

**Kordsa Teknik Tekstil Anonim Őirketi  
and Its Subsidiaries**

Convenience Translation into English  
of the Consolidated Financial Statements  
As at and for the Year Ended  
31 December 2021  
With Independent Auditor's Report

(Originally issued in Turkish)

21 February 2022

*This report contains 5 pages of Independent Auditor's Report  
and 90 pages of financial statements and explanatory notes.*



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## CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of Kordsa Teknik Tekstil Anonim Şirketi

### A) Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Kordsa Teknik Tekstil Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

#### *Basis for Opinion*

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



### *Key Audit Matters*

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

#### Revenue recognition

Refer to Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>The Group's revenue is primarily generated from sales of industrial fabrics included in the structure of vehicle tires and industrial fabrics to the companies operating in tyre sector. Revenue is recognised when the control of the goods is transferred and the Group fulfilled performance obligations.</p> <p>Since sales contracts can be complex, the recognition of revenue in the relevant period depends on the accurate evaluation of the sales conditions specific to each situation. For this reason, there is a risk that the revenue will not be recognized in the correct period or amount for the products that may be returned from the products that have been produced and delivered, and for those whose invoices have not yet been issued to the customer and for those invoices have been issued but the control of the goods has not been transferred to the customers.</p> <p>Regarding to nature and size of Group's revenue transaction, the revenue recognition for export sales has been identified as one of key audit matters as the amount and timing revenue requires significant management judgement.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none"> <li>- Evaluation of the effectiveness of key internal controls for accounting of revenue in the consolidated financial statements</li> <li>- Evaluation the timing of revenue recognition for the different shipment arrangements by examining the terms of trade and shipping conditions in the contracts made with customers</li> <li>- Examination of transfer of control through sales documents obtained for selected sample sales transactions and evaluation of appropriateness of revenue recognition in the appropriate financial reporting period</li> <li>- Verifying trade receivable balances of third parties by obtaining confirmation letters for selected samples and reconciling to the financial statements.</li> <li>- Performing analytical procedures to determine the existence of unusual transactions.</li> <li>- Testing of the subsequent sales returns transactions after the reporting period of financial statements whether they are accounted for in the appropriate financial reporting period by selecting the samples from subsequent sales returns after the reporting period and using substantive testing procedures.</li> <li>- Evaluation of the journal entries related to revenue that the Group has accounted for during the year.</li> <li>- Evaluation of the Group's disclosures regarding the revenue in the consolidated financial statements in accordance with TFRS 15 and disclosure requirements.</li> </ul>



### Goodwill impairment

Refer to Note 2.5 and Note 15 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for goodwill impairment.

<b><u>The key audit matter</u></b>	<b><u>How the matter was addressed in our audit</u></b>
<p>As at 31 December 2021 goodwill is amounting to TL 1.639.505.779 in the consolidated statement of financial position and is significant.</p> <p>Regarding to TAS 36 Impairment on Assets Standart, impairment test on goodwill is required annually. Management has compared the book value of each cash generating unit in which goodwill has been allocated to based on discounted cash flow estimates to determine whether any impairment is required to be recognised.</p> <p>The recoverable amount of the cash generating units calculated based on the higher of the value in use or the fair value less costs, was obtained from the discounted cash flow models. In those models too many basic assumptions have been used, such as future sales volumes and prices, operating expenses, terminal growth rates, and weighted average cost of capital ("WACC").</p> <p>Goodwill is significant in the consolidated financial statements and determining the assumptions used in estimating recoverable amounts requires significant judgments. Therefore, this item has been identified as one of the key audit matters.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none"><li>- Evaluation of the appropriateness of the discount rates used in the work for each cash generating unit with the comparison of the sector WACC rates as well as by the assistance of our valuation experts</li><li>- Controlling the mathematical appropriateness of the calculations of discounted cash flows</li><li>- Controlling the management's analysis regarding to assumptions used in sensitivity of market conditions</li><li>- Analyzing of key inputs used in assumptions such as sales volume and long term growth rates</li><li>- Evaluation of the disclosures in accordance with the impairment included principal assumptions, judgments and sensitivities.</li></ul>

### Other Matter

As explained in Note 2.1 to the consolidated financial statements, USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira, as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of Republic of Turkey ("CBRT") at 31 December 2021 and 31 December 2020 for the consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2021 and 2020 for the consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows, and the do not form part of these consolidated financial statements.



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

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

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

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

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to



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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



## B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 21 February 2022.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2021 and 31 December 2021, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



**Hakan Ölekli, SMMM**

Partner

21 February 2022

İstanbul, Turkey

INDEX	PAGE
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....</b>	<b>1-2</b>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS .....</b>	<b>3</b>
<b>CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME.....</b>	<b>4</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....</b>	<b>5</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS.....</b>	<b>6</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>7-90</b>
NOTE 1 ORGANISATION AND OPERATIONS OF THE GROUP .....	7-8
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS .....	9-44
NOTE 3 SEGMENT REPORTING.....	44-46
NOTE 4 CASH AND CASH EQUIVALENTS .....	47
NOTE 5 FINANCIAL INVESTMENTS.....	47
NOTE 6 BORROWINGS .....	47-49
NOTE 7 TRADE RECEIVABLES AND TRADE PAYABLES.....	49-50
NOTE 8 OTHER RECEIVABLES AND OTHER PAYABLES .....	51
NOTE 9 INVENTORIES .....	51-52
NOTE 10 PREPAID EXPENSES AND DEFERRED INCOME.....	52
NOTE 11 PROPERTY, PLANT AND EQUIPMENT .....	53-54
NOTE 12 INTANGIBLE ASSETS .....	55-56
NOTE 13 RIGHT OF USE ASSETS .....	57
NOTE 14 INVESTMENT PROPERTY .....	59
NOTE 15 GOODWILL .....	59-60
NOTE 16 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES.....	60
NOTE 17 EMPLOYEE BENEFITS.....	61-63
NOTE 18 OTHER ASSETS AND LIABILITIES.....	63-64
NOTE 19 EQUITY .....	64-67
NOTE 20 SALES AND COST OF SALES.....	67
NOTE 21 EXPENSES BY NATURE .....	67
NOTE 22 OTHER OPERATING INCOME AND EXPENSES .....	67
NOTE 23 INCOME AND EXPENSES FROM INVESTING ACTIVITIES.....	68
NOTE 24 FINANCIAL INCOME AND EXPENSES .....	69
NOTE 25 TAXATION ON INCOME.....	69-72
NOTE 26 EARNINGS PER SHARE .....	73
NOTE 27 RELATED PARTY DISCLOSURES.....	74-75
NOTE 28 INTERESTS IN OTHER ENTITIES .....	75-76
NOTE 29 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS.....	76-87
NOTE 30 FINANCIAL INSTRUMENTS .....	88-89
NOTE 31 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS .....	90
NOTE 32 EVENTS AFTER THE REPORTING PERIOD.....	90



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

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

Assets	Notes	31 December 2021 USD (*)	31 December 2020 USD (*)	Audited 31 December 2021	Audited 31 December 2020
<b>Current assets</b>					
Cash and cash equivalents	4	14.615.147	61.289.120	194.805.294	449.892.785
Financial investments		13	13	171	94
Trade receivables	7	192.524.993	148.642.754	2.566.165.635	1.091.112.135
<i>Due from related parties</i>	27	11.848.744	8.745.952	157.931.907	64.199.658
<i>Due from third parties</i>		180.676.249	139.896.802	2.408.233.728	1.026.912.477
Other receivables	8	13.691.307	3.394.503	182.491.436	24.917.348
<i>Due from third parties</i>		13.691.307	3.394.503	182.491.436	24.917.348
Derivatives	30	-	10.944	-	80.336
<i>Derivative financial assets</i>		-	10.944	-	80.336
Inventories	9	224.231.394	166.924.950	2.988.780.250	1.225.312.596
Prepayments	10	7.551.557	6.521.338	100.654.705	47.869.885
<i>Prepayments to third parties</i>		7.551.557	6.521.338	100.654.705	47.869.885
Current tax assets	25	-	625.605	-	4.592.257
Other current assets	18	11.132.860	5.836.645	148.389.891	42.843.890
<i>Other current assets from third parties</i>		11.132.860	5.836.645	148.389.891	42.843.890
<b>Subtotal</b>		<b>463.747.272</b>	<b>393.245.872</b>	<b>6.181.287.382</b>	<b>2.886.621.326</b>
Assets held for sale	31	310.754	398.584	4.142.037	2.925.808
<b>Total current assets</b>		<b>464.058.025</b>	<b>393.644.457</b>	<b>6.185.429.419</b>	<b>2.889.547.134</b>
<b>Non-current assets</b>					
Financial investments	5	65.650	87.847	875.043	644.844
Other receivables	8	3.028.478	3.675.972	40.366.579	26.983.471
<i>Due from third parties</i>		3.028.478	3.675.972	40.366.579	26.983.471
Investment properties	14	23.985.281	23.841.039	319.699.817	175.005.149
Property, plant and equipment	11	283.986.587	336.760.436	3.785.257.215	2.471.989.980
Right of use assets	13	17.480.692	13.063.091	233.000.146	95.889.622
Intangible assets		231.958.072	244.505.986	3.091.769.137	1.794.796.193
<i>Goodwill</i>	15	123.002.909	125.793.613	1.639.505.779	923.388.013
<i>Other intangible assets</i>	12	108.955.162	118.712.374	1.452.263.358	871.408.180
Prepayments	10	466.960	702.440	6.224.109	5.156.261
<i>Prepayments to third parties</i>		466.960	702.440	6.224.109	5.156.261
Deferred tax assets	25	15.072.683	9.873.591	200.903.794	72.477.097
Other non-current assets	18	11.033.417	9.834.319	147.064.409	72.188.816
<b>Total non-current assets</b>		<b>587.077.819</b>	<b>642.344.722</b>	<b>7.825.160.249</b>	<b>4.715.131.433</b>
<b>Total assets</b>		<b>1.051.135.844</b>	<b>1.035.989.179</b>	<b>14.010.589.668</b>	<b>7.604.678.567</b>

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

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

Liabilities	Notes	31 December 2021 USD (*)	31 December 2020 USD (*)	Audited 31 December 2021	Audited 31 December 2020
<b>Short term liabilities</b>					
Short term borrowings	6	164.139.877	164.093.925	2.187.820.419	1.204.531.453
Short term portion of long term borrowings	6	54.350.994	63.059.403	724.444.403	462.887.549
Short term lease liabilities	6	1.283.841	1.232.382	17.112.312	9.046.298
Trade payables	7	144.600.806	90.496.060	1.927.384.146	664.286.332
<i>Due to related parties</i>	27	2.683.555	2.862.890	35.769.109	21.015.047
<i>Due to third parties</i>		141.917.251	87.633.170	1.891.615.037	643.271.285
Payables related to employee benefits	17	1.563.986	2.035.889	20.846.373	14.944.441
Other payables	8	4.763.091	5.007.400	63.487.242	36.756.822
<i>Due to third parties</i>		4.763.091	5.007.400	63.487.242	36.756.822
Deferred revenue		1.410.308	2.167.555	18.797.992	15.910.941
<i>Deferred revenue from third parties</i>	10	1.410.308	2.167.555	18.797.992	15.910.941
Current Tax Liabilities		1.388.308	-	18.504.653	-
Short term provisions		12.118.539	7.286.265	161.528.003	53.484.873
<i>Short term employee benefits</i>	17	9.432.195	4.198.510	125.721.726	30.819.162
<i>Other Short term provisions</i>		2.686.344	-	35.806.277	22.665.711
Other short term liabilities	18	11.064.093	8.503.918	147.473.289	62.423.027
<i>Other short term liabilities to third parties</i>		11.064.093	8.503.918	147.473.289	62.423.027
Derivative financial instruments	30	16.614.995	1.061.022	221.461.266	7.788.431
<b>Subtotal</b>		<b>413.298.829</b>	<b>344.943.828</b>	<b>5.508.860.098</b>	<b>2.532.060.167</b>
Liability directly associated with the assets held for sale	31	310.754	548.584	4.142.037	4.026.883
<b>Total short term liabilities</b>		<b>413.609.583</b>	<b>345.492.412</b>	<b>5.513.002.135</b>	<b>2.536.087.050</b>
<b>Long term liabilities</b>					
Long term borrowings	6	94.998.642	164.938.173	1.266.236.904	1.210.728.658
Long term lease liabilities	6	17.894.085	12.542.146	238.510.264	92.065.626
Other payables	8	478.174	1.162.038	6.373.587	8.529.941
<i>Due to third parties</i>		478.174	1.162.038	6.373.587	8.529.941
Long term provisions		12.411.095	15.796.263	165.427.483	115.952.470
<i>Long term employee benefits</i>	17	11.540.010	14.572.905	153.816.787	106.972.412
<i>Other long term provisions</i>		871.085	1.223.358	11.610.696	8.980.058
Deferred tax liabilities	25	25.317.908	43.491.690	337.462.399	319.250.750
Other long term liabilities		-	5.986.201	-	43.941.705
<b>Total long term liabilities</b>		<b>151.099.905</b>	<b>243.916.511</b>	<b>2.014.010.637</b>	<b>1.790.469.150</b>
<b>Total liabilities</b>		<b>564.709.488</b>	<b>589.408.923</b>	<b>7.527.012.772</b>	<b>4.326.556.200</b>
<b>Shareholder's equity</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	19	14.594.424	26.500.794	194.529.076	194.529.076
Share premium	19	4.655.477	8.453.492	62.052.856	62.052.856
Put option valuation fund on non-controlling interest		-	(4.489.650)	-	(32.956.277)
Other comprehensive income or expenses that will not be reclassified to profit or loss	19	2.593.781	4.775.094	34.572.510	35.051.577
<i>Revaluation and remeasurement gain/(loss)</i>		(409.227)	(677.818)	(5.454.587)	(4.975.520)
<i>Defined benefit plans remeasurement fund</i>		(409.227)	(677.818)	(5.454.587)	(4.975.520)
<i>Revaluation and reclassification gain/(loss)</i>		3.003.008	5.452.912	40.027.097	40.027.097
<i>Other revaluation and reclassification gain/(loss)</i>		3.003.008	5.452.912	40.027.097	40.027.097
Other comprehensive income or expenses that will be reclassified to profit or loss		188.531.320	132.609.029	2.897.296.363	980.651.525
<i>Currency translation difference</i>		259.992.269	133.317.229	3.849.799.350	1.446.673.823
<i>Gain/loss on hedge reserve</i>		(71.440.681)	(671.398)	(952.232.836)	(465.752.147)
<i>Investment hedging losses related to foreign operation</i>		(71.583.422)	(62.778.256)	(954.135.431)	(460.823.751)
<i>Cash flow hedge gains/loss</i>		142.741	(671.398)	1.902.595	(4.928.395)
<i>Revaluation and reclassification gain/(loss)</i>		(20.268)	(36.803)	(270.151)	(270.151)
<i>Other revaluation and reclassification gain/(loss)</i>		(20.268)	(36.803)	(270.151)	(270.151)
Restricted reserves	19	12.894.170	23.413.445	171.866.392	171.866.392
Retained earnings	19	83.812.017	138.540.870	1.117.130.373	1.016.959.255
Profit for the period		86.497.358	21.824.882	768.560.878	152.970.598
<b>Total non-controlling interests</b>	19	<b>92.847.809</b>	<b>94.952.301</b>	<b>1.237.568.448</b>	<b>696.997.365</b>
<b>Total equity</b>		<b>485.901.036</b>	<b>446.580.256</b>	<b>6.483.576.896</b>	<b>3.278.122.367</b>
<b>Total equity and liabilities</b>		<b>1.051.135.844</b>	<b>1.035.989.179</b>	<b>14.010.589.668</b>	<b>7.604.678.567</b>

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

		1 January- 31 December 2021 USD (*)	1 January- 31 December 2020 USD (*)	Audited 1 January- 31 December 2021	Audited 1 January- 31 December 2020
<b>Profit or loss</b>	<b>Notes</b>				
Revenue	20	888.095.386	647.215.928	7.891.054.563	4.536.336.439
Cost of sales	20	(693.171.903)	(532.631.112)	(6.159.087.633)	(3.733.211.464)
<b>Gross profit</b>		<b>194.923.483</b>	<b>114.584.816</b>	<b>1.731.966.930</b>	<b>803.124.975</b>
General and administrative expenses	21	(45.621.861)	(39.813.839)	(405.367.033)	(279.055.195)
Selling, marketing and distribution expenses	21	(47.063.176)	(30.015.332)	(418.173.650)	(210.377.462)
Research and development expenses	21	(4.599.495)	(3.488.312)	(40.868.206)	(24.449.577)
Other income from operating activities	22	62.056.316	24.832.923	551.393.225	174.053.959
Other expense from operating activities	22	(10.420.925)	(11.331.645)	(92.593.754)	(79.423.497)
<b>Operating profit</b>		<b>149.274.343</b>	<b>54.768.612</b>	<b>1.326.357.512</b>	<b>383.873.203</b>
Income from investing activities	23	1.084.559	2.751.127	9.636.704	19.282.650
Expense from investing activities	23	(676.936)	(75.862)	(6.014.827)	(531.715)
<b>Operating profit before finance costs</b>		<b>149.681.966</b>	<b>57.443.878</b>	<b>1.329.979.389</b>	<b>402.624.138</b>
Finance income	24	17.843.292	18.568.488	158.544.223	130.146.531
Finance expense	24	(61.276.710)	(50.341.079)	(544.466.138)	(352.840.625)
<b>Profit before tax from continuing operations</b>		<b>106.248.548</b>	<b>25.671.286</b>	<b>944.057.474</b>	<b>179.930.044</b>
Tax (expense)/benefit from continuing operations		(9.048.339)	(3.199.751)	(80.397.822)	(22.427.057)
<i>Current tax expense</i>	25	(12.486.303)	(1.135.171)	(110.945.399)	(7.956.412)
<i>Deferred tax expense</i>	25	3.437.964	(2.064.581)	30.547.577	(14.470.645)
<b>Profit for the year from continuing operations</b>		<b>97.200.209</b>	<b>22.471.535</b>	<b>863.659.652</b>	<b>157.502.987</b>
<b>Net profit/(loss) for the year from discontinued operations</b>	<i>31</i>	<b>(893.828)</b>	<b>(1.014.267)</b>	<b>(7.941.990)</b>	<b>(7.108.996)</b>
<b>Profit for the year</b>		<b>96.306.381</b>	<b>21.457.268</b>	<b>855.717.662</b>	<b>150.393.991</b>
<b>Profit/(Loss) Attributable to:</b>					
- Non-Controlling Interests		9.809.023	(367.614)	87.156.784	(2.576.607)
- Owners of the Company		86.497.358	21.824.882	768.560.878	152.970.598
Earnings (Loss) per share; ( <i>thousand of shares TL</i> )					
<i>Earnings/(losses) per share from continuing operations</i>		3,06	1,15	39,72	8,05
<i>Earnings/(losses) per share from discontinuing operations</i>		(0,02)	(0,03)	(0,21)	(0,19)
<i>Earnings / (losses) per diluted shares from operations</i>		3,04	1,12	39,51	7,86

(\*) USD amounts presented above have been translated from TL for convenience purposes only, at the official USD average CBRT bid rates for the year ended 31 December 2021, and therefore do not form part of these consolidated financial statements .

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	Notes	1 January- 31 December 2021 USD (*)	1 January- 31 December 2020 USD (*)	Audited 1 January- 31 December 2021	Audited 1 January- 31 December 2020
<b>Profit for the year</b>		<b>96.306.381</b>	<b>21.457.268</b>	<b>855.717.662</b>	<b>150.393.991</b>
<b>Other comprehensive income</b>					
Items that will not be reclassified to profit or loss		(132.577)	103.462	(1.177.996)	725.162
Defined benefit plans remeasurement fund	25	(165.940)	125.247	(1.474.434)	877.853
<i>Deferred tax expense</i>		33.362	(21.785)	296.438	(152.691)
Items that are or may be reclassified subsequently to profit or loss		277.139.649	55.607.630	2.462.487.843	389.753.876
Foreign currency translation differences. before tax		331.890.412	79.047.867	2.948.968.534	554.046.495
Hedging gains/losses on investment risk related to foreign operation		(69.399.442)	(28.421.842)	(616.639.600)	(199.208.689)
Other comprehensive income related to investment hedging of foreign operation. tax effect		13.879.888	5.684.368	123.327.920	39.841.738
Hedging reserve gain/(loss)		985.657	(914.481)	8.757.929	(6.409.598)
Tax (expense) related to other comprehensive income items		(216.867)	211.718	(1.926.940)	1.483.930
<i>Deferred tax (expense) benefit</i>	25	(216.867)	211.718	(1.926.940)	1.483.930
<b>Total other comprehensive income</b>		<b>277.007.072</b>	<b>55.711.091</b>	<b>2.461.309.847</b>	<b>390.479.038</b>
<b>Total comprehensive income</b>		<b>373.313.453</b>	<b>77.168.359</b>	<b>3.317.027.509</b>	<b>540.873.029</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the company		302.151.421	55.719.289	2.684.726.649	390.536.499
Non-controlling interests		71.162.032	21.449.070	632.300.860	150.336.530

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	Other comprehensive income or expenses that will not be reclassified to profit or loss			Other comprehensive income or expenses that will be reclassified to profit or loss			Retained earnings					Equity attributable to owners of the Company	Total non-controlling interests	Total equity
	Share capital	Share premium	Put option valuation fund on non-controlling interest	Revaluation and reclassification gain/(loss)		Currency translation differences	Gain/(loss) on hedge reserve	Other revaluation and reclassification gain/(loss)	Restricted reserves	Retained earnings	Net profit for the year			
				Defined benefit plans rereasurement fund	Other revaluation and reclassification gain/(loss)		Cash flow hedge gains / (losses)							
<b>Balance at 1 January 2020</b>	194.529.076	62.052.856	(25.260.958)	(3.907.502)	40.027.097	1.043.747.285	(301.459.528)	(270.151)	122.445.409	775.257.436	339.755.071	2.246.916.091	572.642.516	2.819.558.607
Transfer	-	-	-	-	-	-	-	-	49.420.983	290.334.088	(339.755.071)	-	-	-
Total comprehensive income	-	-	-	(1.068.018)	-	402.926.538	(164.292.619)	-	-	-	152.970.598	390.536.499	150.336.530	540.873.029
Gains/(losses) due to other changes (***)	-	-	(7.695.319)	-	-	-	-	-	-	-	-	(7.695.319)	-	(7.695.319)
Dividend paid (*)	-	-	-	-	-	-	-	-	-	(48.632.269)	-	(48.632.269)	(25.981.681)	(74.613.950)
<b>Balance at 31 December 2020</b>	194.529.076	62.052.856	(32.956.277)	(4.975.520)	40.027.097	1.446.673.823	(465.752.147)	(270.151)	171.866.392	1.016.959.255	152.970.598	2.581.125.002	696.997.365	3.278.122.367
<b>Balance at 1 January 2021</b>	194.529.076	62.052.856	(32.956.277)	(4.975.520)	40.027.097	1.446.673.823	(465.752.147)	(270.151)	171.866.392	1.016.959.255	152.970.598	2.581.125.002	696.997.365	3.278.122.367
Transfer	-	-	-	-	-	-	-	-	-	152.970.598	(152.970.598)	-	-	-
Total comprehensive income	-	-	-	(479.067)	-	2.403.125.527	(486.480.691)	-	-	-	768.560.878	2.684.726.649	632.300.860	3.317.027.509
Increase / (decrease) due to other changes (***)	-	-	32.956.277	-	-	-	-	-	-	(52.799.480)	-	(19.843.203)	-	(19.843.203)
Dividend paid (*)	-	-	-	-	-	-	-	-	-	-	-	-	(91.729.777)	(91.729.777)
<b>Balance at 31 December 2021</b>	194.529.076	62.052.856	-	(5.454.587)	40.027.097	3.849.799.350	(952.232.836)	(270.151)	171.866.392	1.117.130.373	768.560.878	5.246.008.448	1.237.568.448	6.483.576.896

(\*) In accordance with the Ordinary General Assembly Meeting for 2019 of the Company 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 (gross TL per share 0,25, net TL per share 0,2125). In accordance with the resolution, the dividend payment was made after 26 March 2020.

(\*\*) At the 2020 Ordinary General Assembly Meeting held on 24 March 2021, the remaining TL 152.970.598,00 which was computed over the consolidated net profit prepared in accordance with the CMB Legislation after deducting legal liabilities and non-controlling interests in accordance with CMB communique and article 35 of the articles of association has been decided to be held as extraordinary reserves in order to further increase the financial flexibility of the Company within the framework of the global economic conditions..

(\*\*\*) The increase (decrease) due to other changes consists of the put option liability valuation fund of the non-controlling interests of Axiom Materials Acquisition LLC, a subsidiary of the Group, and the share purchase effect on 2 August 2021.

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	Notes	1 January- 31 December 2021 USD (*)	1 January- 31 December 2020 USD (*)	Audited 1 January- 31 December 2021	Audited 1 January- 31 December 2020
<b>A. CASH FLOWS FROM (USED IN) / OPERATING ACTIVITIES</b>		<b>54.670.936</b>	<b>128.714.878</b>	<b>485.771.396</b>	<b>902.162.580</b>
Profit for the period		96.306.381	21.457.268	855.717.662	150.393.991
<i>Profit/(loss) for the period from continuing operations</i>		97.200.209	22.471.535	863.659.652	157.502.987
<i>Profit/(loss) from discontinuing operations</i>		(893.828)	(1.014.267)	(7.941.990)	(7.108.996)
<b>Adjustments to reconcile profit/(loss) for the period</b>		<b>216.996.359</b>	<b>117.387.650</b>	<b>1.928.092.562</b>	<b>822.770.036</b>
Adjustments related to depreciation and amortisation	11. 12. 13	39.391.956	40.616.998	350.012.038	284.684.540
Adjustments related to provisions for (reversal) of impairment		1.739.421	824.524	15.455.397	5.779.089
<i>Adjustments related to provision for (reversal) of doubtful receivables</i>	7	992.930	137.185	8.822.547	961.531
<i>Adjustments related to provision for (reversal) of inventory allowances</i>	9	583.831	687.339	5.187.552	4.817.558
<i>Adjustments for impairment loss of property, plant and equipment</i>		162.660	-	1.445.298	-
Adjustments related to provisions		10.716.265	3.437.213	95.217.964	24.091.428
Adjustments related to interest (income)/expense		15.185.090	21.369.804	134.925.117	149.780.959
<i>Adjustments related to interest income</i>	23	(702.450)	(1.988.001)	(6.241.528)	(13.933.897)
<i>Adjustments related to interest expense</i>	24	14.971.976	22.834.733	133.031.524	160.048.641
<i>Adjustments related to unrealized finance expenses on credit purchases</i>	7	-929.112	(309.282)	(8.255.502)	(2.167.761)
<i>Adjustments related to unrealized finance income on credit sales</i>	7	1.844.676	832.355	16.390.623	5.833.976
Adjustments related to unrealized currency translation difference		115.473.972	39.928.224	1.026.028.764	279.856.924
Adjustments related to fair value changes		24.649.225	7.002.771	219.017.440	49.082.421
<i>Adjustments related to fair value losses /(gains) of investment properties</i>	14	(144.242)	(622.700)	(1.281.645)	(4.364.502)
<i>Adjustments related to fair value losses /(gains) of derivatives</i>	24	24.793.467	7.625.471	220.299.085	53.446.923
Adjustments related to tax (benefit)/expense	25	9.048.339	3.199.751	80.397.822	22.427.057
Adjustments related to losses /(gains) on disposal of non-current assets		439.070	(64.565)	3.901.296	(452.536)
<i>Adjustments related to gains on disposal of tangible assets</i>		439.070	(64.565)	3.901.296	(452.536)
Provisions for discontinued operations		353.021	1.072.928	3.136.724	7.520.153
<b>Changes in working capital</b>		<b>(258.631.804)</b>	<b>(10.130.040)</b>	<b>(2.298.038.828)</b>	<b>(71.001.447)</b>
(Increase)/decrease in trade receivables		(169.441.830)	(18.430.893)	(1.505.553.062)	(129.182.126)
(Increase)/decrease in other receivables		(19.135.405)	2.968.645	(170.025.123)	20.807.232
(Increase)/decrease in inventories		(201.617.240)	(376.558)	(1.791.443.430)	(2.639.296)
(Increase) in prepaid expenses		(5.991.177)	(350.804)	(53.233.815)	(2.458.786)
Increase/(decrease) in trade payables		143.060.136	6.517.972	1.271.141.990	45.684.469
Increase(decrease) in retirement pay and employee benefit obligation		7.305.240	(1.384.434)	64.909.748	(9.703.501)
Increase/(decrease) in other payables		2.684.562	(2.723.187)	23.853.319	(19.086.816)
Decrease in deferred income		324.922	894.548	2.887.051	6.269.886
Other increase/(decrease) in working capital		(8.985.213)	6.873.001	(79.836.927)	48.172.866
<i>Decrease/(increase) in other assets from operating activities</i>		(20.332.122)	2.037.094	(180.658.391)	14.277.989
<i>Increase/(decrease) in other liabilities from operating activities</i>		11.346.909	4.835.908	100.821.464	33.894.877
Payments related to provision of employee benefits	17	(1.404.426)	(1.037.301)	(12.478.843)	(7.270.441)
Income tax returns/(payments)		(9.886.871)	(1.175.100)	(87.848.489)	(8.236.279)
Net cash flows related from discontinued operations		4.455.499	(1.905.929)	39.588.753	(13.358.655)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(30.871.584)</b>	<b>(29.686.493)</b>	<b>(274.305.390)</b>	<b>(208.072.628)</b>
Proceeds from sales of property, plant and equipment		2.854.004	2.723.509	25.358.874	19.089.077
Acquisition of sales of property, plant and equipment and intangible assets	11. 12	(28.519.776)	(34.398.003)	(253.408.715)	(241.095.602)
Acquisition of subsidiary and/or associates or cash outflow for capital increase of subsidiaries		(5.908.261)	-	(52.497.077)	-
Interest received	23	702.450	1.988.001	6.241.528	13.933.897
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(63.005.089)</b>	<b>(143.935.440)</b>	<b>(559.823.418)</b>	<b>(1.008.843.496)</b>
Proceeds from borrowings	6	253.808.822	203.035.055	2.255.184.854	1.423.072.698
Cash inflows /(outflows) from borrowing transactions	6	(290.713.752)	(302.228.317)	(2.583.098.747)	(2.118.318.275)
Cash outflows for financial lease liabilities	6	(2.175.009)	(2.470.187)	(-19.325.754)	(17.313.543)
Dividend paid	19	-	(6.938.546)	-	(48.632.269)
Interest paid		13.601.461	(23.052.572)	120.853.994	(161.575.478)
Cash inflows from derivatives (net)		-	(8.573.969)	-	(60.094.948)
Cash outflow for dividend paid to non-controlling interest and other financial instruments		(10.323.689)	(3.706.903)	(91.729.777)	(25.981.681)
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>(39.205.737)</b>	<b>(44.907.054)</b>	<b>93.269.921</b>	<b>(314.753.544)</b>
<b>IMPACT OF THE CURRENCY TRANSLATION DIFFERENCE ON CASH AND CASH EQUIVALENT</b>					
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	<b>10.497.024</b>	<b>4.994.971</b>		<b>35.009.753</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)</b>	4	<b>50.632.992</b>	<b>104.099.954</b>	<b>449.892.785</b>	<b>729.636.576</b>

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP**

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

The Company 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 İstanbul (“BIST”) since 1986. As of 31 December 2021, 28,89% of the Company’s shares are listed on BIST. As of the same date, the shareholders owning the Company’s shares and the percentage of the shares are as follows:

<b>Shareholder Structure</b>	<b>Shareholding %</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
Hacı Ömer Sabancı Holding A.Ş.	71,11	71,11
Other	28,89	28,89
	<b>100,00</b>	<b>100,00</b>

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

Average number of employees within the Group is 4.844’tür. (31 December 2020: 4.499).

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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**Subsidiaries**

Geographical divisions in which the subsidiaries that are consolidated in the consolidated financial statements as at 31 December 2021 and 31 December 2020 in accordance with the operating country and segment reporting purpose are as follows:

**31 December 2021**

<b>Company name</b>	<b>Country</b>	<b>Geographical division</b>	<b>Area of activity</b>
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 2020**

<b>Company name</b>	<b>Country</b>	<b>Geographical division</b>	<b>Area of activity</b>
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.

The Company and its subsidiaries will collectively be referred to as the "Group".



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

(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 to Turkish Financial Reporting Standards (“TFRS”s)

The accompanying consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the Communiqué numbered II-14.1 “Communiqué on Principles of Financial Reporting in Capital Markets” published in the Official Gazette numbered 28676 on 13 June 2013. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The consolidated financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019.

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries.

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 21 February 2021, and have been signed by the General Manager Ali Çalışkan and Chief Finance and Supply Chain Officer Officer Fatma Arzu Ergene on behalf of the Board of Directors. General Assembly and related regulatory authorities have the right to make changes in these consolidated financial statements.

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 Company, 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 1 January 2005, TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied in the accompanying financial statements.

Pursuant to the announcement made by the POA on 20 January 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index (“CPI”) is 74.41%, it was stated that the companies apply TFRS would not need to make any adjustments within the scope of the TAS 29 In High Inflation Economies for the 2021 financial statements. Therefore, while preparing the consolidated financial statements as of 31 December 2021, no inflation adjustment was made according to TAS 29.

Comparative Information and Adjustment of Prior Period Financial Statements

The consolidated financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of the financial position and performance trends. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when deemed necessary and significant differences are disclosed.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

(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 Adjustment of Prior Period Financial Statements (continued)

TL 460.823.751, which was presented in foreign currency translation differences in the consolidated financial statements of the Group as of 31 December 2020, has been reclassified as investment hedging losses related to foreign operations in hedging gains (losses) in comparative consolidated financial statements. Due to the mentioned change, 159.366.951 TL, which was shown as gains/(losses) on foreign currency translation differences in the other comprehensive income statement, has been reclassified as investment hedge gain/(losses) related to the foreign operation. TL 22.665.711 shown in other short-term liabilities in the consolidated financial statement of the Group as of 31 December 2020 has been reclassified as other short-term provisions.

Basis of Consolidation

The table below sets out all Subsidiaries and shows their shareholding rates as at 31 December 2021:

<b>Subsidiaries</b>	<b>Direct and indirect ownership interest by the Group and its subsidiaries (%)</b>	<b>Proportion of effective interest (%)</b>
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(*)	100,00	100,00
Kordsa Brasil S.A.	97,31	97,31
PT Indo Kordsa Tbk	61,58	61,58
PT Indo Kordsa Polyester	99,97	61,56
Thai Indo Kordsa Co., Ltd.	64,19	39,53

(\*) Kordsa Inc., 95,86% owned by Kordsa Inc., which is a 100% subsidiary of our company, purchased the 4,14% minority shares of Axiom Materials Acquisition LLC for 6.533.413 (six million five hundred thirty three thousand four hundred thirteen) US Dollars. It was completed on August 2, 2021. With this transaction, Kordsa Inc has become the sole partner of Axiom Materials Acquisition LLC with its 100% shareholding.

The table below sets out all Subsidiaries and shows their shareholding rates as at 31 December 2020:

<b>Subsidiaries</b>	<b>Direct and indirect ownership interest by the Group and its subsidiaries (%)</b>	<b>Proportion of effective interest (%)</b>
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	100,00	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 consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

(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)

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 whether 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 Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

Changes in the Group’s ownership interests in existing subsidiaries

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

(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)**

**USD Amount Presented in the consolidated financial statements**

USD amount shown in the consolidated statement of financial position prepared in accordance with TAS/IFRS has been translated from TL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 December 2021 of TL 13,3290 = 1 USD (31 December 2020 of TL 7,3405 = USD 1) and USD amount shown in the consolidated statement of profit or loss, consolidated statement of other comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, at the average USD bid rates calculated from the official daily bid rates announced by the CBRT for the year ended 31 December 2021 of TL 8,8854 = 1 USD (31 December 2020 of TL 7,009 = USD 1) and do not form part of these consolidated financial statements.

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

Accounting policies have been consistently applied by the Group in all periods presented in the consolidated financial statements. Significant changes in accounting policies are applied retrospectively and previous period consolidated financial statements are rearranged.

There is no change in accounting policies while preparing the consolidated financial statements as of 31 December 2021.

**2.3 Changes in Accounting Estimates and Errors**

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

**2.4 New and Revised Turkish Accounting Standards**

***Standards issued but not yet effective and not early adopted as of 31 December 2021***

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

**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. And then, IFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

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 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 recognise such sales proceeds and related cost in profit or loss. And then, IAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.4 New and Revised Turkish Accounting Standards (continued)**

*Standards issued but not yet effective and not early adopted as of 31 December 2021 (continued)*

**Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)**  
**(continued)**

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

**Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 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. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 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. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

**Initial Application of TFRS 17 and TFRS 9—Comparative Information (Amendment to TFRS 17)**

In December 2021, IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17). Related changes were published by POA as Amendments to TFRS 17 on 31 December 2021.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.4 New and Revised Turkish Accounting Standards (continued)**

*Standards issued but not yet effective and not early adopted as of 31 December 2021 (continued)*

**Initial Application of TFRS 17 and TFRS 9—Comparative Information (Amendments to TFRS 17) (continued)**

The amendment is a transition option relating to comparative information about financial assets presented on initial application of TFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. TFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Group does not expect that application of these amendments to TFRS 17 will have significant impact on its consolidated financial statements.

**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 which 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, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.4 New and Revised Turkish Accounting Standards (continued)**

*Standards issued but not yet effective and not early adopted as of 31 December 2021 (continued)*

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

**Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes**

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 12.

**Definition of Accounting Estimates (Amendments to TAS 8)**

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.4 New and Revised Turkish Accounting Standards (continued)**

*Standards issued but not yet effective and not early adopted as of 31 December 2021 (continued)*

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

**Definition of Accounting Estimates (Amendments to TAS 8) (continued)**

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 8).

**Disclosure of Accounting Policies (Amendments to TAS 1)**

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

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



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.4 New and Revised Turkish Accounting Standards (continued)**

*Annual Improvements to TFRS Standards 2018–2020*

*Annual Improvements to TFRS Standards 2018–2020*

**Improvements to TFRSs**

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

*TFRS 1 First-time Adoption of International Financial Reporting Standards*

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 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 TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

*TFRS 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.

*TAS 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 TAS 41 with those in TFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with TFRS 13.

**Amendments are effective on 1 January 2021**

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

- 1) Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies**

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

**a) Revenue**

General model for accounting of revenue

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

*Step 1: Identify the contract*

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

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

*Step 2: Identify the performance obligations*

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

- a) good or service (or a bundle of goods or services) that is distinct; or
- b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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

*Step 3: Determine the transaction price*

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

Significant financing component

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**a) Revenue (continued)**

*Step 4: Allocate the transaction price*

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

*Step 5: Recognize revenue*

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

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or
- Group’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

For each performance obligation that is satisfied over time, Group applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, Group selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

If a performance obligation is not fulfilled in time, then the Group recognizes revenue when the control of goods or services is transferred to the customer.

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

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

Contract modifications

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**b) Inventories**

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

**c) Property, plant and equipment**

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

	<b>Years</b>
Land improvements	15
Buildings	20-40
Machinery and equipment	2-30
Motor vehicles	3-5
Leasehold Improvements	15
Furniture and fixtures	3-7

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**d) Intangible assets (continued)**

Intangible assets include rights, software and other identifiable rights. Intangible assets are carried at cost less accumulated amortisation. Intangible assets are recognized at acquisition cost and amortisation is calculated using the straight-line method over a period (Note 12). The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Estimated useful lives of these assets are as follows:

	<b>Useful Lives</b>
Customer relationship	14-22
Other intangible assets	5-10

*Internally generated intangible assets – research and development expenses*

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

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

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

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

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

*Derecognition of intangible assets*

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments**

*i) Recognition and measurement*

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

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

*ii) Classification and subsequent measurement*

According to TFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI – debt and equity investment, or equity investment.

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

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

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

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

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Investments in equity instruments that are not held for trading, In recognition of subsequent changes in fair value in other comprehensive income An irreversible preference can be made to present it. The choice of this preference is for each investment can be made on the basis of.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments (continued)**

*ii) Classification and subsequent measurement (continued)*

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

*Financial assets- Business model assessment*

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

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

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales.

*Financial assets- Assessment whether contractual cash flows are solely payments of principal and interest*

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments (continued)**

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

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

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

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

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

*ii) Classification and subsequent measurement (continued)*

*Financial assets- Subsequent measurement and gains and losses*

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

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. For derivatives defined as hedging instruments, see section (v) below.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses.  Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments (continued)**

*Financial liabilities - Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortized cost and at FVTPL. If a financial liability meets the definition of held for trading, it is classified as FVTPL. A financial liability is classified as a financial liability held for trading if it is a derivative instrument or if it is defined in this way at the time of first registration. Financial liabilities, whose fair value is reflected in profit or loss, are measured at their fair value and net gains and losses, including interest income, are recognized in profit or loss. Following their initial recording, other financial liabilities are measured by deducting impairments over the amortized cost values of future principal and interest cash flows at effective interest rates. Interest expenses and exchange differences are recognized in profit or loss. Gains and losses arising from the derecognition of these liabilities are recognized in profit or loss. For derivatives defined as hedging instruments, see section (v) below.

*iii) Derecognition*

*Financial assets*

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

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

*Financial liability*

The Group derecognises a financial liability from the statement of financial position only and only when the liability for the related liability is eliminated or canceled. In addition, the Group derecognises a financial liability from the statement of financial position in the event of a significant change in the conditions or cash flows of an existing financial liability. Instead, it requires recognition of a new financial liability at fair value based on the modified conditions.

In derecognizing the financial liability from its records, the difference between the carrying amount and the amount paid (including any transferred non-cash assets or any liabilities assumed) is included in the financial statements as profit or loss.

*iv) Offsetting*

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**e) Financial instruments (continued)**

*v) Derivative financial instruments and hedge accounting*

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

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

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

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

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

*Hedge accounting- cash flow hedge*

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

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

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

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.6 Summary of Significant Accounting Policies (continued)**

*v) Derivative financial instruments and hedge accounting (continued)*

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

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

*Net investment hedge*

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

**f) Impairment of assets**

*i. Non-derivative financial assets*

*Financial instruments and contract assets*

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost

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

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

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**f) Impairment of assets (continued)**

*i. Non-derivative financial assets (continued)*

*Financial instruments and contract assets (continued)*

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

*Measurement of ECL*

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

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

*Credit-impaired financial assets*

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

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

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

*Presentation of impairment in the statement of financial position*

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**f) Impairment of assets (continued)**

*i. Non-derivative financial assets (continued)*

*Financial instruments and contract assets (continued)*

*Write-off*

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

**g) Borrowing costs**

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

**h) Business combinations**

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

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**h) Business combinations (continued)**

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

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

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**i) Goodwill**

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

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

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

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

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

**j) Due date income / (charges)**

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

**k) Provisions, contingent assets and liabilities**

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

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

**l) Impairment of non-financial assets**

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**l) Impairment of non-financial assets (continued)**

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

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

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**m) Leases transactions**

***The Group – as a lessee***

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
  - i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
  - ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**I) Leases transactions (continued)**

*The Group – as a lessee (continued)*

The Group books a right of use and a lease obligation to the financial statements at the date that the lease is commenced.

*Right of use asset*

The right of use asset is initially recognized at cost comprising of:

- a) amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Group; and

To apply a cost model, the Group measure the right-of-use asset at cost:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability.

The Group applies TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment. In the event that the supplier transfers the ownership of the underlying asset to the Group at the end of the lease term or if the cost of the right to use property indicates that the Group will use a purchase option, the Group depreciates the right to use the right to the end of the useful life of the underlying asset from the effective date of the lease. In other cases, the Group depreciates the right of use by the shorter than the useful life of the asset or the lease term, starting from the date on which the lease actually commences.

The Group apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

*Lease Liability*

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- b) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- c) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**1) Leases transactions (continued)**

***The Group – as a lessee (continued)***

After the commencement date, the Group measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, The Group remeasure the lease liability to reflect changes to the lease payments. The Group recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- a) There is a change in the lease term. The Group determine the revised lease payments on the basis of the revised lease term; or
- b) There is a change in the assessment of an option to purchase the underlying asset. The Group determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

The Group remeasure the lease liability by discounting the revised lease payments, if either:

- a) There is a change in the amounts expected to be payable under a residual value guarantee. The Group determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- b) There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The Group remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Group determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. In that case, the Group use an unchanged discount rate.

The Group account for a lease modification as a separate lease if both:

- a) The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets, and
- b) The lease payment amount increases as much as the appropriate adjustments to the price mentioned individually so that the increase in scope reflects the individual price and the terms of the relevant agreement.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**l) Leases transactions (continued)**

*The Group – as a lessee (continued)*

*Short term leases and low value leases*

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of lowvalue assets which have equal to or less than 12 months maturity. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*The Group – as a lessor*

All the leasings of the Group as lessor are operational leasings. For operational leasings, leased assets are classified under investment properties in the consolidated statement of financial position and rental income is accounted in the consolidated profit or loss in equal amounts for the leasing period. Rental income is accounted in the consolidated profit or loss for the leasing period on a straight-line basis.

The Group distributes an amount that takes place in an agreement which includes an item that has or has not one or more extra leasing qualities along with a leasing item through applying the TFRS 15 “Revenue arising from agreements made with customers” standard.

**n) Provision for post-employment benefits**

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

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

**o) Government grants**

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**p) Equity items**

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

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

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

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

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

**r) Taxes on income**

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

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

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**r) Taxes on income (continued)**

Group companies, while recording all deferred tax assets, make their assessment according to whether there is a sufficient amount of taxable profit in the future or not for 3 years takes into account business plans.

Deferred tax assets and liabilities are expected to be valid in the period when assets will be realized or liabilities will be fulfilled and become legal or significant as of the balance sheet date. It is calculated over the legalized tax rates. Deferred tax during the calculation of assets and liabilities, the group's assets as of the balance sheet date the methods anticipated to recover the book value or fulfill its obligations tax consequences are taken into account.

Deferred tax assets and liabilities is nett off when there is a legal right to set off current tax assets and current tax liabilities, or if such assets and liabilities are associated with income tax collected by the same tax authority, or if the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current tax and deferred tax for the period, excluding those that are associated with items that are directly accounted as receivables or debts in equity or arising from the initial registration of business combinations, are accounted as expense or income in the statement of profit or loss. In business combinations, in the calculation of goodwill or in determining the portion exceeding the purchase cost of the share acquired by the purchaser in the fair value of the identifiable assets, liabilities and contingent liabilities of the purchased subsidiary, the tax effect is taken into consideration.

Deferred tax, provided that the tax legislation of the same country is subject and there is a legally enforceable right to offset current tax assets from current tax liabilities assets and deferred tax liabilities are mutually deducted from each other.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**r) Taxes on income (continued)**

Tax risk

While determining the amount of current and deferred tax expense, the Group takes into account the uncertain tax positions and whether there are any additional tax and interest obligations to be paid. Based on the tax law and past experiences, the Group believes that the tax provisions are sufficient for the periods not subjected to tax inspection. This assessment may contain many professional judgments about future events and is based on estimates and assumptions. In case new information arises that will change the professional opinion of the Group regarding the adequacy of the existing tax liability, this change in the tax liability will affect the tax expense for the period in which this situation is determined.

**s) Effect of changes in foreign exchange rates**

Foreign Currency Transactions and Balances

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

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

Financial Statements of Foreign Subsidiaries, Joint Ventures and Affiliates

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

**t) Related parties**

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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**2.6 Summary of Significant Accounting Policies (continued)**

**t) Related parties (continued)**

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

**u) Earnings per share**

Earnings per share are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retrospective effect to the issuances of the shares without consideration (Note 26).

**v) Statement of cash flows**

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

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

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

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

**y) Share premium**

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

**z) Investment property**

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

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



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.5 Summary of Significant Accounting Policies (continued)**

**z) Investment property (continued)**

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

If a land or building is changed to investment property while its owner is using it, that property is remeasured at fair value and classified as investment property. Gains on fair value remeasurement are recognised in profit or loss up to a pre-existing impairment on a particular property; the remainder is recognized in other comprehensive income and presented as a revaluation reserve in equity. Losses are recognized directly in profit or loss.

**aa) Segment reporting**

The Group has four operating segments, which include the information used by the management to evaluate their performance and decide on resource allocation. These segments are managed separately, as they are affected by different economic situations and different geographic locations in terms of risk and return. Group management has determined the operating profit as the most appropriate method while evaluating the performance of the segments (Note 3).

**ab) Discontinued operations and liabilities directly associated with the assets held for sale**

A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

**ac) Events after reporting period**

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.6 Critical accounting estimates and assumptions**

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

**a) Impairment test of goodwill**

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in Note 2.5. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by Kordsa Management covering a ten-year period. Cash flows beyond three years are extrapolated by taking into consideration the shut-down periods recurring once a year. The USD fair value is converted into TL by using the related foreign exchange rate on the date of the reporting date. Therefore, the values used in the calculations are affected by the fluctuations in the foreign exchange market.

In order to predict the future cash flows (infinite), a terminal growth rate of 2.5%, not exceeding the estimated average growth rate of the country's economy is used.

In order to calculate the recoverable amount of the unit, the weighted average cost of capital rate is used as the after tax discount rate between 7.1% and 8.9%.

As at 31 December 2021, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions.

**b) Net realisable value**

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

**c) Useful lives of tangible and intangible assets**

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.6 Critical accounting estimates and assumptions (continued)**

**d) Provisions**

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

**e) Deferred tax**

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

**f) Internally-generated intangible assets**

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**2.7 Important Changes Regarding the Current Period**

The COVID-19 pandemic, which has affected the whole world, has had serious effects on health systems and the economy. Countries have taken measures such as testing and treating patients, imposing travel restrictions, quarantining citizens, and canceling large gatherings to slow the spread of the pandemic. Along with these social measures, comprehensive financial measures were taken simultaneously to reduce negative impacts on the economic view. 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 status, consolidated financial performance and consolidated cash flows of the Group. In the meantime, actions were taken by the Group to minimize the increase in investment expenditures, operational expenses and stocks, payment and collection terms were examined and the cash management strategy was reviewed in order to strengthen the liquidity position. The Group management believes that the Group can successfully manage its commercial risks and liquidity reserves despite the current uncertain economic view. 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 by COVID Supreme Board established with in the Company. According to this; in order to minimize the effects of the epidemic and to ensure business continuity, quarantine and social distance rules are followed uncompromisingly at all facilities, the vaccination rate of employees is encouraged and monitored, stocks and receivables management are focused on to increase liquidity and operational efficiency, and investment expenditures are regularly followed up.

While preparing its consolidated financial statements dated 31 December 2021, the Group evaluated the possible effects of the COVID-19 pandemic on the consolidated financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, possible impairment losses in the consolidated financial statements dated 31 December 2021 have been evaluated and no significant impact has been identified.

**NOTE 3 - SEGMENT REPORTING**

The reportable geographical segments for segment reporting are as follows:

**a) External revenue**

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
Europe, Middle East and Africa	2.675.683.476	1.458.651.377
North America	2.094.654.533	1.462.192.631
South America	937.086.357	547.097.343
Asia	2.183.630.197	1.068.395.088
	<b>7.891.054.563</b>	<b>4.536.336.439</b>

**b) Segment assets**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Europe, Middle East and Africa	3.220.669.958	1.791.454.511
Asia	3.889.855.795	1.972.275.862
South America	965.937.786	468.150.019
North America	5.856.678.803	3.083.333.493
<b>Segment assets (*)</b>	<b>13.933.142.342</b>	<b>7.315.213.885</b>
Unallocated assets	461.682.300	405.375.006
Less: Intersegment elimination	(384.234.973)	(115.910.324)
<b>Total assets per consolidated financial statements</b>	<b>14.010.589.669</b>	<b>7.604.678.567</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 3 - SEGMENT REPORTING (continued)**

**c) Segment liabilities**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Europe, Middle East and Africa	3.466.190.314	1.944.113.453
North America	2.527.992.873	1.466.175.226
South America	291.971.809	229.650.480
Asia	955.429.500	360.837.570
<b>Segment liabilities (**)</b>	<b>7.241.584.496</b>	<b>4.000.776.729</b>
Unallocated liabilities	632.946.450	420.362.658
Less: Intersegment elimination	(347.518.174)	(94.583.187)
<b>Total liabilities per consolidated financial statements</b>	<b>7.527.012.772</b>	<b>4.326.556.200</b>

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

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

**d) Segment analysis for the period 1 January – 31 December 2021**

	Europe, Middle East and Africa(**)	North America	South America	Asia	Elimination (*)	Total
External revenue	2.675.683.476	2.094.654.533	937.086.357	2.183.630.197	-	7.891.054.563
Intersegment revenue	203.956.690	1.100.666.739	1.015.404	99.741.510	(1.405.380.343)	-
<b>Revenue</b>	<b>2.879.640.166</b>	<b>3.195.321.272</b>	<b>938.101.761</b>	<b>2.283.371.707</b>	<b>(1.405.380.343)</b>	<b>7.891.054.563</b>
Segment operating expenses	(1.950.292.814)	(3.146.364.025)	(744.937.700)	(1.995.845.214)	1.272.742.702	(6.564.697.051)
<b>Segment operating results</b>	<b>929.347.352</b>	<b>48.957.247</b>	<b>193.164.061</b>	<b>287.526.493</b>	<b>(132.637.641)</b>	<b>1.326.357.512</b>
<b>Operating profit</b>	<b>929.347.352</b>	<b>48.957.247</b>	<b>193.164.061</b>	<b>287.526.493</b>	<b>(132.637.641)</b>	<b>1.326.357.512</b>

**d) Segment analysis for the period 1 January – 31 December 2020**

	Europe, Middle East and Africa(**)	North America	South America	Asia	Elimination (*)	Total
External revenue	1.458.651.377	1.462.192.631	547.097.343	1.068.395.088	-	4.536.336.439
Intersegment revenue	114.920.306	485.221.053	-	87.113.215	(687.254.574)	-
<b>Revenue</b>	<b>1.573.571.683</b>	<b>1.947.413.684</b>	<b>547.097.343</b>	<b>1.155.508.303</b>	<b>(687.254.574)</b>	<b>4.536.336.439</b>
Segment operating expenses	(1.248.103.432)	(1.915.116.614)	(473.087.630)	(1.169.543.175)	653.387.615	(4.152.463.236)
<b>Segment operating results</b>	<b>325.468.251</b>	<b>32.297.070</b>	<b>74.009.713</b>	<b>(14.034.872)</b>	<b>(33.866.959)</b>	<b>383.873.203</b>
<b>Operating profit</b>	<b>325.468.251</b>	<b>32.297.070</b>	<b>74.009.713</b>	<b>(14.034.872)</b>	<b>(33.866.959)</b>	<b>383.873.203</b>

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

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

<b>f) Capital expenditure</b>	<b>1 January – 31 December 2021</b>	<b>1 January – 31 December 2020</b>
Europe, Middle East and Africa	113.150.485	131.752.386
North America	81.419.294	92.113.263
South America	7.929.089	9.939.056
Asia	50.909.847	7.290.897
	<b>253.408.715</b>	<b>241.095.602</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 3 - SEGMENT REPORTING (continued)**

<b>g) Depreciation and amortization expense</b>	<b>1 January – 31 December 2021</b>	<b>1 January – 31 December 2020</b>
Europe, Middle East and Africa	70.833.540	62.428.852
North America	155.739.524	127.766.333
South America	17.762.589	14.509.615
Asia	105.676.385	79.979.740
	<b>350.012.038</b>	<b>284.684.540</b>

<b>h) Provision for doubtful receivables</b>	<b>1 January – 31 December 2021</b>	<b>1 January – 31 December 2020</b>
South America	34.138	67.972
Europe, Middle East and Africa	4.516.290	(23.379)
North America	4.272.119	916.938
	<b>8.822.547</b>	<b>961.531</b>

<b>i) Provision/ (reversal) for inventory obsolescence</b>	<b>1 January – 31 December 2021</b>	<b>1 January – 31 December 2020</b>
Europe, Middle East and Africa	4.429.015	1.313.988
North America	2.587.033	1.464.010
South America	(6.423.680)	4.193.920
Asia	4.595.184	(2.154.360)
	<b>5.187.552</b>	<b>4.817.558</b>

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

<b>a) External revenue</b>	<b>1 January – 31 December 2021</b>	<b>1 January – 31 December 2020</b>
Industrial yarn and cord fabric	6.787.247.023	3.791.964.249
Advanced composite materials	773.582.758	674.051.268
Other	330.801.782	70.320.922
	<b>7.891.054.563</b>	<b>4.536.336.439</b>

<b>b) Capital expenditures</b>	<b>1 January – 31 December 2021</b>	<b>1 January – 31 December 2020</b>
Industrial yarn and cord fabric	154.100.666	163.408.557
Advanced composite materials	53.715.426	60.705.235
Other	45.592.623	16.981.810
	<b>253.408.715</b>	<b>241.095.602</b>

The decision makers in management of the Company follow their analysis according to the above segments.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 4 – CASH AND CASH EQUIVALENTS**

The details of cash and cash equivalents as at 31 December 2021 and 2020 are as follows

	<b>31 December 2021</b>	<b>31 December 2020</b>
Cash	113.307	70.390
Bank-demand deposits	88.054.505	198.808.627
Bank-time deposits	106.637.482	251.013.768
	<b>194.805.294</b>	<b>449.892.785</b>

Time deposits have less than 3 months maturity. Average annual interest rate for time deposits are 0,01% for Euro (31 December 2020: 0,1%). Average annual interest rate for time deposits are 0,05% for US Dollars (31 December 2020: 1,7%).

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

There is no restricted cash and cash equivalents of Group as at 31 December 2021 and 2020.

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

**NOTE 5 – FINANCIAL INVESTMENTS**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Common Stocks	875.043	644.844
	<b>875.043</b>	<b>644.844</b>

Detail of the common stocks are as follows:

	<b>31 December 2021</b>		<b>31 December 2020</b>	
	<b>İştirak oranı %</b>	<b>Tutar</b>	<b>İştirak oranı %</b>	<b>Tutar</b>
Investimentos Lei 8200	<0,01	184.730	<0,01	380.484
Desenbanco	<0,01	16.905	<0,01	117.972
Investivos Fiscais Finor	<0,01	15.087	<0,01	10.796
Other	-	658.321	-	135.592
		<b>875.043</b>		<b>644.844</b>

**NOTE 6 – BORROWINGS**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Short-term borrowings	2.187.820.419	1.204.531.453
Short-term portion of long term borrowings	724.444.403	462.887.549
Lease liabilities	17.112.312	9.046.298
<b>Total short-term financial borrowings</b>	<b>2.929.377.134</b>	<b>1.676.465.300</b>
Long-term borrowings	1.266.236.904	1.210.728.658
Lease liabilities	238.510.264	92.065.626
<b>Total long-term financial borrowings</b>	<b>1.504.747.168</b>	<b>1.302.794.284</b>
<b>Total borrowings</b>	<b>4.434.124.302</b>	<b>2.979.259.584</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 6 – BORROWINGS (continued)**

The details of long and short term borrowings as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
<b>Short-term borrowings</b>				
TL borrowings	16,13	549.499.662	10,45	310.001.250
USD borrowings	1,72	633.408.380	1,60	235.956.696
EUR borrowings	1,06	995.837.781	0,74	658.426.790
Other borrowings(*)	6,5	9.074.596	6,12	146.717
		<b>2.187.820.419</b>		<b>1.204.531.453</b>
<b>Short-term portion of long-term borrowings</b>				
USD borrowings	3,39	705.802.773	3,55	432.113.001
Other borrowings(*)	7,15	18.641.630	8,90	30.774.548
		<b>724.444.403</b>		<b>462.887.549</b>
<b>Total short-term borrowings</b>		<b>2.912.264.822</b>		<b>1.667.419.002</b>
<b>Long term borrowings</b>				
USD Borrowing	3,39	1.235.979.821	3,55	1.062.584.497
Euro Borrowing	-	-	2,90	45.039.500
TL Borrowing	-	-	9,50	100.000.000
Other Borrowing (*)	7,15	30.257.083	8,90	3.104.661
<b>Total short-term borrowings</b>		<b>1.266.236.904</b>		<b>1.210.728.658</b>

(\*) Other borrowings comprise borrowings in Indonesian Rupiah and Brazilian Real.

As of 31 December 2021 and 31 December 2020, the redemption schedules of borrowings are summarized below:

	31 December 2021	31 December 2020
1 to 2 years	750.624.419	571.200.310
2 to 3 years	480.769.758	402.731.842
3 to 4 years	17.353.910	236.794.601
4 to 5 years	17.488.817	1.905
Over 5 years	-	-
	<b>1.266.236.904</b>	<b>1.210.728.658</b>



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 6 – BORROWINGS (continued)**

As of 31 December 2021 and 31 December 2020, the redemption schedules of leasing are summarized below:

	<b>31 December 2021</b>	<b>31 December 2020</b>
1 to 2 years	23.373.413	16.945.209
2 to 3 years	19.969.905	7.447.909
3 to 4 years	19.212.173	6.361.988
4 to 5 years	17.610.256	5.919.810
Over 5 years	158.344.517	55.390.710
	<b>238.510.264</b>	<b>92.065.626</b>

The financial covenant that the Group is obliged to fulfill within the scope of the loan agreements in USD are met.

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

	<b>2021</b>	<b>2020</b>
<b>1 January</b>	<b>2.979.259.584</b>	<b>3.114.109.574</b>
Proceed from borrowings	2.255.184.854	1.423.072.698
Repayment of borrowings	(2.583.098.747)	(2.118.318.275)
Interest expense recognized in the statement of profit or loss	133.031.524	160.048.641
Interest accrual	(120.853.994)	(161.575.478)
TFRS 16 additions (Note 13)	66.210.319	9.868.368
Lease liability repayments	(19.325.754)	(17.313.543)
Effects of currency translation	1.723.716.516	569.367.599
<b>31 December</b>	<b>4.434.124.302</b>	<b>2.979.259.584</b>

**NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES**

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Trade receivables</b>		
Trade receivables	2.421.306.949	1.026.912.477
Cheques received	22.849.755	11.257.390
Due from related parties (Note 27)	157.931.907	64.199.658
	<b>2.602.088.611</b>	<b>1.102.369.525</b>
Less: Provision for doubtful receivables	(19.532.353)	(5.423.414)
Less: Unearned credit finance income	(16.390.623)	(5.833.976)
	<b>2.566.165.635</b>	<b>1.091.112.135</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES (continued)**

As of 31 December 2021, annual interest rates for discount of TL, US Dollar and Euro trade receivables and payables are %23,61, %5,75 ve %3,5 respectively (2020: %17, %4,72 and %3,53) The average maturities of the trade receivables as of 31 December 2021 is 72 days and average duration of trade payables is 58 days (31 December 2020: 70 days, 59 days).

As of 31 December 2021, trade receivables amounting to TL 178.952.187 (31 December 2020: TL 93.860.522) were past due but not impaired. The aging of these receivables as of 31 December 2021 and 2020 are as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Up to 1 month	90.733.095	60.153.088
1 to 3 months	31.813.553	25.528.942
3 to 12 months	56.405.539	5.479.778
1 to 5 years	-	2.698.714
	<b>178.952.187</b>	<b>93.860.522</b>

As of 31 December 2021, trade receivables amounting to 19.532.353 TL (2020: 5.423.414 TL) are past due and provided for, as of 31 December 2021 and 31 December 2020, the aging schedule of the related receivables is as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Up to 1 month	-	-
1 to 3 months	-	-
3 to 12 months	-	-
1 to 5 years	19.532.353	5.423.414
	<b>19.532.353</b>	<b>5.423.414</b>

Movement schedules of provision for doubtful receivables for the years ended 2021 and 2020 are as follows:

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
Balance at 1 January	<b>5.423.414</b>	<b>3.976.486</b>
Additions	8.822.547	961.531
Currency translation differences	5.286.392	485.397
<b>Balance at 31 December</b>	<b>19.532.353</b>	<b>5.423.414</b>

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Trade payables</b>		
Trade payables	1.899.870.539	645.439.046
Due to related parties (Note 27)	35.769.109	21.015.047
	<b>1.935.639.648</b>	<b>666.454.093</b>
Less: Unrealised credit finance expense on purchases	(8.255.502)	(2.167.761)
	<b>1.927.384.146</b>	<b>664.286.332</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 8 – OTHER RECEIVABLES AND OTHER PAYABLES**

<b>Other short-term receivables</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Taxes and other duties (*)	91.917.487	14.215.564
Other	90.573.949	10.701.784
	<b>182.491.436</b>	<b>24.917.348</b>

<b>Other long-term receivables</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Litigation guarantee receivables (**)	38.785.778	21.246.787
Other	1.580.801	5.736.684
	<b>40.366.579</b>	<b>26.983.471</b>

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

(\*\*) Litigation guarantee receivables comprise guarantees given to courts by Kordsa Brazil.

<b>Other short-term payables</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Taxes and duties payable	63.487.242	23.007.045
Other	-	13.749.777
	<b>63.487.242</b>	<b>36.756.822</b>

<b>Other long-term payables</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Taxes and duties payable (***)	6.373.587	8.529.941
	<b>6.373.587</b>	<b>8.529.941</b>

(\*\*\*) Taxes and duties payable mainly comprise of the provisions for employee and tax related lawsuits against Kordsa Brazil

**NOTE 9 – INVENTORIES**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Finished Goods	975.096.958	443.381.693
Raw materials and suppliers	1.458.531.806	523.736.557
Semi-finished goods	262.713.647	122.527.083
Spare parts	117.592.102	74.146.377
Intermediate goods	134.711.314	51.597.235
Other inventories	104.414.189	46.227.642
	<b>3.053.060.016</b>	<b>1.261.616.587</b>
Less: Provision for obsolescence	(64.279.766)	(36.303.991)
	<b>2.988.780.250</b>	<b>1.225.312.596</b>

The allocation of the impairment of inventories for the years ended 31 December 2021 and 2020 are as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Finished goods	19.379.222	11.099.818
Spare parts	33.388.599	17.098.453
Semi-finished and intermediate goods	2.038.172	4.704.042
Other inventories	9.326.767	1.572.408
Raw materials and suppliers	147.006	1.829.270
<b>Balance at 31 December</b>	<b>64.279.766</b>	<b>36.303.991</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 9 – INVENTORIES (continued)**

Movement schedules for impairment of inventories for the years ended 31 December 2021 and 2020 are as follows:

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
Balance at 1 January	36.303.991	27.347.532
Additions	6.269.659	9.392.590
Reversals	(1.082.107)	(4.575.032)
Currency translation differences	22.788.223	4.138.901
<b>Balance at 31 December</b>	<b>64.279.766</b>	<b>36.303.991</b>

The amount of provision for impairment of inventory charged to cost of goods sold for the year 2021 is TL 5.187.552 (2020: TL 4.817.558).

**NOTE 10 – PREPAYMENTS AND DEFERRED INCOME**

<b>Short-term prepaid expenses</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Prepaid expenses	49.294.992	25.786.277
Advance expenses	47.357.207	14.331.188
Other prepaid expenses	4.002.506	7.752.420
	<b>100.654.705</b>	<b>47.869.885</b>

<b>Long-term prepaid expenses</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Advances given	4.843.384	3.704.280
Other prepaid expenses	1.380.725	1.451.981
	<b>6.224.109</b>	<b>5.156.261</b>

<b>Deferred revenue</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Deferred revenue (*)	18.797.992	15.910.941
	<b>18.797.992</b>	<b>15.910.941</b>

(\*) Deferred revenue comprises advances received from customers.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 11 – PROPERTY, PLANT AND EQUIPMENT**

The movement of property, plant and equipment for the year ended 31 December 2021 is as follows:

	<b>1 January 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Impairment</b>	<b>Currency translation differences</b>	<b>31 December 2021</b>
<b>Cost:</b>							
Land and land improvements	127.147.176	1.082.335	-	41.500	-	61.218.689	189.489.700
Buildings	793.941.107	2.598.832	(1.590.784)	5.762.938	-	414.100.102	1.214.812.195
Machinery and equipment	4.003.211.704	55.442.262	(191.131.466)	160.591.214	(1.445.298)	2.343.768.905	6.370.437.321
Motor vehicles	3.932.952	-	(434.321)	323.781	-	2.612.922	6.435.334
Furniture and fixtures	146.851.186	972.601	(26.007.672)	14.157.771	-	83.125.312	219.099.198
Construction in progress	146.165.357	191.197.208	-	(206.975.825)	-	41.247.006	171.633.746
	<b>5.221.249.482</b>	<b>251.293.238</b>	<b>(219.164.243)</b>	<b>(26.098.621)</b>	<b>(1.445.298)</b>	<b>2.946.072.936</b>	<b>8.171.907.494</b>
<b>Accumulated depreciation:</b>							
Land improvements	28.036.026	2.891.258	-	-	-	11.239.727	42.167.011
Buildings	376.879.791	23.162.117	(1.187.288)	-	-	187.803.441	586.658.061
Machinery and equipment	2.231.441.316	216.123.236	(163.768.727)	-	-	1.303.081.819	3.586.877.644
Motor vehicles	1.957.256	653.844	(338.655)	76.676	-	258.685	2.607.806
Furniture and fixtures	110.945.113	15.565.551	(25.856.995)	-	-	67.686.088	168.339.757
	<b>2.749.259.502</b>	<b>258.396.006</b>	<b>(191.151.665)</b>	<b>76.676</b>	<b>-</b>	<b>1.570.069.760</b>	<b>4.386.650.279</b>
<b>Net book value</b>	<b>2.471.989.980</b>						<b>3.785.257.215</b>

TL 280.106.423 (2020: TL 228.230.766) of current period depreciation and amortisation expenses are included in cost of sales, TL 5.436.721 (2020 : 4.044.451 TL) is included in research and development expenses and TL 64.468.894 (2020: TL 52.409.323) is included in general administrative expenses.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (continued)**

The movement of property, plant and equipment for the year ended 31 December 2020 is as follows:

	<b>1 January 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Currency translation differences</b>	<b>31 December 2020</b>
<b>Cost:</b>						
Land and land improvements	109.321.441	2.568.457	-	-	15.257.278	127.147.176
Buildings	692.681.329	2.274.946	(4.158)	4.316.751	94.672.239	793.941.107
Machinery and equipment	3.376.827.022	75.540.226	(20.826.701)	111.801.241	459.869.916	4.003.211.704
Motor vehicles	4.412.732	-	(1.178.773)	-	698.993	3.932.952
Furniture and fixtures	127.559.014	990.558	(1.231.027)	6.716.340	12.816.301	146.851.186
Construction in progress	136.811.567	126.551.093	-	(122.834.332)	5.637.029	146.165.357
	<b>4.447.613.105</b>	<b>207.925.280</b>	<b>(23.240.659)</b>	<b>-</b>	<b>588.951.756</b>	<b>5.221.249.482</b>
<b>Accumulated depreciation:</b>						
Land improvements	24.314.197	1.640.295	-	-	2.081.534	28.036.026
Buildings	317.166.519	19.317.419	(2.322)	-	40.398.175	376.879.791
Machinery and equipment	1.840.777.810	180.740.834	(3.078.811)	-	213.001.483	2.231.441.316
Motor vehicles	2.160.900	674.549	(1.178.773)	-	300.580	1.957.256
Furniture and fixtures	88.896.558	11.257.109	(344.212)	-	11.135.658	110.945.113
	<b>2.273.315.984</b>	<b>213.630.206</b>	<b>(4.604.118)</b>	<b>-</b>	<b>266.917.430</b>	<b>2.749.259.502</b>
<b>Net book value</b>	<b>2.174.297.121</b>					<b>2.471.989.980</b>

As of 31 December 2021, there are mortgages on property, plant and equipment amounting to TL 335.084.356 (31 December 2020: TL 271.162.467).

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 12 – INTANGIBLE ASSETS**

	<b>1 January 2021</b>	<b>Addition )</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Currency translation differences</b>	<b>31 December 2021</b>
<b>Cost:</b>						
Rights	40.353.394	319.713	-	3.355.301	-	44.028.408
Technology licences	120.677.597	639.038	(15.105.126)	-	89.405.845	195.617.354
Capitalized development costs	77.548.464	379.224	(1.278.684)	22.564.646	-	99.213.650
Computer software	51.515.824	777.502	(21.160.173)	178.674	16.766.562	48.078.389
Customer relationships	570.722.711	-	-	-	465.066.910	1.035.789.621
Trademarks	178.426.067	-	-	-	145.555.424	323.981.491
Other intangible assets	33.572.169	-	-	-	23.954.001	57.526.170
	<b>1.072.816.226</b>	<b>2.115.477</b>	<b>(37.543.983)</b>	<b>26.098.621</b>	<b>740.748.742</b>	<b>1.804.235.083</b>
<b>Accumulated Depreciation</b>						
Rights	16.014.867	2.812.571	-	-	-	18.827.438
Technology licences	43.105.110	13.432.315	(15.105.126)	-	37.685.017	79.117.316
Capitalized development costs	28.072.965	16.752.186	-	-	-	44.825.151
Computer software	55.198.396	4.065.594	(20.426.484)	-	14.338.422	53.175.928
Customer relationships	52.045.831	16.334.054	-	-	62.170.246	130.550.131
Other intangible assets	6.970.877	16.642.789	-	-	1.862.095	25.475.761
	<b>201.408.046</b>	<b>70.039.509</b>	<b>(35.531.610)</b>	<b>-</b>	<b>116.055.780</b>	<b>351.971.725</b>
<b>Net book value</b>	<b>871.408.180</b>					<b>1.452.263.358</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 12 – INTANGIBLE ASSETS (continued)**

	<b>1 January 2020</b>	<b>Addition</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Currency translation differences</b>	<b>31 December 2020</b>
<b>Cost:</b>						
Rights	33.659.625	6.693.769	-	-	-	40.353.394
Technology licences	100.107.720	-	-	-	20.569.877	120.677.597
Capitalized development costs	54.862.903	-	(3.907.776)	26.593.337	-	77.548.464
Computer software	43.031.106	22.838.102	(458.534)	(25.820.286)	11.925.436	51.515.824
Customer relationships	461.975.413	-	-	-	108.747.298	570.722.711
Trademarks	143.990.448	-	-	-	34.435.619	178.426.067
Other intangible assets	27.891.310	3.638.451	-	(773.051)	2.815.459	33.572.169
	<b>865.518.525</b>	<b>33.170.322</b>	<b>(4.366.310)</b>	<b>-</b>	<b>178.493.689</b>	<b>1.072.816.226</b>
<b>Accumulated Depreciation</b>						
Rights	14.194.888	1.819.979	-	-	-	16.014.867
Technology licences	28.727.880	10.591.629	-	-	3.785.601	43.105.110
Capitalized development costs	16.167.285	13.177.471	-	-	-	29.344.756
Computer software	45.776.104	1.909.285	(4.366.310)	-	10.607.526	53.926.605
Customer relationships	21.113.104	26.443.923	-	-	4.488.804	52.045.831
Other intangible assets	6.089.102	748.422	-	-	133.353	6.970.877
	<b>132.068.363</b>	<b>54.690.709</b>	<b>(4.366.310)</b>	<b>-</b>	<b>19.015.284</b>	<b>201.408.046</b>
<b>Net book value</b>	<b>733.450.162</b>					<b>871.408.180</b>



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 13 – RIGHT OF USE ASSETS**

	<b>1 January 2021</b>	<b>Addition</b>	<b>Disposals</b>	<b>Currency translation differences</b>	<b>31 December 2021</b>
<b>Cost</b>					
Properties	100.171.185	61.277.049	(1.580.369)	110.786.852	270.654.717
Fixtures	252.813	-	-	206.249	459.062
Vehicles	8.888.308	4.317.624	-	2.904.861	16.110.793
Other	12.931.373	615.646	-	1.527.925	15.074.944
	<b>122.243.679</b>	<b>66.210.319</b>	<b>(1.580.369)</b>	<b>115.425.887</b>	<b>302.299.516</b>
<b>Accumulated depreciation</b>					
Properties	(15.789.829)	(14.877.111)	1.580.369	(18.478.520)	(47.565.091)
Fixtures	(112.314)	(78.786)	-	(132.518)	(323.618)
Vehicles	(5.385.416)	(4.078.863)	-	(3.474.035)	(12.938.314)
Other	(5.066.498)	(2.541.763)	31.092	(895.178)	(8.472.347)
	<b>(26.354.057)</b>	<b>(21.576.523)</b>	<b>1.611.461</b>	<b>(22.980.251)</b>	<b>(69.299.370)</b>
<b>Net book value</b>	<b>95.889.622</b>				<b>233.000.146</b>
	<b>1 January 2020</b>	<b>Addition</b>	<b>Disposals</b>	<b>Currency translation differences</b>	<b>31 December 2020</b>
<b>Cost</b>					
Properties	74.783.447	6.734.870	(894.881)	19.547.749	100.171.185
Fixtures	594.307	-	(461.550)	120.056	252.813
Vehicles	7.207.216	1.173.682	-	507.410	8.888.308
Other	10.682.398	1.959.816	-	289.159	12.931.373
	<b>93.267.368</b>	<b>9.868.368</b>	<b>(1.356.431)</b>	<b>20.464.374</b>	<b>122.243.679</b>
<b>Accumulated depreciation</b>					
Properties	(4.736.158)	(10.500.382)	636.405	(1.189.694)	(15.789.829)
Fixtures	(186.856)	(64.627)	264.429	(125.260)	(112.314)
Vehicles	(2.435.694)	(2.930.811)	-	(18.911)	(5.385.416)
Other	(2.106.314)	(2.867.805)	-	(92.379)	(5.066.498)
	<b>(9.465.022)</b>	<b>(16.363.625)</b>	<b>900.834</b>	<b>(1.426.244)</b>	<b>(26.354.057)</b>
<b>Net book value</b>	<b>83.802.346</b>				<b>95.889.622</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 14 – INVESTMENT PROPERTIES**

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Balance at 1 January</b>	<b>175.005.149</b>	<b>138.171.192</b>
Gain / (loss) from fair value adjustments (*)	1.281.645	4.364.502
Currency translation differences	143.413.023	32.469.455
<b>Balance at 31 December</b>	<b>319.699.817</b>	<b>175.005.149</b>

(\*) As of 31 December 2021 and 2020 the fair value of the Group’s investment property in PT Indo Kordsa Company in Asia Pasific Region has been revalued by independent experts who are not related with the Group and have appropriate qualifications and recent experience in the valuation of properties. The estimated fair values of lands owned have been determined by taking reference of the market transaction prices of similar properties. When determining the fair values of the lands the highest of the value in use has been considered. In the current period no different valuation methodology is performed. As of 31 December 2021 the fair value hierarchy level of investment properties measured by revaluation method is 2.

**NOTE 15 – GOODWILL**

The goodwill by amount of TL 1.639.505.779 (2020: TL 923.388.013) as of 31 December 2021 consisted of TL 42.570.007 (2020: 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 (2020: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006, respectively USD 9.656.000 (2020: USD 9.656.000) and USD 19.893.604 (2020: USD 19.893.604) which accrued in consequence of the acquisition of the Fabric Development Inc. (“FDI”) and Textile Products, Inc.(“TPI”) on 13 July 2018, USD 1.268.000 (2020: USD 1.268.000) accrued in consequence of the acquisition of the Advanced Honeycomb Technologies Corporation (“AHT”) on 1 October 2018 and USD 88.764.556 (2020: USD 88.764.556) which accrued in consequence of the acquisition of the Axiom Materials Acquisition (“Axiom”) on 23 July 2019.

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

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Balance at 1 January</b>	<b>923.388.013</b>	<b>798.034.611</b>
Currency translation difference	716.117.766	125.353.402
<b>Balance at 31 December</b>	<b>1.639.505.779</b>	<b>923.388.013</b>

As disclosed in Note 2.6 in detail, there is no change in the book value of the goodwill after assessment for the impairment, which are TL 1.639.505.779 and TL 923.388.013 for the year ended as of 31 December 2021 and 2020 respectively.

The cash generating unit value, has been tested for the sensitivity of cash flows to the weighted average cost of capital (“WACC”) of +1%/-1% and growth rate together(31 December 2020: +1%/-1%). As a result of the impairment test, it has been determined that there is no impairment in the cash generating unit value.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES**

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

<b>a) Guarantees given</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Pledges given to banks (Note 6)	598.989.671	452.613.315
Securities (*)	1.451.380.001	1.084.762.778
Letter of credits	129.824.530	46.553.367
Letter of guarantees	379.037.448	246.228.967
Commitments	648.983	385.634
	<b>2.559.880.633</b>	<b>1.830.544.061</b>

(\*) Kordsa Teknik Tekstil A.Ş. has participated in Kordsa Inc.'s loans amounting to USD 15.555.556 (TL 207.340.006) as of 13 July 2018 and USD 93.333.333 (TL 1.244.039.996) as of 17 July 2019 as joint guarantor.

<b>b) Guarantees received</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Letter of guarantees	9.780.586	11.057.837
Cheques and notes received as collateral	31.350	31.350
	<b>9.811.936</b>	<b>11.089.187</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

<b>31 December 2021</b>	<b>TL Equivalent</b>	<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>Thai Baht</b>	<b>TL Equivalent</b>
A. Total amount of GPMs given in the name of its own legal entity	1.108.500.632	42.732.408	58.923.297	18.511.135	1.827.200	378.911
B. Total amount of GPMs given on behalf of subsidiaries consolidated in full	1.451.380.001	-	108.888.889	-	-	-
C. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-	-
i. Total amount of GPM given on behalf of the majority shareholders	-	-	-	-	-	-
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	-	-	-	-	-	-
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	-	-	-	-	-	-
E. Total amount of GPMs given in the name of its own legal entity	-	-	-	-	-	-
F. Total amount of GPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-
G. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
H. Total amount of other GPM	-	-	-	-	-	-
iv. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-	-
	<b>2.559.880.633</b>	<b>42.732.408</b>	<b>167.812.186</b>	<b>18.511.135</b>	<b>1.827.200</b>	<b>378.911</b>
<b>31 December 2020</b>	<b>TL Equivalent</b>	<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>Thai Baht</b>	<b>TL Equivalent</b>
A. Total amount of GPMs given in the name of its own legal entity	745.781.283	42.508.926	70.160.238	20.003.635	1.778.000	7.635.877
B. Total amount of GPMs given on behalf of subsidiaries consolidated in full	1.084.762.778	-	147.777.778	-	-	-
C. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-	-
i. Total amount of GPM given on behalf of the majority shareholders	-	-	-	-	-	-
ii. Total amount of GPM given to on behalf of other Group companies which are not in scope B and C	-	-	-	-	-	-
iii. Total amount of GPM given to on behalf of third parties which are not in scope of clause C	-	-	-	-	-	-
E. Total amount of GPMs given in the name of its own legal entity	-	-	-	-	-	-
F. Total amount of GPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-
G. GPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
H. Total amount of other GPM	-	-	-	-	-	-
iv. Total amount of GPM given behalf of the majority shareholders	-	-	-	-	-	-
	<b>1.830.544.061</b>	<b>42.508.926</b>	<b>217.938.016</b>	<b>20.003.635</b>	<b>1.778.000</b>	<b>7.635.887</b>

(\* ) Group equity ratio to other GPM given by the Group is 0 % as of 31 December 2021 (31 December 2020: 0%).

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 17 – EMPLOYEE BENEFITS**

<b>Short-term provisions for employee benefits</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Provision for unused vacation	40.432.271	15.953.189
Provision for bonus accrual	71.735.707	12.727.891
Provision for capital contribution plan (*)	13.553.748	2.138.082
	<b>125.721.726</b>	<b>30.819.162</b>

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

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

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

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
Balance at 1 January	15.953.189	15.164.895
Increase during the year	4.305.342	20.661.604
Decrease during the year	(1.538.239)	(13.489.369)
Currency translation differences	21.711.979	(6.383.941)
<b>Balance at 31 December</b>	<b>40.432.271</b>	<b>15.953.189</b>

<b>Long-term provisions for employee benefits</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Provision for employment termination benefits (*)	85.925.990	63.177.753
Accruals for employee retirement benefit plans (**)	67.890.797	43.794.659
	<b>153.816.787</b>	<b>106.972.412</b>

**(\*) Provision for employment termination benefits**

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

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

As at 31 December 2021 the amount payable consists of one month’s salary limited to a maximum of TL 8.284,51 (31 December 2020: TL 7.117,17) for each year of service.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 17 – EMPLOYEE BENEFITS (continued)**

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

	<u>2021</u>	<u>2020</u>
Discount rate (%)	3,91	3,91
The probability of retirement (%)	95,86	97,09

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 10.848,59 (1 January 2020: TL 7.117,17), which is effective from 1 January 2022, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

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

	<u>1 January- 31 December 2021</u>	<u>1 January- 31 December 2020</u>
<b>Balance at 1 January</b>	<b>63.177.753</b>	<b>50.392.579</b>
Increase during the year	26.050.784	14.356.304
Payment during the year	(3.302.547)	(3.592.978)
Actuarial (gain)/loss	-	2.021.848
<b>Balance at 31 December</b>	<b>85.925.990</b>	<b>63.177.753</b>

**(\*\*) Provision for employment retirement benefits plans:**

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

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

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 17 – EMPLOYEE BENEFITS (continued)**

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

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Balance at 1 January</b>	43.794.659	35.724.022
Addition during the year	(169.971)	4.279.459
Payment during the year	(7.638.058)	(3.677.463)
Actuarial (gain)/loss	1.474.434	(1.143.995)
Currency translation differences	30.429.733	8.612.636
<b>Balance at 31 December</b>	<b>67.890.797</b>	<b>43.794.659</b>
<b>Employee benefit obligations</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Wage accruals	12.038.926	9.296.180
Due to personnel	8.807.447	5.648.261
	<b>20.846.373</b>	<b>14.944.441</b>
<b>Other Short Term Provision</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Lawsuit provision (*)	35.806.277	22.665.711
	<b>35.806.277</b>	<b>22.665.711</b>

(\*) The provisions of the Group's Subsidiary in Indonesia regarding the ongoing litigation related to customs codes and other cases.

**NOTE 18 – OTHER ASSETS AND LIABILITIES (continued)**

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Other current assets</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Deferred VAT	30.683.250	10.453.633
Deductible VAT	77.202.491	23.683.982
Other	40.504.150	8.706.275
	<b>148.389.891</b>	<b>42.843.890</b>
<b>Other non-current assets</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Long-term spare parts	137.794.110	67.677.045
Long-term deposits	9.270.299	4.511.771
	<b>147.064.409</b>	<b>72.188.816</b>
<b>Other current liabilities</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Expense accruals	50.809.339	17.098.891
Sales discounts and commission accruals (*)	12.832.563	9.990.420
Other tax accruals (**)	13.402.514	2.896.659
Other personnel expense accruals	3.456.827	857.370
Other	66.972.046	31.579.687
	<b>147.473.289</b>	<b>62.423.027</b>

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 18 – OTHER ASSETS AND LIABILITIES (continued)**

<b>Other long-term liabilities</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Other (*)	-	43.941.705
	-	<b>43.941.705</b>

(\*) Consists of valuation of put option liability of non-controlling interests of Axiom Materials Acquisition LLC, a subsidiary of the Group. Kordsa Inc., which is a 100% subsidiary of our company and residing in the USA, has completed the purchase of 4.14% minority shares of Axiom Materials Acquisition LLC, 95.86% of which is owned, for 6,533,413 (six million five hundred thirty three thousand four hundred and thirteen) US Dollars on 2 August 2021.

**NOTE 19 - EQUITY**

**Paid-in share capital**

The Group's authorized and issued capital consists of 19.452.907.600 shares at 1 shares of Kr1 nominal value (2020: 19.452.907.600 shares). All shares are paid and there is no preferred stock. The Group's shareholders and their share at 31 December 2021 and 2020 are as follows:

	<b>2021</b>	<b>Ownership interest %</b>	<b>2020</b>	<b>Ownership interest %</b>
Hacı Ömer Sabancı Holding A.Ş.	138.327.614	71,11	138.327.614	71,11
Other	56.201.462	28,89	56.201.462	28,89
<b>Paid-in capital total</b>	<b>194.529.076</b>	<b>100,00</b>	<b>194.529.076</b>	<b>100,00</b>

Group has adopted the registered capital system in accordance with the provisions of the Capital Market Law No.6362 numbered 594 dated 21.09.1989 and has passed to this system with the permission of the Capital Market Board. The registered capital ceiling of the Company is TL 500.000.000 and consist of 50.000.000.000 shares each with a nominal value of Kr 1.

**Revaluation and hedging reserves**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	(952.232.836)	(465.752.147)
	<b>(952.502.987)</b>	<b>(466.022.298)</b>

**Financial Assets Fair Value Reserve:**

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

**Hedging Reserve:**

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



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 19 - EQUITY (continued)**

**Movements of Hedging Reserve:**

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Balance at 1 January</b>	<b>(465.752.147)</b>	<b>(301.459.528)</b>
Increases/decreases	(607.881.671)	(205.618.287)
Income tax related to gains /losses recognized in other comprehensive income	121.400.980	41.325.668
<b>Balance at 31 December</b>	<b>(952.232.836)</b>	<b>(465.752.147)</b>

**Share Premiums**

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

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

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

**Restricted Reserves**

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

As at 31 December 2021 restricted reserves comprised of legal reserves amounting to TL 171.866.392 (31 December 2020: TL 171.866.392 ).

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

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

*Revaluation gain on property, plant and equipment*

The amount of property, plant and equipment that is not recognized in profit or loss is recognized as other comprehensive income. As at 31 December 2021, the gains arising from the fair value changes arise from the parcels and lands transferred from lands of PT Indo Kordsa in the Asia Pacific Region to the investment properties.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 19 - EQUITY (continued)**

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

*Revaluation gain on property, plant and equipment (continued)*

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

	<b>2021</b>	<b>2020</b>
Balance at beginning of the period	40.027.097	40.027.097
<b>Balance at closing of the period</b>	<b>40.027.097</b>	<b>40.027.097</b>

*Defined Benefit Plans Remeasurement Fund*

As at 31 December 2021, TL 5.454.587 (31 December 2020: TL 4.975.520) consists of actuarial gain or loss of long term employee benefits and retirement plan provision (Indonesia and Thailand) recognized as other comprehensive income.

**Other accumulated comprehensive income or expenses that will be reclassified in profit or loss**

*Currency translation difference*

Currency translation difference is consist of foreign currency difference arising from translating to reporting currency from functional currency of financial statements of Group's subsidiaries in the foreign country and exchange difference arising from net investment hedge. There is curency translation difference amounting to TL 3.849.799.350 (31 December 2020: TL 1.446.673.823 TL) in the Group's accompanying consolidated financial statements.

**Dividend Payments**

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

**Retained Earnings**

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

**Net Profit for the Period**

As of 31 December 2021, the Group has a net profit of TL 855.717.662 (2020: TL 150.393.991).

**Non-controlling Interest**

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 19 - EQUITY (continued)**

**Non-controlling Interest (continued)**

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

	<b>2021</b>	<b>2020</b>
<b>Balance at the beginning of the period</b>	<b>696.997.365</b>	<b>572.642.516</b>
The portion of total comprehensive income attributed to non-controlling interest	632.300.860	150.336.530
Dividend paid to non-controlling interest	(91.729.777)	(25.981.681)
<b>Closing at the beginning of the period</b>	<b>1.237.568.448</b>	<b>696.997.365</b>

**NOTE 20 - REVENUE AND COST OF SALES**

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
Sales income (gross)	8.019.706.304	4.611.790.406
Sales returns (-)	(20.408.722)	(16.300.905)
Sales discounts (-)	(30.022.999)	(30.876.468)
Other sales discounts (-)	(78.220.020)	(28.276.594)
<b>Sales income (net)</b>	<b>7.891.054.563</b>	<b>4.536.336.439</b>
Cost of sales (-)	(6.159.087.633)	(3.733.211.464)
<b>Gross Profit</b>	<b>1.731.966.930</b>	<b>803.124.975</b>

**NOTE 21 - EXPENSES BY NATURE**

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
Raw materials and consumables used	4.142.544.057	2.264.379.814
Personnel expenses	1.045.849.959	687.877.040
Energy expenses	597.690.237	380.656.700
Depreciation and amortization expenses	350.012.038	284.684.540
Idle mill expenses	9.285.928	129.533.921
Distribution expenses	289.236.230	127.188.079
Packaging expenses	153.722.487	92.195.269
Consultancy expenses	90.336.215	60.631.172
Maintenance expenses	8.802.099	6.502.381
Rent expenses	6.843.224	4.936.395
Other	329.174.047	208.508.387
	<b>7.023.496.521</b>	<b>4.247.093.698</b>

*Fees for Services Obtained from Independent Auditors/Independent Audit Firms*

Fees for the services rendered by the independent audit firms, which is prepared pursuant to the Board Decision of the POA published in the Official Gazette on 30 March 2021 and prepared in accordance with the the letter of the POA dated 19 August 2021 are as follows

	<b>2021(*)</b>	<b>2020(*)</b>
Independent audit fee for the reporting period	5.174.239	3.893.496
Fee for other assurance services	62.198	49.063
	<b>5.236.437</b>	<b>3.942.559</b>

(\*) The fees above have been determined by including the legal audit and other related service fees of all subsidiaries, and the foreign currency fees of foreign subsidiaries and affiliates have been converted into TL using the annual average rates of the relevant years.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 22 - OTHER OPERATING INCOME AND EXPENSES**

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Other operating income</b>		
Foreign exchange gain/loss on trade receivables/payables - net	237.115.476	71.441.354
Finance income on trade receivables	74.494.461	37.111.554
Domestic production incentive income (*)	65.738.356	36.431.868
Export incentive income	3.747.069	3.297.731
Rent income	1.379.729	1.397.109
Income from insurance claims	-	365.368
Income from lawsuit (**)	92.725.859	-
Other	76.192.275	24.008.975
	<b>551.393.225</b>	<b>174.053.959</b>

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

(\*\*) It consists of the revenues related to the positive conclusion of Kordsa Brazil's double taxation lawsuits, which have continued since 2003 and were also collected over the state VAT on the sales by the federal tax office.

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Other operating expenses</b>		
Finance expense on credit purchases	26.976.610	16.275.743
Taxes and duties	10.672.017	12.697.961
Provision for litigation (*)	16.796.711	37.157.372
Expenses of the customer damages	1.062.942	516.154
Donations	742.569	193.054
Other	36.342.905	12.583.213
	<b>92.593.754</b>	<b>79.423.497</b>

(\*) It is the ongoing litigation expenses related to customs clearance of the Group's Subsidiary in Indonesia.

**NOTE 23 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES**

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Interest income from investing activities</b>		
Interest income	6.241.528	13.933.897
Interest income from fair value of investment properties (Note 14)	1.281.645	4.364.502
Gain on sale of property, plant and equipment	2.113.531	984.251
	<b>9.636.704</b>	<b>19.282.650</b>
<b>Losses from investing activities</b>		
Loss on sale of property, plant and equipment	6.014.827	531.715
	<b>6.014.827</b>	<b>531.715</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 24 - FINANCIAL INCOME AND EXPENSES**

	<b>1 January 31 December 2021</b>	<b>1 January 31 December 2020</b>
<b>Finance income</b>		
Foreign exchange gain	158.544.223	130.146.531
	<b>158.544.223</b>	<b>130.146.531</b>

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Finance expense</b>		
Interest expenses	133.031.524	160.048.641
Foreign exchange losses	175.748.609	129.319.282
Losses on derivative instruments	220.299.085	53.446.923
Other	15.386.920	10.025.779
	<b>544.466.138</b>	<b>352.840.625</b>

**NOTE 25 - TAXATION ON INCOME**

**Corporate Tax**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Corporate tax payable	18.504.653	686.008
Less: Prepaid taxes	-	(5.278.265)
<b>Current tax (asset)/ liability, net</b>	<b>18.504.653</b>	<b>(4.592.257)</b>

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

In Turkey, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations in Turkey and by deducting the exemptions in the tax laws was applied as 20% after 1 January 2021. However, with the Provisional Article 13 added to the Corporate Tax Law no. The rate is set to be 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. This amendment is valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021. Since the tax rate change came into effect as of 22 April 2021, the tax rate was used as 25% in the calculations of the period tax in the consolidated financial statements dated 31 December 2021.

Within the scope of the said amendment, deferred tax assets and liabilities in the consolidated financial statements dated 31 December 2021 are calculated at the rates of 23% and 20%, respectively, for the portions of temporary differences that will have tax effects in 2022 and the following periods.

Tax legislation in Turkey does not allow the Company and its subsidiaries to file consolidated tax returns. Therefore, the tax provision reflected in the financial statements has been calculated on a company-by-company basis.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years and tax accounts can be revised.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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**NOTE 25 – TAXATION ON INCOME (continued)**

**Corporate Tax (continued)**

Dividend payments made to resident joint stock companies in Turkey, to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 15% income tax.

Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

Dividend earnings of corporations from participation in the capital of another fully liable corporation (except for participation certificates of mutual funds and dividends obtained from shares of investment partnerships) are exempt from corporate tax. In addition, 75% of the profits arising from the sale of the participation shares in the assets of the corporations for at least two full years and the founding certificates of the real estates (immovables) owned for the same period of time, the usufruct shares and the preference rights are exempt from corporate tax as of 31 December 2017. However, with the amendment made with Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

In order to benefit from the exemption, the said income must be kept in a passive fund account and not withdrawn from the business for 5 years. The sales price must be collected until the end of the second calendar year following the year of sale.

In Turkey, there is no practice of reaching an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the accounting period. The tax inspection authorities may examine the tax returns and the accounting records underlying them during the five years following the accounting period and make a reassessment as a result of their findings.

**Income tax withholding**

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments, except those made to non-resident companies that generate income in Turkey through a workplace or their permanent representative, and those residing in Turkey, were subject to a 15% withholding tax until 22 December 2021. However, in accordance with the presidential decree No. 4936, published in the Official Gazette dated 22 December 2021 and numbered 31697, the provisions of the Income Tax Law No. has decreased.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. Adding retained earnings to the capital is not counted as dividend distribution, so it is not subject to withholding tax.

**Transfer pricing regulations**

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué dated 18 November 2007 on disguised profit distribution through transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price or price they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered as an expense that is not legally accepted for corporate tax.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 25 – TAXATION ON INCOME (continued)**

**Corporate Tax (continued)**

The taxes on income reflected to consolidated income statements for the years ended 31 December 2021 and 2020 are summarized as follows:

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
Current period corporate tax expense	(110.945.399)	(7.956.412)
Deferred tax income /(expense)	30.547.577	(14.470.645)
	<b>(80.397.822)</b>	<b>(22.427.057)</b>

The reconciliation of tax on the consolidated statement of profit or loss for the years ended 31 December 2021 and 2020 is as follows:

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
Profit before tax in the consolidated financial statements	943.833.474	179.930.044
Tax charge according to parent company's tax rate 22%	(235.958.369)	(39.584.612)
Tax rate differences of subsidiaries	14.692.257	(8.897.293)
<b>Expected tax charge of the Group</b>	<b>(221.266.112)</b>	<b>(48.481.905)</b>
Disallowable expenses	(11.844.314)	(1.510.615)
Exemption of real estate sales	-	960.190
Lump-sum expense provision	2.466.838	1.257.441
Research and development incentive allowance	34.835.818	-
Use of losses from previous years for which no deferred tax has been calculated	70.338.907	30.517.421
Revaluation effect	46.094.869	-
Other	(1.023.828)	(5.169.589)
<b>Current period tax expense</b>	<b>(80.397.822)</b>	<b>(22.427.057)</b>

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

Deferred tax is calculated over the temporary differences between the recorded values of assets and liabilities in the financial statements and the values used in the tax base, excluding the goodwill that is not subject to tax deduction and the first recorded asset and liability differences that are not subject to accounting and taxation.

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:

<b>Country</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Turkey	%20-%23	%22
Egypt	%30	%30
United States of America	%25	%25
Brazil	%34	%34
Indonesia	%22	%20-%22
Thailand	%20	%20

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 25 – TAXATION ON INCOME (continued)**

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2021 and 31 December 2020 using the enacted tax rates are as follows:

	<b>Deferred tax assets/(liabilities)</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
Derivative financial instruments	50.797.420	-
Inventories	45.959.875	13.372.787
Provision for employment termination benefits	29.649.373	18.028.095
Prepaid expenses	10.055.102	10.962.329
Deductible financial losses	-	9.044.629
Finance income	13.228.732	529.295
Other, net	51.213.292	20.539.962
<b>Deferred tax assets</b>	<b>200.903.794</b>	<b>72.477.097</b>
Property, plant and equipment	(335.783.123)	(301.876.793)
Other, net	(1.679.276)	(17.373.957)
<b>Deferred tax liabilities</b>	<b>(337.462.399)</b>	<b>(319.250.750)</b>
<b>Net deferred tax liabilities</b>	<b>(136.558.605)</b>	<b>(246.773.653)</b>
	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Balance at 1 January</b>	<b>(246.773.653)</b>	<b>(248.696.490)</b>
Current year deferred tax income – net	30.547.577	(14.470.645)
Charges to equity	121.697.418	3.896.346
Currency translation differences	(42.029.947)	12.497.136
<b>Balance at 31 December</b>	<b>(136.558.605)</b>	<b>(246.773.653)</b>



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 26 – EARNINGS PER SHARE**

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

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
Net income attributable to equity holders of the parent	768.560.878	152.970.598
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	39,51	7,86
Earning per share from continuing operations		
Net income attributable to equity holders of the parent	772.611.293	156.596.187
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	39,72	8,05
Earning per share from discontinued operations		
Net income/(loss) attributable to equity holders of the parent	(4.050.415)	(3.625.589)
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	(0,21)	(0,19)

Nominal values of ordinary shares for the years ended 31 December 2021 and 2020 are assumed to be Kr 1 each.

**NOTE 27 – RELATED PARTY DISCLOSURES**

<b>Bank balances:</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Akbank T.A.Ş. – time deposit	106.420.060	247.820.230
Akbank T.A.Ş. – demand deposit	7.319.653	4.615.874
	<b>113.739.713</b>	<b>252.436.104</b>

	<b>31 December 2021</b>	<b>31 December 2020</b>
Akbank T.A.Ş. – bank borrowings	703.485.533	160.001.250
	<b>703.485.533</b>	<b>160.001.250</b>

<b>Due from related party:</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. ("Brisa")	156.898.224	63.970.889
Akçansa	974.460	-
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	7.498	83.979
Other	51.725	144.790
	<b>157.931.907</b>	<b>64.199.658</b>

<b>Due to related party:</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	24.736.450	13.467.332
Sabancı Dx	10.594.796	5.120.151
Hacı Ö.Sabancı Holding A.Ş	100.490	2.123.362
Brisa	-	128.790
Aksigorta	-	57.412
Other	337.373	118.000
	<b>35.769.109</b>	<b>21.015.047</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 27 – RELATED PARTY DISCLOSURES (continued)**

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Product sales:</b>		
Brisa Bridgestone Sabancı Lastik Sanati ve Tic. A.Ş.	231.196.557	136.690.233
Other	6.116.377	253.336
	<b>237.312.934</b>	<b>136.943.569</b>
	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Product purchase:</b>		
SabancıDX	-	698.502
	-	<b>698.502</b>
	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Service received:</b>		
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	139.397.113	78.774.453
SabancıDX	28.672.657	18.227.620
Aksigorta	-	3.742.512
Other	148.981	788.429
	<b>168.218.751</b>	<b>101.533.014</b>
	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Property, plant and equipment purchases:</b>		
SabancıDX	-	223.815
Other	-	234.881
	-	<b>458.696</b>
	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Interest income:</b>		
Akbank T.A.Ş.	3.831.132	10.329.462
	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Interest expense:</b>		
Akbank T.A.Ş.	46.606.965	53.423.707
	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Foreign exchange gain /(losses), net</b>		
Akbank T.A.Ş.	15.125.716	(8.516.406)
	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Rent income</b>		
SabancıDX	111.101	111.101

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 27 – RELATED PARTY DISCLOSURES (continued)**

**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 which is consist of per diem payment, salary and other additional remunerations by the Group for 2021 and 2020 are as follows:

	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
Short-term employee benefits	31.595.945	24.838.299
Post-employment benefits	157.340	322.544
	<b>31.753.285</b>	<b>25.160.843</b>

**Security and guarantee letters given:**

**31 December 2021**

None.

**31 December 2020**

None.

**NOTE 28 - INTERESTS IN OTHER ENTITIES**

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

	<b>31 December 2021</b>			
	<b>Non-controlling interest %</b>	<b>Net profit/loss attributable to non-controlling interest</b>	<b>Accumulated profit/(loss) allocated to non-controlling interests</b>	<b>Dividend distributed to non-controlling interests</b>
<b>Subsidiaries</b>				
PT Indo Kordsa Tbk (*)	38,42%	84.524.909	1.240.349.702	91.729.777
Other		2.631.875	(2.781.254)	
<b>Total</b>		<b>87.156.784</b>	<b>1.237.568.448</b>	
	<b>31 December 2020</b>			
	<b>Non-controlling interest %</b>	<b>Net profit/loss attributable to non-controlling interest</b>	<b>Accumulated profit/(loss) allocated to non-controlling interests</b>	<b>Dividend distributed to non-controlling interests</b>
<b>Subsidiaries</b>				
PT Indo Kordsa Tbk (*)	38,42%	(4.291.971)	691.745.792	4.367.443
Other		1.715.364	5.251.573	
<b>Total</b>		<b>(2.576.607)</b>	<b>696.997.365</b>	

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 28 - INTERESTS IN OTHER ENTITIES (continued)**

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

**Summary statement of financial position**

	<b>PT Indo Kordsa Tbk</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
Cash and cash equivalents	23.599.657	84.780.719
Other current assets	1.641.754.436	551.432.973
Non-current assets	2.427.363.517	1.406.908.182
<b>Total assets</b>	<b>4.092.717.610</b>	<b>2.043.121.874</b>
Short-term borrowings	219.584.292	77.874.290
Other short-term liabilities	618.259.773	186.225.416
Long-term borrowings	65.245.709	54.332.427
Other long-term liabilities	256.100.476	112.118.340
<b>Total liabilities</b>	<b>1.159.190.250</b>	<b>430.550.473</b>
<b>Total equity</b>	<b>2.933.527.360</b>	<b>1.612.571.401</b>
<b>Total equity attributable to owners of the Company</b>	<b>2.749.557.743</b>	<b>1.495.332.265</b>
<b>Non-controlling interest (*)</b>	<b>183.969.617</b>	<b>117.239.136</b>

**Summary statement of profit and loss:**

	<b>PT Indo Kordsa Tbk</b>	
	<b>1 January – 31 December 2021</b>	<b>1 January – 31 December 2020</b>
Revenue	2.281.824.149	1.155.508.303
Cost of sales	(1.807.775.212)	(998.903.362)
Depreciation and amortization expense	(93.957.395)	(63.590.336)
Operating income	265.495.072	(14.485.330)
Finance income /(expense), net	15.390.305	(444.171)
Profit before tax	280.885.377	(14.929.501)
Tax expenses	(78.297.666)	6.527.586
Non-controlling interests (*)	(10.865.070)	1.727.761
Profit for the year	191.722.642	(6.674.155)

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

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

**Financial risk management**

*Financial risk factors*

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

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**Financial risk management (continued)**

**(a) Liquidity risk**

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

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

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2021 and 2020 is as follows:

**Non-derivative financial liabilities <sup>(1)(2)</sup>:**

<b>31 December 2021</b>	<b>Carrying value</b>	<b>Contractual cash flow</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Borrowings	4.178.501.726	4.340.635.442	1.510.998.057	1.679.031.342	1.150.606.043	-
Lease liabilities	255.622.576	255.622.576	-	17.112.312	238.510.264	-
Trade payables	1.927.384.146	1.935.639.648	1.899.651.923	35.987.725	-	-
Other payables	69.860.829	72.559.024	72.559.024	-	-	-
	<b>6.431.369.277</b>	<b>6.604.456.690</b>	<b>3.483.209.004</b>	<b>1.732.131.379</b>	<b>1.389.116.307</b>	<b>-</b>

**Derivative financial liabilities**

<i>Unrealized purchase/sale contracts (net)</i>	221.461.266	221.461.266	24.766	221.436.500	-	-
	<b>221.461.266</b>	<b>221.461.266</b>	<b>24.766</b>	<b>221.436.500</b>	<b>-</b>	<b>-</b>

<b>31 December 2020</b>	<b>Carrying value</b>	<b>Contractual cash flow</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Borrowings	2.878.147.660	3.007.756.514	825.029.893	971.994.825	1.210.731.796	-
Lease liabilities	101.111.924	101.111.924	-	9.046.298	92.065.626	-
Trade payables	664.286.332	666.454.093	666.454.093	-	-	-
Other payables	45.286.763	59.764.168	59.764.168	-	-	-
	<b>3.688.832.679</b>	<b>3.835.086.699</b>	<b>1.551.248.154</b>	<b>981.041.123</b>	<b>1.302.797.422</b>	<b>-</b>

**Derivative financial liabilities**

<i>Unrealized purchase/sale contracts (net)</i>	7.708.095	7.708.095	844.824	6.863.271	-	-
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- (1) Maturity analyses have been applied solely to financial instruments and exclude legal liabilities.
- (2) The aforementioned cash flows are contractual and non-discounted amounts. Since the discount amounts for the balances with a maturity of less than 3 months are immaterial, the discounted amounts are equal to the carrying value.

**(b) Market risk**

**Interest rate risk**

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**(b) Market risk (continued)**

**Interest rate risk (continued)**

As at 31 December 2021 and 31 December 2020, the interest rate profile of the Group interest-bearing financial instruments is as follows:

<b>Fixed interest rate financial instruments</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Financial Liabilities	2.964.081.732	1.475.296.549
Time Deposits	106.637.482	251.013.768
<b>Variable interest rate financial instruments</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Financial liabilities	1.214.419.994	1.402.851.111

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

At 31 December 2021, if interest rates on US Dollar denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 11.795.389 (2020: TL 6.337.074), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2021, there is no variable interest rate borrowings in EUR (2020: there is no variable interest rate borrowings in EUR).

**Foreign exchange risk**

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

**Derivative financial instruments**

The derivative financial instruments of the Group comprise foreign currency forward contracts. The Group entered into foreign currency forward transactions with due date 2021 in order to manage the risks emerging from the sales transactions which are expected to occur within 12 months following the reporting date. The carrying values of the items hedged against the non-financial risk will be adjusted once the expected sales will take place. The Group also entered into foreign currency forward transactions with due date 2021 in order to hedge its trade receivables and payables from the effects of the changes in foreign currency exchange rates.

As of 31 December 2021, 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 of 31 December 2021 is TL 381.569 (2020: 4.384.084 TL loss) of loss.

**Foreign exchange forward and swap contracts:**

Avro buy USD sell	Average Rate	Foreign Currency (Avro)	Contract Value (USD)	Fair Value (TL)
Less than 3 months	1,1320	3.000.000	3.395.900	(24.767)
Between 3-6 months	1,1993	3.000.000	3.598.000	(53.785)
Between 6-9 months	1,1388	3.000.000	3.416.400	(22.888)
Between 9-12 months	1,1408	3.000.000	3.422.400	(45.255)
<b>Total</b>				<b>(146.695)</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

Hedges of net investments in foreign operations (continued):

<b>BRL sell USD buy</b>	<b>Average Rate</b>	<b>Foreign Currency (USD)</b>	<b>Contract Value (BRL)</b>	<b>Fair Value (TL)</b>
Between 6-9 months	6,0000	889.721	5.338.326	(757.730)
Between 9-12 months	5,3000	3.536.739	18.744.717	637.299
<b>Total</b>				<b>(120.431)</b>

On 22 June 2021, Group has executed a EUR/TL foreign currency swap for the borrowings with principal and interest repayment amounting to TL 104.085.000 and TL 350.700.000 with maturity 12 months and interest rates of 18,75% and 17.25% respectively. In this context, principal repayments to be made on 22 June 2022 and 16 September 2022 are fixed at EUR 10.146.955 and EUR 35.424.319; interest rates are fixed at 1,45% and 1,20% and EUR/TRY rates are fixed at 12,2078 and 11,6267 respectively. The fair value of this transaction is TL (220.858.348) loss as at 31 December 2021.

**As of 31 December 2020 Foreign exchange forward and swap contracts:**

<b>Avro buy USD sell</b>	<b>Average Rate</b>	<b>Foreign Currency (Avro)</b>	<b>Contract Value (USD)</b>	<b>Fair Value (TL)</b>
Less than 3 months	1,1918	3.000.000	3.575.300	(844.824)
Between 3-6 months	1,1940	3.000.000	3.581.900	(845.805)
Between 6-9 months	1,1966	3.000.000	3.589.800	(846.259)
Between 9-12 months	1,1982	3.000.000	3.594.500	(867.460)
<b>BRL buy USD sell</b>	<b>Average Rate</b>	<b>Foreign Currency (USD)</b>	<b>Contract Value (BRL)</b>	<b>Fair Value (TL)</b>
Between 6-9 months	5,3000	555.095	2.942.004	(1.032.111)
Between 9-12 months	5,4000	11.525.800	62.239.320	1.112.447
<b>Forward/Swap Net</b>				<b>(3.324.012)</b>

Hedges of net investments in foreign operations:

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

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

**Foreign currency position**

Group's assets and liabilities denominated in foreign currencies at 31 December 2021 and 2020 are as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Assets	2.229.464.605	1.698.239.189
Liabilities	(2.298.711.905)	(1.568.186.703)
<b>Net foreign currency position</b>	<b>(69.247.300)</b>	<b>130.052.486</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

31 December 2021	Total TL equivalent	US Dollars (*)	Euro (*)	Indonesian Rupiah (‘000) (*)	Other TL equivalent
<b>Assets:</b>					
Trade receivables	1.182.137.947	23.980.898	43.174.726	226.022.247.822	-
Cash and cash equivalent	106.809.945	777.265	6.236.865	2.468.569.474	50.127
Other monetary receivables and assets	-	-	-	-	-
Other non-monetary receivables and assets	86.857.826	219.493	30.122	89.153.847.613	197.159
<b>Current assets</b>	<b>1.375.805.718</b>	<b>24.977.656</b>	<b>49.441.713</b>	<b>317.644.664.909</b>	<b>247.286</b>
Non-current asset held for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
<b>Non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets (a)</b>	<b>1.375.805.718</b>	<b>24.977.656</b>	<b>49.441.713</b>	<b>317.644.664.909</b>	<b>247.286</b>
<b>Liabilities:</b>					
Trade payables	447.559.819	18.777.304	9.290.706	59.030.177.848	1.969.634
Financial liabilities	1.444.458.591	37.570.136	66.029.394	24.572.904.561	-
Other monetary payable and liabilities	106.140.337	-	-	113.625.743.019	-
<b>Current liabilities</b>	<b>1.998.158.747</b>	<b>56.347.440</b>	<b>75.320.100</b>	<b>197.228.825.428</b>	<b>1.969.634</b>
Financial liabilities	300.553.158	14.444.444	-	34.887.999.851	-
Other monetary receivables and assets	-	-	-	-	-
<b>Non-current liabilities</b>	<b>300.553.158</b>	<b>14.444.444</b>	<b>-</b>	<b>34.887.999.851</b>	<b>-</b>
<b>Total liabilities (b)</b>	<b>2.298.711.905</b>	<b>70.791.884</b>	<b>75.320.100</b>	<b>232.116.825.279</b>	<b>1.969.634</b>
Off-balance sheet derivative assets (c)	853.658.887	51.594.657	11.000.000	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
<b>Net foreign currency asset /(liability) position</b>	<b>(69.247.300)</b>	<b>5.780.429</b>	<b>(14.878.387)</b>	<b>85.527.839.630</b>	<b>(1.722.348)</b>
<b>Fair value of financial instruments used for foreign exchange hedge</b>	<b>(221.461.266)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Hedges amount of foreign currency assets	-	-	-	-	-
Hedges amount of foreign currency liabilities	853.658.887	51.594.657	11.000.000	-	-

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



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

31 December 2020	Total TL equivalent	US Dollars (*)	Euro (*)	Indonesian Rupiah ('000) (*)	Other TL equivalent
<b>Assets:</b>					
Trade receivables	478.512.456	17.358.460	31.790.180	124.380.560	-
Cash and cash equivalent	208.941.653	23.513.820	3.957.012	966.009	191.358
Other monetary receivables and assets	-	-	-	-	-
Other non- monetary receivables and assets	30.733.534	230.170	47.207	54.627.103	189.796
<b>Current assets</b>	<b>718.187.643</b>	<b>41.102.450</b>	<b>35.794.399</b>	<b>179.973.672</b>	<b>381.154</b>
Non-current asset held for sale	-	-	-	-	-
Other monetary receivables and assets	-	-	-	-	-
<b>Non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets (a)</b>	<b>718.187.643</b>	<b>41.102.450</b>	<b>35.794.399</b>	<b>179.973.672</b>	<b>381.154</b>
<b>Liabilities:</b>					
Trade payables	253.028.764	23.186.899	6.471.578	41.189.260	3.094.363
Financial liabilities	1.016.471.765	42.833.740	73.276.196	80.677.513	-
Other monetary payable and liabilities	38.483.482	-	-	73.947.213	-
<b>Current liabilities</b>	<b>1.307.984.011</b>	<b>66.020.639</b>	<b>79.747.774</b>	<b>195.813.986</b>	<b>3.094.363</b>
Financial liabilities	260.202.692	28.888.889	5.000.000	5.965.016	-
Other monetary receivables and assets	-	-	-	-	-
<b>Non-current liabilities</b>	<b>260.202.692</b>	<b>28.888.889</b>	<b>5.000.000</b>	<b>5.965.016</b>	<b>-</b>
<b>Total liabilities (b)</b>	<b>1.568.186.703</b>	<b>94.909.528</b>	<b>84.747.774</b>	<b>201.779.002</b>	<b>3.094.363</b>
Off-balance sheet derivative assets (c)	980.051.546	60.575.755	59.436.185	-	-
Off-balance sheet derivative liabilities (d)	-	-	-	-	-
<b>Net foreign currency asset /(liability) position</b>	<b>130.052.486</b>	<b>6.768.677</b>	<b>10.482.810</b>	<b>(21.805.330)</b>	<b>(2.713.209)</b>
<b>Fair value of financial instruments used for foreign exchange hedge</b>	<b>(7.708.095)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Hedges amount of foreign currency assets	-	-	-	-	-
Hedges amount of foreign currency liabilities	980.051.546	60.575.755	59.436.185	-	-

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

5

**Foreign currency position ( continued)**

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

<b>Closing rates</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
US Dollars	13,3290	7,3405
Euro	15,0867	9,0079
Indonesian Rupiah (1000 units)	0,9341	0,5204
Brezilian Real	2,3885	1,4125
Thai Baht	0,3988	0,2444
Egyptian Pound	0,8499	0,4674

  

<b>Average rates</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
US Dollars	8,8854	7,0090
Euro	10,4687	8,0278
Indonesian Rupiah (1000 units)	0,6210	0,4807
Brezilian Real	1,6470	1,3594
Thai Baht	0,2779	0,2240
Egyptian Pound	0,5669	0,4445

Foreign currency position as of 31 December 2021 and 2020 in regard to the 10% changes in foreign currency rates is depicted in the table below:

<b>31 December 2021</b>	<b>Profit / (Loss)</b>		<b>Equity</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Increase/(decrease) 10% of USD parity</b>				
1-US Dollar net asset / liability	7.704.734	(7.704.734)	7.704.734	(7.704.734)
2-Hedged portion of US Dollar amounts(-)	-	-	-	-
<b>3-Net effect of US Dollar (1+2)</b>	<b>7.704.734</b>	<b>(7.704.734)</b>	<b>7.704.734</b>	<b>(7.704.734)</b>
<b>Increase/(decrease) 10% of EUR parity</b>				
4-EUR net asset / liability	(22.446.576)	22.446.576	(22.446.576)	22.446.576
5-Hedged portion of EUR amounts(-)	-	-	-	-
<b>6-Net effect of EUR (4+5)</b>	<b>(22.446.576)</b>	<b>22.446.576</b>	<b>(22.446.576)</b>	<b>22.446.576</b>
<b>Increase/(decrease) 10% of other parities</b>				
7-Other foreign currency net asset / liability	7.817.110	(7.817.110)	7.817.110	(7.817.110)
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
<b>9-Net effect of other foreign currencies (7+8)</b>	<b>7.817.110</b>	<b>(7.817.110)</b>	<b>7.817.110</b>	<b>(7.817.110)</b>
<b>TOTAL (3+6+9)</b>	<b>(6.924.732)</b>	<b>6.924.732</b>	<b>(6.924.732)</b>	<b>6.924.732</b>

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

31 December 2020	Kar/zarar		Özkaynaklar	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Increase/(decrease) 10% of USD parity</b>				
1-US Dollar net asset / liability	4.968.548	(4.968.548)	4.968.548	(4.968.548)
2-Hedged portion of US Dollar amounts(-) )	-	-	-	-
<b>3-Net effect of US Dollar (1+2)</b>	<b>4.968.548</b>	<b>(4.968.548)</b>	<b>4.968.548</b>	<b>(4.968.548)</b>
<b>Increase/(decrease) 10% of EUR parity</b>	-	-		
4-EUR net asset / liability	9.442.811	(9.442.811)	9.442.811	(9.442.811)
5-Hedged portion of EUR amounts(-)	-	-	-	-
<b>6-Net effect of EUR (4+5)</b>	<b>9.442.811</b>	<b>(9.442.811)</b>	<b>9.442.811</b>	<b>(9.442.811)</b>
<b>Increase/(decrease) 10% of other parities</b>				
7-Other foreign currency net asset / liability	(1.406.110)	1.406.110	(1.406.110)	1.406.110
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
<b>9-Net effect of other foreign currencies (7+8)</b>	<b>(1.406.110)</b>	<b>1.406.110</b>	<b>(1.406.110)</b>	<b>1.406.110</b>
<b>TOTAL (3+6+9)</b>	<b>13.005.249</b>	<b>(13.005.249)</b>	<b>13.005.249</b>	<b>(13.005.249)</b>

Export and import balances from Turkey as of 31 December 2021 and 2020 is as follows:

	31 December 2021		31 December 2020	
	Original Amount	TL Equivalent	Original Amount	TL Equivalent
Euro	118.617.010	1.241.760.266	98.683.551	792.208.285
US Dollars	90.902.882	807.705.587	58.461.067	409.755.380
<b>Total export</b>		<b>2.049.465.853</b>		<b>1.201.963.665</b>
		<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>	
<b>Total import</b>		1.521.224.199	779.764.304	

**(c) Credit risk**

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

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**(c) Credit risk (continued)**

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

Disclosures on the credit quality of financial assets

As at 31 December 2021 and 2020, banks, where the cash and cash equivalents within the financial assets that are neither past due nor impaired are kept; mainly have high credit and parties in the trade receivables comprise of the customers/ related parties that are worked with for a long time and without significant collection problems.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

As of 31 December 2021, the credit risks that the Group is exposed to by types of financial instruments are as follows:

31 December 2021	Trade Receivables		Other Receivables (*)	Derivatives	Bank Deposits	
	Related Party	Third Party	Related Party		Related Party	Other
<b>As of reporting date, credit risk exposure (A+B+C+D) (**)</b>	<b>157.607.480</b>	<b>1.079.863.973</b>	-	-	<b>113.739.713</b>	<b>80.952.274</b>
- The part of maximum risk under guarantee with collateral	-	<b>9.811.936</b>	-	-	-	-
<b>A.</b> Net book value of financial assets that are neither past due nor impaired	157.607.480	900.911.786			113.739.713	80.952.274
<b>B.</b> Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	178.952.187	-	-	-	-
<b>C.</b> Net book value of impaired assets						
- <i>Past due (gross carrying amount)</i>	-	19.280.153	-	-	-	-
- <i>Impairment(-)</i>	-	(19.280.153)	-	-	-	-
- <i>The part under guarantee with collateral</i>	-	-	-	-	-	-

(\*) Excludes taxes and other similar receivables.

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

As of 31 December 2020, the credit risks that the Group is exposed to by types of financial instruments are as follows:

31 December 2020	Trade Receivables		Other Receivables (*)	Derivatives	Bank Deposits	
	Related Party	Third Party	Related Party		Related Party	Other
<b>As of reporting date, credit risk exposure (A+B+C+D) (**)</b>	<b>64.199.658</b>	<b>1.021.489.063</b>	-	<b>80.336</b>	<b>252.436.104</b>	<b>197.456.681</b>
- The part of maximum risk under guarantee with collateral	-	<b>11.089.187</b>	-	-	-	-
<b>A.</b> Net book value of financial assets that are neither past due nor impaired	64.199.658	927.628.541	-	-	252.436.104	197.456.681
<b>B.</b> Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	93.860.522	-	-	-	-
<b>C.</b> Net book value of impaired assets	-	-	-	-	-	-
- <i>Past due (gross carrying amount)</i>	-	5.423.414	-	-	-	-
- <i>Impairment(-)</i>	-	(5.423.414)	-	-	-	-
- <i>The part under guarantee with collateral</i>	-	-	-	-	-	-

(\*) Excludes taxes and other similar receivables.

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

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**(c) Credit risk (continued)**

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

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

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

	<b>31 December 2021</b>	<b>31 December 2020</b>
Less than 1 month	90.733.095	60.153.088
Between 1-3 months	31.813.553	25.528.942
Between 3-12 months	56.405.539	5.479.778
Up to 5 years	-	2.698.714
	<b>178.952.187</b>	<b>93.860.522</b>

**(d) Capital risk management**

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

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

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

As at 31 December 2021 and 2020 net debt/(equity+net debt+non-controlling interest) ratio is:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Total financial liabilities	4.178.501.726	2.979.259.584
Cash and cash equivalents	(194.805.294)	(449.892.785)
Net debt	<b>3.983.696.432</b>	<b>2.529.366.799</b>
Equity	5.246.008.448	2.581.125.002
Non-controlling interest	1.237.568.448	696.997.365
<b>Equity+net debt+non-controlling interest</b>	<b>10.467.273.328</b>	<b>5.807.489.166</b>
Net debt/(Equity+non-controlling interest) ratio	%38	%44

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 30 - FINANCIAL INSTRUMENTS**

*Fair value of financial instruments*

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

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

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

<b>31 December 2021</b>	<b>Financial assets at amortised cost</b>	<b>FVOCI</b>	<b>Financial liabilities at amortized cost</b>	<b>Derivative financial assets and liabilities</b>	<b>Carrying value (*)</b>	<b>Note</b>
<b>Financial assets</b>						
Cash and cash equivalents	194.805.294	-	-	-	194.805.294	4
Trade receivables	2.566.165.635	-	-	-	2.566.165.635	7
Receivables from related parties	157.931.907	-	-	-	157.931.907	27
Financial investments	-	875.043	-	-	875.043	5
<b>Financial liabilities</b>						
Borrowings	-	-	4.178.501.726	-	4.178.501.726	6
Lease Liabilities	-	-	255.622.576	-	255.622.576	6
Trade payables	-	-	1.927.384.146	-	1.927.384.146	7
Payables to related parties	-	-	35.769.109	-	35.769.109	27
Other financial liabilities (**)	-	-	63.487.242	-	63.487.242	8
Derivative financial instruments	-	-	-	221.461.266	221.461.266	29
<b>31 December 2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents	449.892.785	-	-	-	449.892.785	4
Trade receivables	1.026.912.477	-	-	-	1.026.912.477	7
Receivables from related parties	64.199.658	-	-	-	64.199.658	27
Financial investments	-	644.844	-	-	644.844	5
Derivative financial instruments	-	-	-	80.336	80.336	29
<b>Financial liabilities</b>						
Borrowings	-	-	2.878.147.660	-	2.878.147.660	6
Lease Liabilities	-	-	101.111.924	-	101.111.924	6
Trade payables	-	-	664.286.332	-	664.286.332	7
Payables to related parties	-	-	21.015.047	-	21.015.047	27
Other financial liabilities (**)	-	-	36.756.822	-	36.756.822	8
Derivative financial instruments	-	-	-	7.788.431	7.788.431	29

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

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



**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**NOTE 30 - FINANCIAL INSTRUMENTS (continued)**

***Monetary assets***

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

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

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

***Monetary liabilities***

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

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

***Fair value estimation***

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

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

**Fair value hierarchy of financial assets and liabilities:**

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

Financial assets / Financial liabilities	Fair Value		Fair value hierarchy	Valuation technique
	31 December 2021	31 December 2020		
Foreign currency forward/swap contracts	(221.461.266)	(7.708.095)	Level 2	Discounted cash flow method: The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties' credit risk.

**KORDSA TEKNİK TEKSTİL A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

According to The Group’s Board of Management decision numbered 2015/29 dated 31 December 2016, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. %51 of rates, would be classified as “Assets Held for Sale” in the balance sheet as of 31 December 2016. Hence, these companies were classified as “Assets Held for Sale” in preparation for financial tables in 31 December 2021 and 31 December 2020 as assets held for sale (31 December 2021: 4.142.037 TL, 31 December 2020: 2.925.808 TL) and liabilities regarding asset groups held for sale (31 December 2021: 4.142.037 TL, 31 December 2020: 4.026.883 TL).

For the year ended 1 January- 31 December 2021 and 1 January- 31 December 2020, the result of the operating activities shown at below:

<b><u>NILE KORDSA</u></b>	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>Gross profit</b>		
Revenue	-	-
Cost of sales	-	-
<b>Operating profit</b>	-	-
General and administrative expenses	-	-
Selling, marketing and distribution expenses	-	-
Research and development expenses	-	-
Other income from operating activities	-	-
Other expense from operating activities (*)	(7.941.990)	(7.108.996)
<b>Operating profit before finance costs</b>	<b>(7.941.990)</b>	<b>(7.108.996)</b>
Gain from investing activities	-	-
Loss from investing activities	-	-
<b>Profit before tax from continuing operations</b>	<b>(7.941.990)</b>	<b>(7.108.996)</b>
Finance income	-	-
Finance costs	-	-
<b>Tax expense/income from continuing operations</b>	<b>(7.941.990)</b>	<b>(7.108.996)</b>
<i>Current tax expense</i>	-	-
<i>Deferred tax benefit</i>	-	-
<b>Profit/ (Loss) for the period</b>	<b>(7.941.990)</b>	<b>(7.108.996)</b>

(\*) Refers to provision expenses which are related to impairment of net assets of Nile Kordsa.

**NOTE 32 – EVENTS AFTER THE REPORTING PERIOD**

None.