-6 months	1,1376	6.000.000	6.825.300	503.503
Total				889.110
EUR buy TRY sell				
0-3 months	7,1066	40.000.000	284.265.500	31.096.433
BRL buy USD sell				
6-9 months	5,0000	9.896.888	49.484.440	5.317.074
9-12 months	4,6000	31.762.650	146.108.190	24.512.537
Total				29.829.611
Forward/Swap Net				4.533.263

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NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

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 2020	31 December 2019		
Foreign currency forward / swap assets	61.815.154	8.146.818	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.
Foreign currency forward / swap liabilities	59.677.031	14.828.992	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.

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NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Fair value estimation (continued)

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 104.825.267 (31 December 2019: TL 77.143.406 foreign exchange loss) under Currency Translation Reserves in Equity in accordance with TFRS 9 and TFRS Interpretation 16.

	1 January- 30 June 2020	1 January- 30 June 2019
Balance at 1 January	(2.727)	454.977
Increases/decreases	11.790.870	4.750.297
Income tax related to gains/losses recognised in other comprehensive income	842.987	(422.667)
Amounts reclassified to profit or loss	(15.619.903)	(3.416.343)
Balance at 30 June	(2.988.772)	1.366.264

NOTE 24 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Net loss amounting to TL (5.957) loss for the six month period ended 30 June 2020 presented in the condensed consolidated profit or loss comprises the profit from Nile Kordsa (1 January – 30 June 2019: TL 59.957 profit).

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NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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NOTE 25 - 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:

30 June 2020				
Subsidiary	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%	1.537.251	956.535.860	4.367.443
Other		(837.164)	(321.542.086)	
Total		700.087	634.993.774	

31 December 2019				
Subsidiary	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%	36.174.220	583.473.659	46.797.746
Other		2.558.639	(10.831.143)	
Total		38.732.859	572.642.516	

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

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

Summary balance sheet information:

	PT Indo Kordsa Tbk	
	30 June 2020	31 December 2019
Cash and cash equivalents	151.025.669	84.448.974
Other current assets	397.053.190	460.869.272
Non-current assets	1.323.539.971	1.173.862.934
Total assets	1.871.618.830	1.719.181.180
Short term borrowings	64.229.855	11.861.846
Other short term liabilities	133.143.883	184.972.442
Long term borrowings	69.495.611	76.949.377
Other long term liabilities	116.408.961	93.527.254
Total liabilities	383.278.310	367.310.919
Total equity	1.488.340.520	1.351.870.261
Equity attributable to owners of the parent	863.599.643	1.247.802.212
Non-controlling interests (*)	624.740.877	104.068.049

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

Summary Profit&Loss

	PT Indo Kordsa Tbk	
	1 January – 30 June 2020	1 January – 30 June 2019
Sales	474.357.834	348.318.355
Cost of sales	(416.323.516)	(264.201.073)
Depreciation and amortization	(28.041.991)	(14.932.346)
Operating profit / (loss)	1.062.910	51.798.023
Net financial income / (expense)	(3.043.125)	699.212
Profit / (loss) before tax	(1.980.215)	52.497.235
Profit for the period	3.646.165	39.625.743

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NOTE 26 – EVENTS AFTER THE REPORTING PERIOD

As disclosed in Note 2 due to the effect of Covid 19 outbreak on Group operations, it has been seen that the financial commitments could not be met as at 30 June 2020. In accordance with TAS 1, although the borrowings regarding to these commitments are classified into short term borrowings stated in Note 5 as at 30 June 2020, the financial commitments have been restructured during short-term future periods in agreement with the banks on 6 August 2020 and the payment of the loan has been agreed to be made on their maturities.