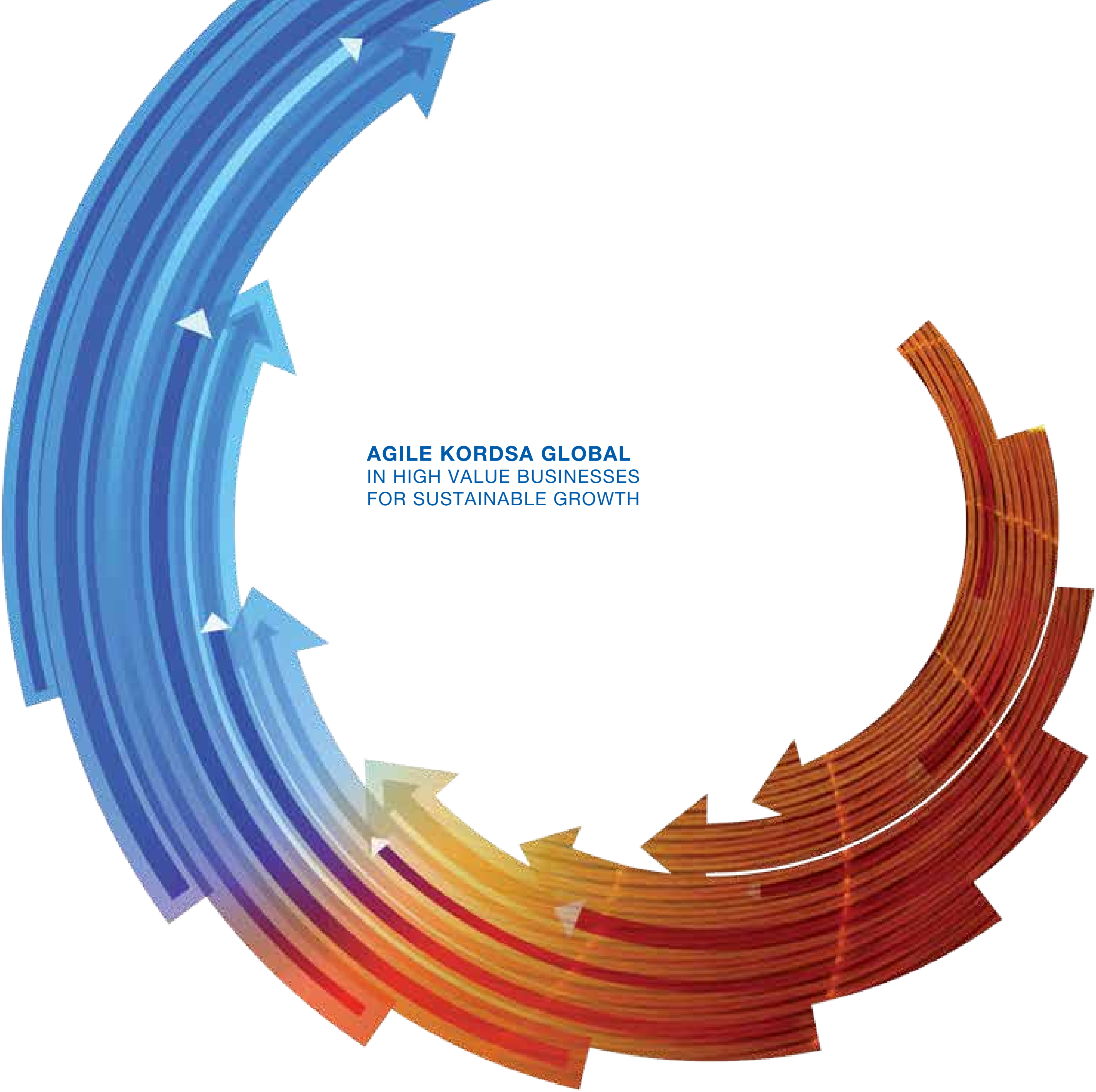


AGILE KORDSA GLOBAL
IN HIGH VALUE BUSINESSES
FOR SUSTAINABLE GROWTH

2011 ANNUAL REPORT

KORDSA GLOBAL

CONTENTS

Kordsa Global

A world leader in nylon and polyester yarn, cord fabric and single end cord production, Kordsa Global serves the tire reinforcement and mechanical rubber markets with its wide product range.

Kordsa Global is the world leader in tire cord fabric materials with its flexible and yet powerful production structure, high product and service quality, ongoing long term customer relationships and a multitude of business partners. The origin of the Company can be traced back to the cord fabric production facility established in Izmit in 1973. Kordsa Global continues to expand its field of services by increasing its product range in line with effective R&D investments designed to respond to customer needs. The Company serves its customers through operations in 10 facilities in nine countries spread over five continents, and a workforce of 4,500 employees.

Conducting its operations to quickly adapt to ever changing market dynamics while leading the sector with a constantly growing global production structure, Kordsa Global is largely owned by Hacı Ömer Sabancı Holding, which holds 91.1% of its shares.

KORDSA GLOBAL ACHIEVED TURNOVER OF US$ 985 MILLION IN 2011.

2011 DEVELOPMENTS

Kordsa Global recorded turnover of US$ 985 million in 2011.

One of the most important suppliers of the tire reinforcement sector worldwide, Kordsa Global posted total turnover of US$ 985 million in 2011, through its activities in North America, South America, Europe-Middle East-Africa and Asia-Pacific.

With this turnover result, Kordsa Global recorded an increase of 16% in US$ terms in 2011 over a year earlier, further strengthening its position in the sector.

Kordsa Global realized a capacity increase at its Indonesia facility.

With the target of increasing its market share to 15% in the manufacture of new products in the next three years, Kordsa Global has accelerated its R&D efforts and plant investments. To this end, the Company realized a capacity increase at the Indonesia production facility in April 2011.

Operating 10 facilities in the USA, Argentina, Brazil, China, Egypt, Germany, Indonesia, Thailand and Turkey, Kordsa Global completed its polyester yarn third line investment in the Indonesia plant, which also supplies goods for the Chinese market. The capacity increase totaled 7,000 tons; the fourth line investment for the same product has also commenced.

Additionally, this facility is the largest Turkish investment in Indonesia.

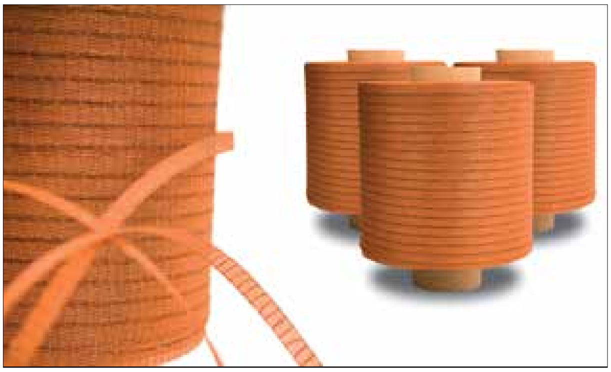
Kordsa Brazil raised its productivity level.

Kordsa Brazil achieved an increase in productivity in 2011. The Company implemented significant productivity improvements during the year at the Brazil plant, which is the largest Kordsa Global facility in South America.

Kordsa Global posted net term profit of US$ 58.2 million in 2011.

Kordsa Global announced net term profit of US$ 58.2 million for 2011.

Since the start of the global economic crisis, Kordsa Global has increased its profitability significantly thanks to effective capacity utilization and an efficient approach to cost management. In addition, the Company was able to improve profitability by diversifying raw materials, reflecting the increase in raw materials prices to customers effectively and capitalizing on fluctuations in the foreign exchange rate.



Kordsa Global developed eco-friendly Capmax™ which reduces raw materials use by tire manufacturers.

In 2011, Kordsa Global introduced an innovative product developed in its own R&D Centre: Capmax™ ready-to-use strips for use in tire manufacturing.

As it can be applied to the tire directly, Capmax™ eliminates the cord fabric cutting and calendaring processes, resulting in savings in materials, labor and energy due to reduced rubber use. This innovation provides significant productivity, financial and environmental advantages for tire manufacturers.

Capmax™ is among the products developed by Kordsa Global tire companies as part of their eco-friendly tire manufacturing efforts.

Monolyx® nominated for the 9th Technology Awards in the Large Scale Company-Product category.

Having adopted innovation and excellence as key components of its corporate culture, Kordsa Global continued to pursue the development of new products, processes and methodologies at its R&D Centre in Izmit in 2011. With this approach, the Company took steps to industrialize the manufacturing processes.

Monolyx® is one of three new products developed by Kordsa Global in 2011 at its R&D Centre. The product was nominated for the 9th Technology Awards in the Large Scale Company-Product category, recognition of the importance of the Company's innovations.

10 PLANTS IN NINE COUNTRIES... NEARLY 4,500 EMPLOYEES... TURNOVER OF US$ 985 MILLION*...

GLOBAL FOOTPRINT OF KORDSA GLOBAL

North America

USA
Kordsa Inc.
Laurel Hill, NC
Chattanooga, TN

Products : **NY6.6, TCF**
Number of Employees : **365 people**

South America

Brazil
Kordsa Brazil
Salvador de Bahia, Brazil

Products : **PET, SEC, TCF**
Number of Employees : **409 people**

Argentina
Kordsa Argentina
Buenos Aires, Argentina

Products : **NY6.6**
Number of Employees : **188 people**

*Including South America Incentive Income

244 US$ million

North America Annual Turnover

130 US$ million**

South America Annual Turnover

381 US$ million

Europe-Middle East-Africa Annual Turnover

219 US$ million

Asia-Pacific Annual Turnover

Asia-Pacific

China

KQNE Shanghai, China

Sales and Marketing Office
Number of Employees: **13 people**

Thailand

Thai Indo Kordsa Co. Ltd.
Ayutthaya, Thailand

Products: **TCF**
Number of Employees: **479 people**

Indonesia

PT Indo-Kordsa Tbk.
Jakarta, Indonesia

Products: **NY6.6, PET, TCF**
Number of Employees: **966 people**

NY6.6: **Nylon**
PET: **Polyester**
SEC: **Single End Cord**
TCF: **Tire Cord Fabric**

Europe-Middle East-Africa

Turkey

Istanbul Headquarters
Izmit, Global R&D Centre, Turkey

Products : **NY6.6, PET, SEC, TCF**
Number of Employees : **1,238 people**

Germany

Interkordsa GmbH, Kordsa GmbH
Mühlhausen, Germany

Products : **SEC**
Number of Employees : **104 people**

Egypt

Nile-Kordsa
Cairo, Egypt

Products : **TCF**
Number of Employees : **271 people**

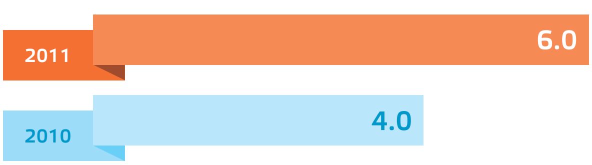
**Excluding South America Incentive Income

KORDSA GLOBAL AIMS TO BE THE MOST PREFERRED GLOBAL BRAND IN THE SECTOR.

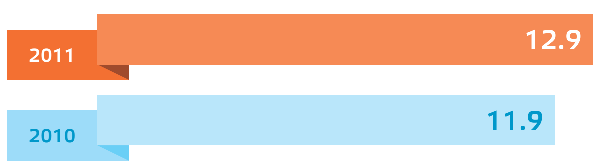
KEY FINANCIALS

FINANCIAL RATIOS	2010	2011
Liquidity Ratios (%)		
Current Ratio	2.06	1.86
Acid-Test Ratio	0.91	0.72
Cash Ratio	0.19	0.15
Debt-to-Capital Ratio (%)	18	39
Profitability Ratios (%)		
Return on Equity	5.7	9.9
Gross Profit Margin	15.3	15.8
Operational Profit Margin	6.7	8.2
Net Profit Margin	4.0	6.0
EBITDA Margin	11.9	12.9

NET PROFIT MARGIN (%)



EBITDA MARGIN (%)



ASSETS (US$)	2010	2011
Cash and Cash Equivalents	33,643,151	34,077,974
Trade receivables (net)	129,033,071	134,298,525
Other Receivables	8,508,811	10,874,222
Inventories (net)	166,903,635	217,364,930
Other Current Assets	22,349,032	39,638,362
Asset Held for Sale	0	246,658
Current Asset	**360,437,700**	**436,500,671**
Other Receivables	10,636,871	10,354,525
Financial Instruments	120,669	108,804
Tangible Assets (net)	442,729,987	399,505,593
Intangible Assets (net)	5,310,488	11,566,083
Investment Property	0	6,972,961
Goodwill	29,492,346	24,138,476
Deferred Tax Assets	12,043,098	10,725,351
Other Non-Current Assets	635,873	858,939
Non-Current Asset	**500,969,332**	**464,230,731**
TOTAL ASSETS	**861,407,032**	**900,731,402**

LIABILITIES (US$)		
Borrowings	67,259,955	135,503,450
Trade Payables	70,755,019	63,520,720
Other Payables	11,758,438	10,724,211
Current Year Tax Liability	3,025,048	3,418,619
Provision for Employee Benefit	8,193,191	8,508,036
Other Short Term Liabilities	13,915,069	12,692,260
Short Term Liabilities	**174,906,720**	**234,367,297**
Borrowings	39,831,658	55,288,624
Other Financial Liabilities	0	0
Other Liabilities	7,919,800	7,522,302
Government Grants	1,421,929	1,376,337
Provision for Employee Benefit	12,004,396	11,445,891
Deferred Tax Liabilities	38,475,798	31,848,452
Long Term Liabilities	**99,653,580**	**107,481,606**
Total Liabilities	**274,560,300**	**341,848,903**

KEY FINANCIALS

EQUITY (US$)	2010	2011
Equity Attributable to the Owners of the Parent	**513,225,119**	**486,263,681**
Share Capital	125,827,345	102,985,376
Share Premium	40,137,604	32,851,255
Shareholder’s Contribution	317,997,298	260,269,904
Financial Assets Fair Value Reserve	-174,742	-143,020
Currency Translation Difference	-8,579,468	22,429,233
Hedge Reserve	-785,530	854,233
Restricted Reserves	7,836,791	8,801,977
Accumulated Reserves	-2,040,468	0
Net Profit for the Period	33,006,289	58,214,723
Non-Controlling Interests	**73,621,613**	**72,618,818**
Total Equity	**586,846,732**	**558,882,499**
Total Liabilities and Equity	**861,407,032**	**900,731,402**

OPERATING REVENUES (US$)		
Sales (net)	842,529,187	973,500,459
Cost of Sales (-)	-713,816,363	-819,546,247
Gross Profit	128,712,824	153,954,212
Marketing,Selling and Distribution Expenses (-)	-32,490,989	-34,238,371
Genral and Administrative Expenses (-)	-38,558,321	-39,290,027
Reserach and Development Expenses (-)	-2,200,237	-2,956,808
Other Operating Income	8,355,374	29,029,208
Other Operating Expenses (-)	-7,483,037	-26,691,415
Operating Profit	56,335,614	79,806,799
Financial Income	21,892,973	59,503,508
Financial Expenses (-)	-25,857,154	-61,117,484
Income Before Tax	52,371,433	78,192,823
Tax Expense:		
-Current Tax Expense	-21,192,648	-23,148,398
-Deferred Tax Income/(Expense)	1,827,505	3,170,297
Net Profit for the Period	33,006,289	58,214,723
Attributable to:		
-Owners of the Parent	26,289,619	52,465,297
-Non-Controlling Interests	6,716,670	5,749,426
Earnings per 1.000 Ordinary Shares	1,35	2,70

SABANCI GROUP COMPANIES CURRENTLY OPERATE IN 18 COUNTRIES.

HACI ÖMER SABANCI HOLDING

Hacı Ömer Sabancı Holding A.Ş. is the parent company of the Sabancı Group, Turkey's leading industrial and financial conglomerate. The Sabancı Group companies are market leaders in their respective sectors, which include financial services, energy, cement, retail, tire, tire reinforcement materials and automotives. Sabancı Holding and the Holding's 11 affiliates are also listed on the Istanbul Stock Exchange (ISE).

The Sabancı Group companies currently operate in 18 countries and market their products in various regions of Europe, the Middle East, Asia, North Africa and North and South America. Having created significant value and gained extensive know-how in Turkey, Sabancı Holding has experienced remarkable growth in its core businesses. The Holding's strong market reputation, brand image and joint ventures further facilitated the extension of its operations in the global market. Sabancı Holding's multinational business partners include such prominent companies as Ageas, Aviva, Bridgestone, Carrefour, Citigroup, Dia, Heidelberg Cement, Hilton International, International Paper, Mitsubishi Motor Co., Philip Morris and Verbund.

Sabancı Holding functions as a management center, setting the vision and strategies of the Group and increasing the value provided to its shareholders through synergy generated within the Group. The Holding also coordinates the finance, strategy and business development, and human resources functions of the Group.

Sabancı Holding's consolidated sales were TL 22 billion 408 million for the year ended December 31, 2011. Consolidated sales of the Holding's non-bank companies increased 25% during the same reporting period while consolidated operating profit for the year totaled TL 4 billion 398 million.

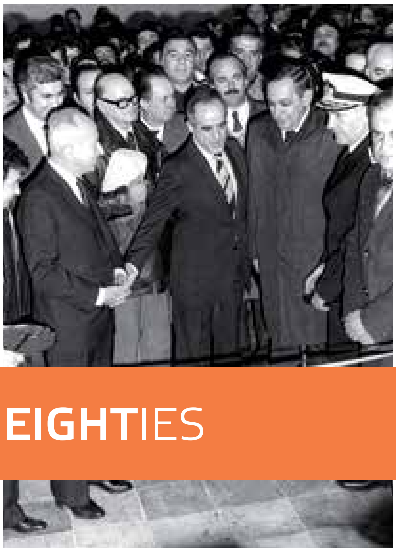
The Sabancı Family is collectively Sabancı Holding's major shareholder controlling 60.6% of the share capital. Sabancı Holding shares are traded on the Istanbul Stock Exchange with a free float of 39.4%. Depository receipts are quoted on the SEAQ International and Portal.

IN 2011, KORDSA GLOBAL ACHIEVED A CAPACITY INCREASE AT ITS FACILITY IN INDONESIA.

MILESTONES

SEVENTIES

1973 Formation of Kordsa Turkey Cord Fabric Plant.



EIGHTIES

1987 Formation of Dusa-Sabancı DuPont Yarn Plant.

NINETIES

1990 Initiation of “Quality Culture” Studies and Implementation of Total Quality Management.

1993 The First ISO 9001 Certification Given to a Textile Company in the World. Establishment of Nile Kordsa.

1998 Establishment of the Interkordsa South America Investment.

1999 Merger of Dusa Yarn Plant and Kordsa Fabric Plant.

2000 Investment made in North America.

2001 Formation of Global JV with DuPont.

2003 Relocation of the Technology Centre from Chattanooga, USA to Kordsa Turkey.

2005 Acquisition of Dupont Shares in DUSA LLC, establishment of Kordsa LLC. Growth in Polyester.

2006 Formation of Kordsa Global and relocation of the headquarters from the US to Turkey. Growth in Asian operations. Formation of the Global Technology Centre.

TURQUALITY®

2007 R&D and Single End Cord Investments.

2008 Opening of the Global Technology Centre in Izmit.

2009 Accreditation of Kordsa Global R&D Centre by the Turkish Ministry of Science, Industry & Technology.

2010 Kordsa Global accepted as a member of the Turquality® global brand programme. Monolyx® and Twixtra® brands launched.

TWO THOUSANDS

2011

Launch of Capmax™ brand.

Increase in polyester production capacity at Indonesia facility.

KORDSA GLOBAL'S STRATEGY HOUSE

OUR VISION

Agile Kordsa Global in High Value Businesses for Sustainable Growth

PILLAR INITIATIVES

Operating Excellence

Competitive Cost

Lean and Efficient Processes

Agile and Entrepreneur Teams

High Value Business

New Products for "Green Performing" Tires

New Businesses Beyond Tire

Product and Service Quality Leadership

Growth

Profitable Growth for Tire Industry

Competitive PET Business Model

FOUNDATIONS

Systems

Enabling continuous improvement and business excellence

Values

SHE, integrity, customer focused, open minded, global collaboration, results driven

Resources

Employee development aligned with global strategy

KORDSA GLOBAL HAS AN EXTENSIVE PRODUCT RANGE AND USES STATE-OF-THE-ART TECHNOLOGY.

WHAT DOES KORDSA GLOBAL MANUFACTURE?

YARN

Ropes/Cordage

Automotive Textiles

Fishnets

In 2011, Kordsa Global improved productivity at its Turkish polyester yarn manufacturing plant and realized a capacity increase.

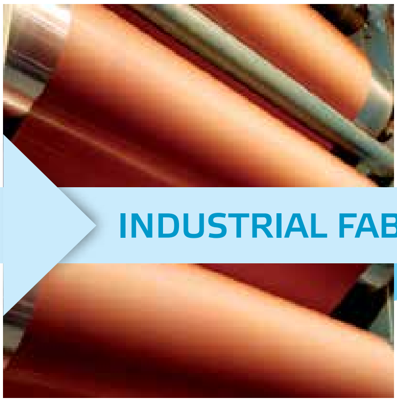
CORD FABRIC

Air Suspension Systems

Automotive Tires

Automotive Rubber Parts

Kordsa Global offers specific cord fabric types tailored for aircraft, truck, bus and race car tire manufacturers.



INDUSTRIAL FABRIC

Conveyor Belts

Transmission Belts

Automotive Tires

Kordsa Global produces three types of industrial fabrics: monofilament chafer, multifilament chafer and bulked chafer fabrics.

SINGLE END CORD

High Performance Automotive Tires

V Belts

Hoses

In single end cord cure processes, RFL bath, solvent based isocyanate or epoxy materials are used according to the desired properties.

KORDSA GLOBAL COMPLETED THE YEAR 2011 WITH PROFIT EXCEEDING ITS TARGET AND HAVING ACHIEVED A PRODUCTIVITY RECORD IN TURKEY.

MESSAGE OF THE CHAIRMAN

Dear Shareholders,

2011 was a year on the edge for the global economy, when the momentum of growth that was prevalent a year earlier faltered. Raw material prices, exchange rates and business volumes were quite volatile throughout the year. The recent risk of the possible spread of the European sovereign/ bank debt problems to larger countries, coupled with the risk that the required measures may not be taken, has further weakened the growth rate. In fact, a second recession, brought on by the slowing Chinese economy, may be on the horizon.

In stark contrast, Turkey posted GDP growth of 8.5% in 2011, a slower yet still very strong performance, driven by domestic demand during the first half of the year. The country's economic growth rate is expected to slow somewhat in 2012. In the current environment where global risks are on the rise, the ability of companies to effectively respond to changing market conditions remains critically important, as has been the case in recent years.

As a global leader in its sector, Kordsa Global closed 2011 with profit levels, which exceeded its targets, and a record rate of productivity in Turkey, despite capacity increases by its competitors, supply challenges experienced throughout the year and wildly fluctuating raw material costs. Making significant strides toward reaching profitability in South America in 2011, Kordsa Global has prioritized achieving profitable growth there and in Asia in the immediate future.

In the coming period, Kordsa Global plans to continue pursuing sustainable profitable growth and strengthening its competitive position. The Company will achieve these goals by refining its business model and increasing productivity through ongoing innovation initiatives and investments tailored for the market environment and client needs.

I would like to take this opportunity to express my gratitude to our employees who are constantly working to increase the added value and the competitive edge of Kordsa Global in all its operations through their selfless efforts. In addition, I want to thank our shareholders who provide their unwavering support to us in our quest for maintaining our leadership position; our customers, for the trust they have invested in our Company; our suppliers; and all our stakeholders, on behalf of our Board of Directors.

Respectfully yours,

Mehmet Nurettin Pekarun
Chairman

BOARD OF DIRECTORS

Mehmet Nurettin PEKARUN (01)
Chairman

A graduate of Boğaziçi University, Industrial Engineering Department, Mehmet Nurettin Pekarun received his MBA degree from Purdue University specializing in Finance and Strategy. He began his professional career in 1993 at General Electric-GE (USA) and he subsequently went on to work for GE Healthcare from 1996 to 1999 as Director of Finance for various regions. Mr. Pekarun was Managing Director for GE Lighting Turkey from 1999 to 2000 and Director of Business Development Unit at GE Healthcare for Europe-Middle East-Africa Region between 2000 and 2005; he was later appointed as Managing Director of the Medical Accessories Unit at the same company for the Europe-Middle East-Africa Region. From March 1, 2006 to September 30, 2010, Mr. Pekarun served as President and CEO of Kordsa Global.

Bekir SOYTÜRK (02)
Vice Chairman of the Board of Directors

Bekir Soytürk received his MSc degree from Yıldız Technical University, Mechanical Engineering Department. From 1977 to 2008, he worked in various managerial positions at Lassa/Brisa Bridgestone Sabancı Tire Industry and Trade and Kordsa Global. Mr. Soytürk was appointed Vice President at Sabancı Holding's Tire, Tire Reinforcement Materials and Automotive Group in January 1, 2009, a position he held until September 30, 2010. Mr. Soytürk is also a member of the Board of Directors at various subsidiaries of Hacı Ömer Sabancı Holding A.Ş.

Mustafa Nedim BOZFAKIOĞLU (03)
Member of the Board of Directors

Mustafa Nedim Bozfakıoğlu is a graduate of Istanbul University, Faculty of Economics. After serving in various positions within the Sabancı Group of Companies, he was appointed Director of the Budgeting, Accounting and Consolidation Department at Sabancı Holding. Mr. Bozfakıoğlu currently holds the Secretary General position at Sabancı Holding and is the Managing Director of Tursa, AEO and Exsa Plc.; in addition, he serves as a member of the Board of Directors in various Sabancı Group companies.

Bülent BOZDOĞAN (04)
Member of the Board of Directors

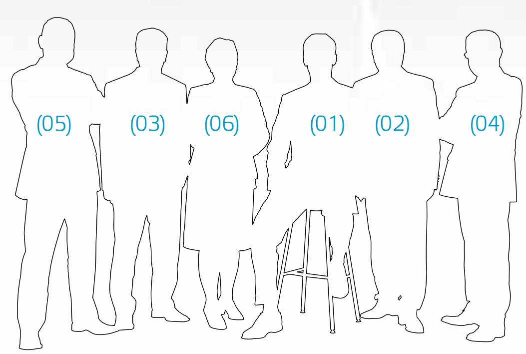
Bülent Bozdoğan graduated from Middle East Technical University, Business Administration Department. Over his 30 year professional career, he worked in auditing, finance, purchasing and planning at PwC, Unilever, Brisa Global and Sabancı Holding's various domestic and international companies. For the past year, Mr. Bozdoğan has served as President of the Sabancı Holding A.Ş. Auditing Department. He is also a Board of Directors member and Secretary General for the Institute of Internal Auditing - Turkey.

Seyfettin Ata KÖSEOĞLU (05)
Member of the Board of Directors

After graduating from Boğaziçi University, Department of Mechanical Engineering, Seyfettin Ata Köseoğlu completed his post graduate degree at Lehigh University, Department of Electrical Engineering and received an MBA degree from Boston University. After starting his banking career at İktisat Bankası, Mr. Köseoğlu worked at Finansbank from the time of its founding until 1994 as the Assistant General Manager. From 1994 to 1999, he worked at Bear Stearns in New York, as Managing Director and at Société Générale as the Managing Director. Between 2000 to 2005, Mr. Köseoğlu worked in London/Istanbul for Credit Suisse First Boston Bank as Managing Director/CEO. He joined BNP Paribas/TEB Group in 2006 and served as Chairman of the Board and CEO at TEB Investment. Since August 16, 2011, Mr. Köseoğlu has served as a member of the Board of Directors in Kordsa Global.

Neriman ÜLSEVER (06)
Member of the Board of Directors

Neriman Ülsever graduated from Boğaziçi University, Business Management and Operational Research Department. Commencing her professional career at Turkish Airlines in 1973 and continuing in various roles, she went on to work at Anadolu Bankası A.Ş., Emlak Bankası A.Ş., Group Sanfa and Impexbank, respectively. Ms. Ülsever served as a Managing Partner in her own company IKE Ltd. from 1995 and specialized in human resources consultancy and training. From 1999 to 2010, she worked as HR Director at Indesit Company. Ms. Ülsever has served as a Board member of Indesit Turkey since 1996 and she was appointed Indesit Turkey's Chairperson of the Board from January 1, 2011. On May 16, 2011, Ms. Ülsever was appointed as Sabancı Holding Human Resources Chief of Department. She fulfills both roles simultaneously.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DESPITE ALL THE UNEXPECTED DEVELOPMENTS DURING THE YEAR, KORDSA GLOBAL COMPLETED 2011 WITH OPERATIONAL AND FINANCIAL SUCCESS.

MESSAGE OF THE PRESIDENT AND CEO

Esteemed Stakeholders,

Kordsa Global completed 2011 with success despite facing a multitude of challenges during the year, ranging from social to economic. The Company experienced a significant decline in demand especially in the last three months of the year; in addition, the Company was negatively impacted in the aftermath of the unfortunate floods in Thailand. However, Kordsa Global was able to increase its net sales revenues to US$ 985 million in 2011, up nearly 16% over the prior year. The Company also posted operational profit of US$ 79.8 million, up an impressive 42% despite increasing pressures and challenges in the area of raw materials. For the year, Kordsa Global recorded US$ 58.2 million net period profit, registering a record increase of 76% over the prior year.

A look at the global economy shows that a state of apprehension brought on by the risk of a crisis across the Euro region dominated 2011. While economic growth in the BRIC countries remained stable, the US experienced a minor recovery in its economic indicators. Factors that included a stronger US dollar against other currencies and regulatory pressures in developed nations were among the leading economic developments that impacted our sector yet again.

In 2011, while the global automotive industry's light passenger vehicles segment grew 3%, the segment increased 8% in NAFTA countries, and 3% in China. In contrast, Western Europe markets saw a decline of 2% in the LPV segment, as the possibility of a crisis in the Euro Zone loomed. India, a target market of all manufacturers due to its huge population, performed strong and ranked among the top five automotive producing countries in the world.

The tire and tire reinforcement industries, for which we provide services, started 2011 with a significant increase in market demand. While the tire markets expanded 5%, our clients in the "Big 5" and the "Emerging 10" completed sizable investments.

2011 was a challenging year for our industry. Raw materials prices fluctuated widely. In addition, social developments and natural disasters occurred in various countries where, in particular, Kordsa Global conducts operations. Major events that impacted our sector during the year included the Arab Spring, which started in Egypt in early 2011, followed immediately by the earthquake and the tsunami in Japan in March, and the flooding in Thailand in September which was the most widespread in 75 years.

Despite all these unexpected developments, Kordsa Global completed 2011 with notable operational and financial achievements. While we increased our operating performance during the year, and exceeded profitability targets, we continued to implement the strategic initiatives to shape the future of our Company and to support sustainable, profitable growth for the next five years.

To this end, during 2011 we focused on:
- Reducing our production costs with process and efficiency improvement initiatives, while we continued to work toward our goal of world leadership in terms of product and service quality;
- Increasing our market share in particular with our customers in the Asia-Pacific region, which we call the "Emerging 10" and protecting our market share with the "Big 5" customers, for whom we are currently major suppliers;
- Making corporate risk and cash management strategies more effective;
- Ensuring the commercialization of our Capmax™, Twixtra®, and Monolyx® brands; and
- Enhancing our raw materials supply chain.

In order to protect and strengthen our leadership position in the world's growth markets, we plan to continue increasing our capacity, which is one of the most important issues for our Company for the next five years,
- At the IndoKordsa plant in Indonesia, in line with demand, we put our third polyester yarn line into service in April, which was followed by an investment for our fourth polyester yarn line.
- At the Nile Kordsa plant in Egypt, we completed the first phase of the modernization project.
- At our Indonesia, Argentina and Turkey nylon yarn plants, we achieved additional capacity of a total of 3,500 tons per year, with a total increase in productivity.

2012 will likely be a year when the uncertainties that had taken center stage during the final quarter of 2011 make an even bolder appearance; as a result, economic growth across the globe is expected to continue losing pace. During the coming period, Kordsa Global's most important priority will be maintaining and sustaining the profit levels we have achieved so far.

Again, in this spirit, while we plan to bring our growth initiatives, especially those in the Asia-Pacific region, to forefront, we will also focus on managing our operating capital more effectively. We plan to review all our processes and work to make the entire range leaner and more efficient, along with our global ERP initiative. Our objective is to ensure a more agile and entrepreneurial structure for Kordsa Global in order to improve the Company's ability to quickly adapt to fast changing market conditions.

I would now like to take this opportunity to express my heartfelt thanks to our shareholders for the confidence they have shown in our Company, as well as the support they have provided to us in the course of our development; to our employees for their selfless efforts and their valuable contributions; to our clients for their trust in us and for always being with us in our quest to improve ourselves and achieve the best possible results; and to our suppliers and all of our stakeholders, on behalf of Kordsa Global Executive Team.

Sincerely yours,

Hakan Tiftik
President and CEO

SENIOR MANAGEMENT

Hakan Tiftik (01)
President and CEO

Hakan Tiftik graduated from Boğaziçi University, Department of Mechanical Engineering in 1992, and received his MBA degree from Koç University in 1997.

He joined Kordsa Global in 1994 and after being involved in a number of positions within the Company, he served as Director of Logistics and Purchasing between 1999 and 2001.

From 2001 to 2005, Tiftik worked as Managing Director of Interkordsa Germany and Interkordsa America as well as Business Director for Single End Cord. In 2005, he was appointed Director of Trade for the Europe-Middle East-Africa Region. In 2007, Tiftik was appointed Kordsa Global Managing Director for Turkey where he later assumed the position of Vice President of Sales from 2009 to 2010.

In October 2010, Hakan Tiftik became President and CEO at Kordsa Global.

Fikret Cömert (02)
CFO (Chief Financial Officer)

Fikret Cömert received his BSc degree from Middle East Technical University, Department of Management and an MSc degree from Marmara University (English) Accounting and Finance Department in 1993 and 1999, respectively.

Joining Sabancı Holding in 1993, he worked in various positions as Budgeting, Financial Systems Specialist, Budgeting and Consolidation Manager and Investor Relations Manager. He was the Institutional Investor Relations Director between 2006 and 2009 and the Budgeting, Consolidation and Investor Relations Director from 2009 to 2011. In 2011, Cömert joined Kordsa Global.

Cenk Alper (03)
Vice President, Operations

Graduating from Middle East Technical University's Mechanical Engineering Department in 1991, Cenk Alper received his MSc degree from the same department in 1994. He went on to complete an Executive MBA at Sabancı University in 2002.

Launching his professional career in 1996 as a Process Engineer at Beksa, Mr. Alper subsequently continued to work in various managerial positions within technology and production departments. After starting work at the Bekaert Technology Centre (Belgium) as a Project Manager in 2002, he assumed the Plant Director position in Tennessee/USA, overseeing plants in North and South America. Alper later returned to Belgium as the Technology Centre's Product Development Director. He then joined Kordsa Global in 2007 as Global Technology Director and later served as Vice President in charge of Technology and Market Development from 2009 to 2010. In October 2010, Alper was appointed Vice President in charge of Operations.

Hakan Öker (04)
Vice President, Human Resources (HR) and Information Technologies (IT)

Hakan Öker graduated from Hacettepe University, Department of Sociology in 1986.

Starting his professional career in 1988 as a Personnel Specialist at Beksa, Bekaert – Sabancı Çelik Kord (Steel Cord) Plc., Öker consequently assumed various responsibilities at the same company between 1988 and 1998. He continued his career as Human Resources Director at Kordsa Turkey, Quality and Information Systems Joint Services Director at Tire, Reinforcement Materials and Automotive Strategic Business Unit, and subsequently continued as Projects Director. In January 2007, Öker obtained the responsibility of Global Human Resources at Kordsa Global.

In January 2009, Hakan Öker was appointed Vice President responsible for Human Resources and Information Technologies.

Bülent Araslı (05)
Vice President, Sales

After getting the BA degree in Business Administration from Middle East Technical University in 1982, Bülent Araslı continued his education with the MBA program at Bosphorus University. He started his professional career in 1982 as an Export Specialist at Çukurova Foreign Trade Co. and went on to work for M.A.N. Bus and Truck Co. as salesman.

He joined Kordsa in 1986 as an Export Specialist. After a range of responsibilities in Marketing and Sales function, he was assigned as Europe, M. East & Africa Region Marketing and Sales Director in year 2000. Between 2005 and 2009, he worked as Single-End-Cord Global Business Director and General Manager of Interkordsa GmbH and Kordsa GmbH in Germany. Starting from May 2009 he assumed Global Accounts and Market Intelligence Director position.

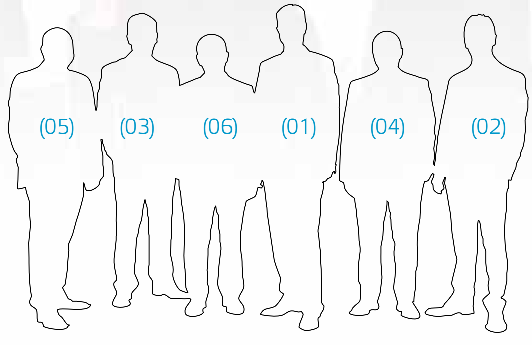
Since October 2010, Araslı has been holding the position of Vice President, responsible for Sales.

Cevdet Alemdar (06)
Vice President, Technology and Market Development

Graduating from Boğaziçi University, Industrial Engineering Department in 1992, Cevdet Alemdar received his MBA degree from Sabancı University in 2000. He began his professional career in 1991 as Director of Trade at Ender Foreign Trade Co. Alemdar then assumed Director of Sales, Product Manager and Product Director positions, respectively, at Beksa between 1993 and 2002. Subsequently, he served as Director of Trade at Sakosa from 2002 to 2005.

Alemdar joined Kordsa Global in 2005, starting as Managing Director for Kordsa Brazil and Region 3 Sales and Marketing Director. From 2007 to 2009, he worked as Managing Director for Thai Indo Kordsa and KQNE as well as Region 4 Sales and Marketing Director. Between 2009 and 2010, Alemdar served as Asia-Pacific Sales Director, Business Development Director and KQNE Operations Director.

In October 2010, Cevdet Alemdar was appointed Vice President responsible for Technology and Market Development.


(05)
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(02)

KORDSA GLOBAL IS ONE OF THE WORLD'S LEADING SUPPLIERS OF THE TIRE REINFORCEMENT SECTOR.

FINANCIAL ACTIVITIES

Kordsa Global is one of the most preferred suppliers in the reinforcement materials market with its high quality products, global reach, diversified product range and superior services.

The Company's sales revenues totaled US$ 985 million in 2011, up 16% over the previous year. The most important reason for this strong performance was the volume increase resulting from the capability of responding to changing customer demands quickly and effectively.

Kordsa Global continued its strategies of effective capacity utilization and cost management both of which had gained importance with the stagnation in global economy in 2009. As a result, the Company achieved a significant rise in its profitability in 2011.

Kordsa Global's diversification in raw materials, its ability to effectively pass along price increases in raw materials to customers, coupled with the average devaluation of the currencies in developing countries, all had a positive impact on the Company's costs.

The effects of fluctuations in foreign exchange rates during the year are reflected in the Company's financial results: Kordsa Global's profitability in 2011 was boosted due to these fluctuations.

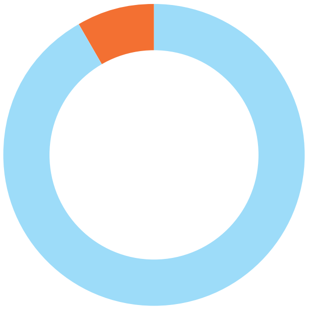
Investments

Kordsa Global is continuing the pace of its investments in accordance with its long-term strategic plans. In particular, the Company plans to ramp up investments in the Asia-Pacific region and increase research and development expenditures, in its pursuit of sustainable growth.

Strong Balance Sheet

Kordsa Global was able to effectively manage the debt to capital ratio in its balance sheet to offer the highest level of benefits for its shareholders, ensuring a significant increase both in operational profitability and return on equity.

KORDSA GLOBAL SHAREHOLDER STRUCTURE (%)



Hacı Ömer Sabancı Holding A.Ş.

91.1

Other (Public)

8.9

KORDSA GLOBAL IS THE STRONGEST AUTOMOTIVE AND TIRE REINFORCEMENT SUPPLIER IN THE EUROPE, MIDDLE EAST AND AFRICA REGION.

2011 WORLD MARKET AND KORDSA GLOBAL ACTIVITIES

Annual Sales Report 2011

Global light commercial vehicle (LCV) sales totaled 74.6 million units in 2011. Worldwide, LCV sales are expected to grow 4% in 2012 and reach 78 million units.

In 2011, LCV sales in Western Europe totaled 13.2 million units, up 8.6% over the previous year. This increase was driven primarily by the recovery in Eastern Europe, and in Russia in particular. However, West European LCV demand and sales dropped, especially in the latter months of the year, as the sovereign debt crisis hit and the region's economy stalled.

In Western Europe, except Germany and France, light commercial vehicle sales were down due to continued economic woes, especially in Greece, Portugal and Ireland.

LCV sales in the USA are expected to struggle under difficult economic conditions in 2012.

New LCV sales figures from India and China highlight the damaging impact that high fuel prices, inflationary pressures and supply bottlenecks are having on consumer spending in the world's two largest emerging economies.

In Thailand, after the floods, vehicle manufacturers had stopped production due to the shortage of spare parts.

In Japan, the tsunami and the earthquake negatively impacted global automobile production.

The European Commission published amending regulation EU no. 1235/2011 paving the way for effective implementation of tire labeling requirements.

Passenger and LCV tires produced after June 30, 2012 and on sale in the EU from November 2012, will bear a sticker visible to the consumer at points of sale displaying information on the fuel efficiency, wet grip and external rolling noise of tires.

Europe, Middle East and Africa Region

As the largest supplier in the region, Kordsa Global recorded consolidated turnover US$ 381 million in 2011 from production at its facilities in Turkey, Germany and Egypt. As a result, revenue at the three plants rose 20% from a year earlier.

A look at regional market dynamics shows economic recovery after the crisis, which had already started by end-2010 and continued through 2011; some industries even reported record sales. This positive trend continued throughout the year until the middle of the fourth quarter. At this time, the market became hesitant; preparing for the arrival of another crisis, most economies undertook a cautious 'wait and see' position for 2012.

Inside the region, passenger vehicle sales increased 4.3% compared to 2010. On the other hand, the European tire market for light commercial and passenger vehicle production grew by 7%. The Turkish economy ended 2011 with an 8.5% economic growth rate, higher than expected. Turkish light commercial passenger vehicle sales reached a record 864,439 units, up 13.6% over the prior year. Turkey's automotive industry exported a record value of US$ 20.4 billion in 2011, an increase of 17.4% from 2010.

North America Region

Serving the region with two facilities, Chattanooga for Nylon 6.6 yarn and Laurel Hill for all types of cord fabric production, Kordsa Global had turnover of US$ 244 million in the North American region in 2011.

Located in one of the most important cord manufacturing centres, Kordsa Global's North American production activities are shaped by the needs of both domestic and international customers. Sales to automotive tire producers account for 80% of the Company's total production in the region.

Producers of conveyor belts, power relay elements, minor mechanic rubber products such as automotive and industrial hoses and belts, rope and cordage, account for the balance of the Company's North American sales.

During 2011, total light commercial vehicle sales in North America exceeded 15 million units, up 9.2% over a year earlier. Light commercial and passenger vehicle production was over 13 million units, an increase of 10% over 2010.

Capacity expansion plans announced by global and regional tire manufacturers in 2011 confirmed their confidence in the strength of the North American market in the coming years.

South America Region

Kordsa Global produces Nylon 6.6 yarn in Argentina, and HMLS, technical polyester yarn and fabric in Brazil, making the Company the most important supplier in Latin America. Kordsa Global sales in this region totaled US$ 130 million in 2011. After a significant consolidation of tire cord assets and expertise into the Brazil facility, the Company's South American operations are poised to surpass its 2011 revenue results by more than 10% in the coming period. As Brazil becomes the fifth largest economy in the world, the demand for transportation is keeping pace with this growth projection.

In 2011, Brazil saw a 7.7% rise in light commercial and passenger vehicle sales, compared to the previous year, exceeding the 4 million unit mark.

Tire investments have exceeded US$ 3 billion in the region to support all market segments the tire industry serves. In addition, Brazil will host the World Cup soccer tournament in 2014 while Rio de Janeiro has been chosen to host the 2016 Summer Olympics. These two major global events are putting even more of a spotlight on this fast-growing, emerging market nation.

Asia-Pacific Region

Surging demand for more PET for passenger radial tires has driven Kordsa Global to expand its PET yarn capacity in Indonesia by 7,000 tons. Besides the shift of the Big 5 tire makers investing primarily in China, we see also that other tire makers, namely the Asia-Pacific based "Emerging 10," are aggressively expanding their capacity both across the region and are looking to invest outside as well. Customers are investing in the Asia-Pacific region as well.

In 2011, light commercial vehicle sales in China reached 17 million units, comparable to the level of the previous year. China's tire industry produced more than 456 million tires in 2011, up 3% over a year prior. Of these, 398 million were radial tires, and of those, 90.5 million were all-steel radial truck tires. In addition, China enacted a new regulation to ban investment for new or expanded capacities for bias-ply tires and eliminate capacities for bias tires of 500,000 units or less. With the adoption of this regulation, China will see more investment in PET yarn and fabric production. Many local companies are already starting to expand their PET yarn and fabric manufacturing capacities.

Kordsa Global regional companies in Indonesia, Thailand and China posted turnover of US$ 219 million in 2011. The Company's performance could have been better but force majeure in Thailand during October had a considerable impact at the site.

KORDSA GLOBAL IS THE MARKET LEADER FOR NYLON 6.6 YARN.

PRODUCTS

Kordsa Global is the leading worldwide supplier of high denier Nylon 6.6, Polyester (HMLS and Technical) industrial yarn, cord fabric, single end cord and industrial fabric products. The Company's primary customers include nearly all sector leading producers of automotive tire and mechanical rubber goods.

Operating 10 production plants in nine different countries, Kordsa Global provides global scale services to its customers with its products that are used primarily in a variety of applications including automotive tires, air suspension systems, hoses, conveyor belts, V-belts, ropes and cordage.

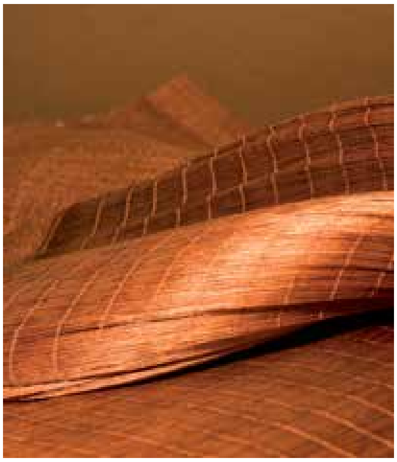
YARN

Kordsa Global is the world leader in the Nylon 6.6 yarn market and one of the leading players in the polyester yarn market. Kordsa Global's yarn portfolio includes:

- High-resistance, high denier industrial Nylon 6.6 yarn (940 dtex and above); and
- High-resistance industrial HMLS and high denier technical polyester yarn (1100 dtex and above).

Principal applications using yarn include cord fabric, industrial fabrics, chafer fabrics, single end cord, safety belts, ropes and cordage.

A world leader in the production of high tenacity nylon and polyester (HMSL and Technical) industrial yarn, cord fabric, single end cord and industrial fabric products, Kordsa Global primarily serves the tire reinforcement and mechanical rubber markets.



CORD FABRIC

Kordsa Global processes Nylon 6.6, Polyester (HMLS and Technical), Rayon and aramid yarn to produce cord fabric, a material that gives tires strength and flexibility.

SINGLE END CORD

Single end cord production uses a selection of synthetic yarns, such as nylon, polyester, aramid, rayon and yarns containing natural fibers. Pursuant to customer specifications, these yarns are spun in single ply or multi ply, and later finished to provide required adhesion and physical properties.

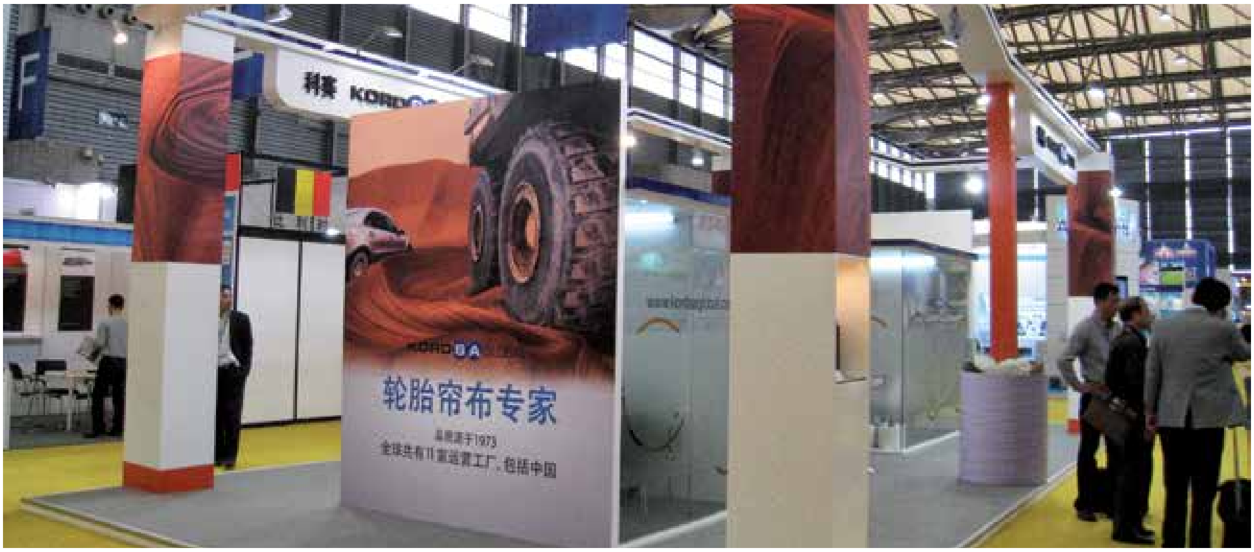
INDUSTRIAL FABRICS

One of the leading suppliers of first class quality conveyor belts, Kordsa Global also manufactures a wide variety of industrial fabrics including chafer fabrics, lining fabrics, membrane and finishing fabrics to meet a wide range of customer requirements.

Developing its production in line with regional requirements, Kordsa Global produces three types of chafer fabric: monofilament chafer fabrics, multifilament chafer fabrics and bulked chafer fabrics.

TO ENHANCE ITS AREAS OF CAPABILITIES, KORDSA GLOBAL CONTINUES ITS FOCUSED EFFORTS TO DEVELOP NEW PRODUCTS.

MARKETING



During 2011, Kordsa Global implemented a variety of market development initiatives in order to acquire new customers, promote new products and strengthen its presence in existing and new markets. Additionally, the Company launched activities to position the brand as a technology development company.

In line with the promotion of new products and the capturing the "voice of the customer" initiative, Kordsa Global has historically conducted several successful technical workshops with the R&D centres of all major tire companies. In 2011, those meetings mainly targeted emerging Asia-Pacific tire companies with solid growth potential.

To complement its new product development efforts, Kordsa Global financed test tires manufacturing activities supported with new products, to assess the indoor and outdoor performance.

In 2011, Kordsa Global introduced two new products to the market, the Twixtra® and Monolyx® brands, to be used in several specific applications for various tire segments including racing, aircraft, truck and bus tires. The Twixtra® line consists of hybrid tire cord fabrics, combining distinct properties of different yarn types on the same fabric, resulting in more customized use for tire manufacturers. The Monolyx® product line consists of twisted monofilaments with unique performance properties, especially in terms of fatigue, which is valuable for racing tires.

Additionally, Kordsa Global started market positioning activities for a new brand, Capmax™. The Capmax™ line offers less rubber usage and, as a result, environmental friendliness and lower total cost of use. The Company has finalized design and prototypes for this third new product line, paving the way for a market launch in 2012.

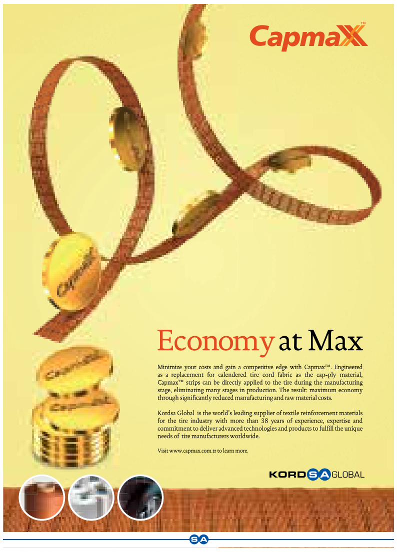
Kordsa Global also supported market positioning and promotion of new products through effective communications activities including the use of digital media.

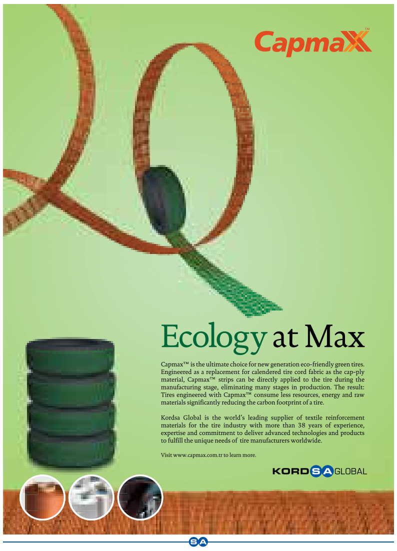
NEW PRODUCTS AND CAMPAIGNS

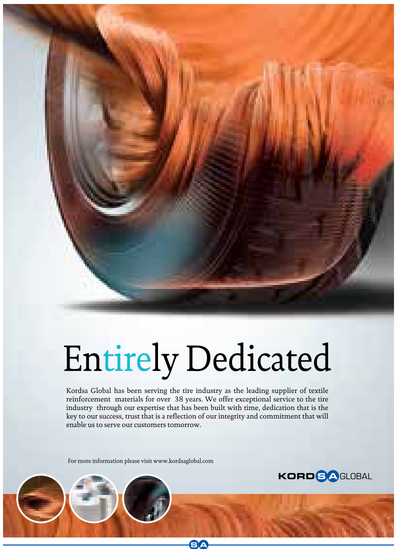
Twixtra® hybrid solutions

MONOLYX®

CapmaX™







KORDSA GLOBAL SHARES ITS KNOW-HOW AND EXPERIENCE IN INTERNATIONAL CONFERENCES.

MARKETING

The Company launched product based web sites and published advertisements that appeared in sector publications in Europe and the Asia-Pacific region.

Kordsa Global actively participated in international industry fairs, a significant marketing opportunity both in terms of raising brand awareness and securing new customers. The Company promoted its products in the international arena through stands at the largest and most comprehensive industry fairs in Germany, China and Argentina. Members of Kordsa Global management also received invitations to speak and share their know-how and experience at a number of prominent industry conferences around the world.

Targeting to become the most preferred global brand in the industry, Kordsa Global effectively used funding from the Turquality® programme in 2011 to achieve its strategic objectives. This programme, sponsored by the Undersecretariat for Foreign Trade, helps develop and support global Turkish brands.

PET HMLS 2011 MARKET SHARES (%)

9
Kordsa Global

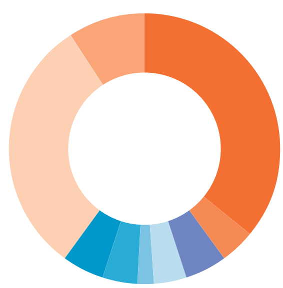
32
Producer A

23
Producer C

8
Producer B

28
Others

NYLON 6.6 2011 MARKET SHARES (%)



36
Kordsa Global

4
Producer A

31
Producer G

9
Others

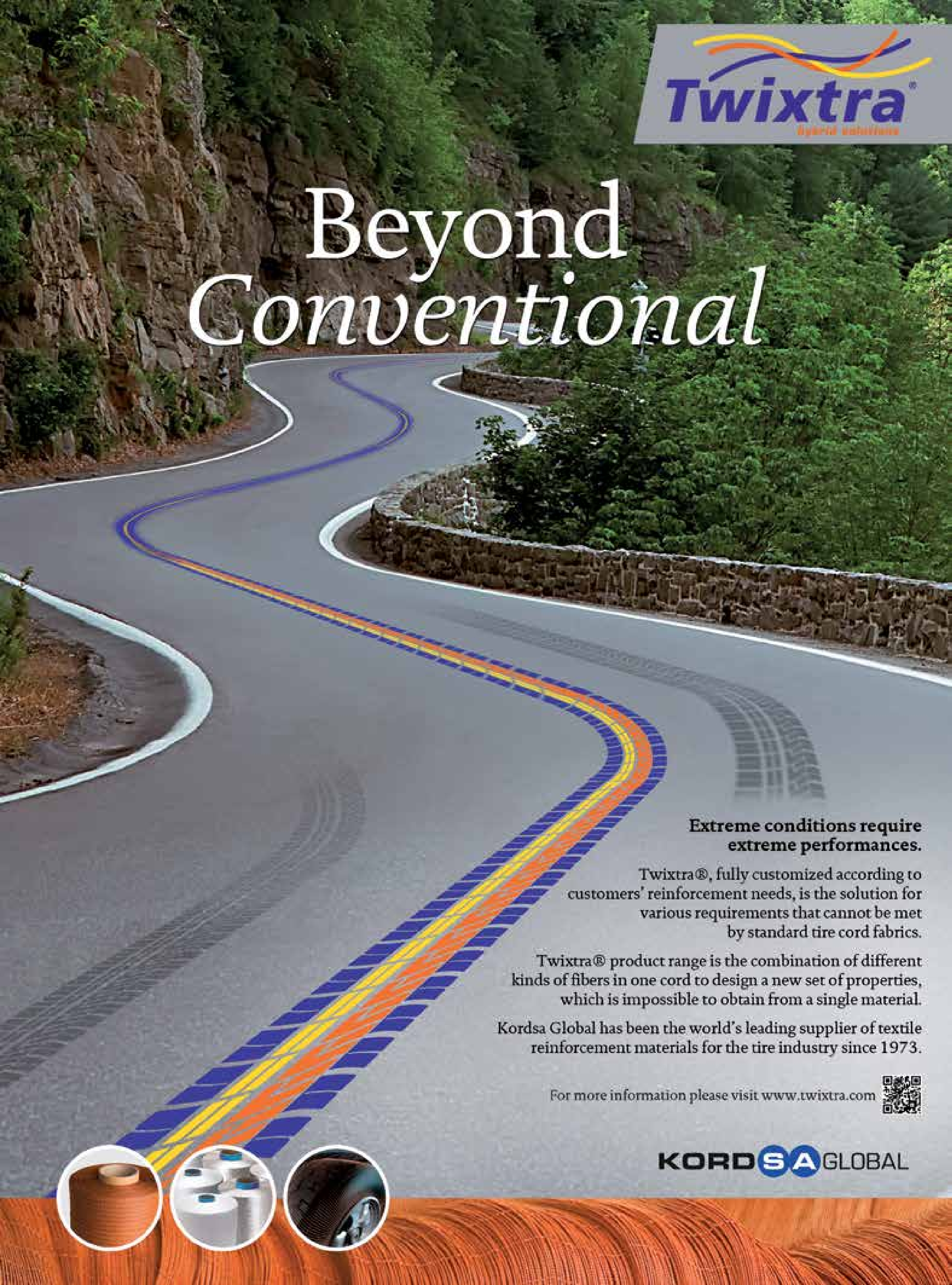
5
Producer B

4
Producer E

2
Producer D

4
Producer C

5
Producer F


Twixtra®
Beyond
Conventional
Extreme conditions require extreme performances.
Twixtra®, fully customized according to customers' reinforcement needs, is the solution for various requirements that cannot be met by standard tire cord fabrics.
Twixtra® product range is the combination of different kinds of fibers in one cord to design a new set of properties, which is impossible to obtain from a single material.
Kordsa Global has been the world's leading supplier of textile reinforcement materials for the tire industry since 1973.
For more information please visit www.twixtra.com
KORDSA GLOBAL

KORDSA GLOBAL IS ONE OF THE MOST ESSENTIAL SOLUTIONS PARTNERS OF THE TIRE INDUSTRY.

RESEARCH AND DEVELOPMENT

With more than 38 years of sector-based experience, new products, processes and applications offered in scope of R&D activities, Kordsa Global stands out as a leading solutions partner of the tire reinforcement industry.

On April 24, 2009, the Kordsa Global R&D Centre was granted an "R&D Centre License" from the Turkish Ministry of Science, Industry and Technology and concentrated its focus more on offering innovative reinforcement materials to the tire industry.

A significant proportion of the 61 person research team holds PhD (11%) or MSc (30%) degrees from prominent universities in Turkey, Europe and USA.

As one of the key solutions partners of the tire sector, Kordsa Global's strives to offer better services to customers and to increase its innovation development capabilities. New investments have helped the Company to double the capacity of its R&D Centre with significant upgrades to its technological capabilities. In addition to the traditional domains of specialization including spinning, twisting, weaving, finishing and hybrid cord technologies, the R&D Centre has added new capabilities areas such as tire technologies, nanotechnology and new fiber synthesizing, finite element analysis, dipping solutions, reinforcement analysis and equipment design.

Operating under the Technology and Market Development function, the Company's R&D Centre manages its current activities on five platforms in conjunction with the R&D laboratories:

- Technology Development Platform
- Research and Laboratories Platform
- Rubber Reinforcement Platform
- Engineering and Equipment Development Platform
- Intellectual Property Platform

Innovation Projects

The concepts of "innovation" and "excellence" are key components of the corporate culture at Kordsa Global. The Company maintains global and local cooperation with customer operations and technical units in order to better understand client needs and to remain capable of offering tailor-made solutions.

In addition to its in-house research team, Kordsa Global executes R&D initiatives jointly with researchers from other countries. In support of its open innovation strategy, Kordsa Global was involved in joint projects with research teams from the USA, China, the Netherlands, Japan and Germany throughout 2011; the Company also partnered and collaborated with research institutes, universities and technology companies on a variety of projects. Furthermore, Kordsa was nominated for the 9th Technology Awards in the Large Scale Company-Product category, with its new brand Monolyx®, and with Cavitation project, selected as finalist in the "process" category of the 10th technology awards.

Kordsa Global adopted a sustainable profitable growth strategy to respond to customer needs while also creating added value for its clients. To that end, the Company has completed commercialization processes for the new products developed by the Research & Development Centre, namely, Monolyx®, a high tenacity and high strength polyester yarn, and Twixtra®, a hybrid cord made up of high tenacity and high strength polyester yarn.

To ensure the sustainability of its R&D work and to remain capable of offering products with high added value, Kordsa Global actively manages all of the function's processes, from the preliminary stage of conceiving the idea, all the way through to their transformation into value creating products. Using this approach, the Company has a total of 60 projects open during 2011, including the follow-up of those feasibility studies which were completed in the previous years. As of 2011 the total number of closed projects is 19. Certain new products developed within the scope of these R&D projects have now reached the marketing stage.

Additionally, Kordsa Global filed 13 new patent applications in 2011 on products that originated from ongoing R&D projects.

KORDSA GLOBAL DEVELOPS AND IMPLEMENTS HUMAN RESOURCES PRACTICES IN LINE WITH A GLOBAL STRATEGY.

HUMAN RESOURCES

Global Human Resources

Kordsa Global sees its workforce, who are located in nine countries across the world, as the most vital component in achieving its strategic targets. As a result, the Company develops and implements human resources practices in line with a global strategy. Global Human Resources is responsible for developing and implementing this strategy. Global HR implements policies and practices related to staff selection and recruitment, compensation and benefits, performance management, Organization and People Review and succession plans, leadership and employee development, international appointments, corporate climate and other HR processes. Global HR's overall objective is to support Kordsa Global's sustainability and its business goals.

Global Human Resources Vision

Global Human Resources strives to position the HR function as an important "business partner," provide services to internal customers at global standards and create a company that is an "employer of choice."

Global Human Resources Mission

To develop, implement and support programs/processes that:

- Lead to attraction and retention of talent,
- Help to create a positive organizational climate,
- Foster empowerment and development of employees, and
- Enable the satisfaction of shareholders.

Principal Responsibilities of Global Human Resources

The Global Human Resources function is positioned as a "center of expertise." Its principal contribution and expectations from the function is at a strategic level. Implementation of human resources processes is carried out by companies at local level.

Global HR is primarily responsible for:

- Developing and implementing HR policies, systems and processes to support the Company's strategies and business needs;
- Developing and implementing plans at the global level to ensure organizational sustainability;
- Designing and managing structured development programmes at different levels (e.g. young talent, mid-level management, senior management) in coordination with local and regional HR Teams to support corporate growth initiatives;
- Ensuring that high-caliber professionals are developed at all levels of the organization by creating customized training programs in line with the expectations of employees and the Company.

In conjunction with the above referenced vision, mission and strategies, the Company implemented a number of initiatives in 2011. Global HR launched the Global Technical Development Programmes and Young Talent Development Programme ("Generation Next") and enriched the content of "KEEP," an e-learning platform that can be accessed from anywhere in the world.

Global HR also shared the results of the first "Global Employee Survey," conducted in 2010, and prepared action plans. In addition, the online tool to support the "Organization and People Review" process went live, while studies were conducted to improve and standardize the Company's reward management practices.

In order to strengthen and spread a performance culture throughout the organization, the Company implemented the Performance Management System with a global calibration process at the Executive Team level for the first time. The Company continued to provide qualified employees international assignment opportunities to support their individual development as well as to improve the know-how at our facilities.

Global Human Resources continues its efforts to provide the best resources and plans development programmes to enhance the motivation and the performance of the sales team. Global HR also updates and implements the Global Recognition System and creates effective HR Information Systems through different processes.

AS OF DECEMBER 31, 2011 (EXCLUDING SUBCONTRACTORS)

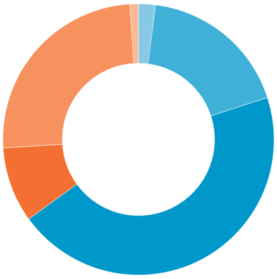
Country	Number of Employees
Turkey	1,238
Indonesia	966
Thailand	479
Brazil	409
USA	365
Egypt	271
Argentina	188
Germany	104
China	13
Total	**4,033**

BREAKDOWN OF EMPLOYEES (%)

12
482
Females

88
3,551
Males

WHITE COLLAR EMPLOYEES EDUCATION (%)



2
PhD

18
Graduate

45
Undergraduate

9
Associate Degree

25
High school

1
Elementary school

KORDSA GLOBAL HAS SHAPED ITS SAFETY CULTURE ALONG THE LINES OF THE “WHAT DO PEOPLE DO WHEN NO ONE SEES THEM” APPROACH.

SAFETY, HEALTH AND ENVIRONMENT

At Kordsa Global, safety and health is a way of life for all employees, and the Company gives priority to safety and health practices. To this end, with the motto of “all accidents are preventable” Kordsa Global aims for zero accidents on the job and the prevention of all occupational diseases.

Kordsa Global handles and manages all safety and health issues uniformly at all its facilities. The Company complies with all safety and health related legal requirements and standards. In addition, Kordsa Global implements safety and health global best practices.

All safety and health practices are audited by the Executive Management and updated in accordance with technological advances and new approaches; improvements are implemented across all the Company’s operations.

Kordsa Global continued to conduct Process Safety and Risk Management Audits (PSRM) in 2011. In addition, the Company established work guidelines to effect energy savings. Kordsa Global has also adopted the “Log, tag, clear, try” approach and work is underway to actively practice this approach across all its facilities. In order to spread the safety and health culture across the organization, the Company developed SHE (Safety, Health, Environment)- PSRM Golden Rules Campaign in collaboration with the Department of the Environment.

Kordsa Global provides training to prevent unsafe behavior and has established a strong job safety culture across all its facilities. The Company has also launched a Behavior Focused Safety Programme that includes e-learning modules to reinforce training in Process Safety and Risk Management issues.

The Company implemented Fire Safety Assessment and ergonomics improvement efforts within select facilities; work is underway to identify areas in need of further improvement.

Kordsa Global has developed long-term training programmes to improve the technical knowhow of employees under its SHE approach and these programmes are currently underway.

Kordsa Global has developed its occupational safety and health culture in line with the “all incidents are preventable” approach. The Company has adopted the SHE culture as a way of life.


KURUP
ÜRETİMDE

KORDSA GLOBAL CODE OF BUSINESS ETHICS IS IMPLEMENTED IN ALL KORDSA GLOBAL COMPANIES.

CODE OF BUSINESS ETHICS

Kordsa Global conducts its operations and manages its relations in accordance with the Kordsa Global Code of Business Ethics, adopted by the Board of Directors. Kordsa Global Code of Business Ethics regulates the Company's relations with its customers, employees, shareholders, suppliers, business partners, competitors, the environment and the society. Kordsa Global conducts all its activities and relationships both within and outside the Company as per these rules.

The Company's Code of Business Ethics is a key component of its corporate identity. It demonstrates the importance the Company places on how and in what manner the strategic road map is used to achieve its targets.

Kordsa Global Code of Business Ethics is implemented in all Kordsa Global companies. In this respect, the rules are shared with employees, shareholders and business partners through the corporate website of the Company, in the local languages of the nine countries the Company operates in. The Company organizes regular trainings to ensure that employees remain aware of the subject and are kept updated.

Kordsa Global has appointed an Ethics Compliance Officer to ensure that the Kordsa Global Code of Business Ethics is duly implemented at all production facilities of the Company and to further ensure and enhance the effectiveness of the Code of Business Ethics. The Company has also created specific e-mail address and phone lines for this purpose. The objective of the regular meetings held by the Ethics Compliance Officer is to implement the Code of Business Ethics at all Kordsa Global companies in a uniform manner.

The Kordsa Global Code of Business Ethics was reviewed by the Board of Directors in 2009. The review introduced flexibility in the rules that banned second jobs and political activities.

In 2010, the Company started to share Kordsa Global Code of Business Ethics with blue collar employees; relevant trainings continued in 2011. Completion of the Business Ethics trainings for all blue collar employees in the Company is scheduled for 2012.

Furthermore, during 2011 all white collar employees at the Company received refreshment trainings on Business Ethics Rules and employees signed the Business Ethics compliance form.

Kordsa Global is planning to launch the electronic Business Ethics training for all employees in 2012.

ENVIRONMENTAL PRACTICES

Kordsa Global has developed its environmental policy in line with the zero environmental accidents approach. The Company fully complies with all environmental related legal regulations and standards.

Kordsa Global conducts environmental impact studies for all its processes and works to eliminate negative impacts through continuous improvement activities. All employees and subcontractors are required to comply with this policy which is included in their contracts.

Kordsa Global operates in line with the goal of zero waste production. To this end, the Company reuses or recycles material to minimize the requirement for processing or disposal and to conserve natural resources. Waste is processed and disposed of in a safe and responsible manner.

Having set a goal of working toward zero emissions, the Company prioritizes combating those emissions that pose the greatest potential risks for health or the environment.

Kordsa Global strives to use coal, oil, natural gas, minerals and other natural resources efficiently and manages Company assets in order to protect the environment.

In 2011, Kordsa Global held a SHE Golden Rules training, supported by visual materials and other tools, to improve SHE-PSRM across all facilities. In addition, the Company held the fourth SHE Network Meeting with the participation of the SHE management teams. In 2011, an assessment was made and 2012 targets were set; technical training and workshops followed.

To enhance the technical know-how of employees in the area of environmental policies, the Company prepared and implemented long term training plans.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Corporate Governance Principles Compliance Declaration

Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. practices "Corporate Management Principles" published by the Capital Markets Board of Turkey for the Fiscal Year January 1 – December 31, 2011.

The Company has exercised due care for compliance with the below detailed regulations in 2011, which are mandatory/not mandatory to be complied with, as included in the current Corporate Governance Principles. Furthermore, within the scope of the Capital Market Board's "Communiqué on Determination and Application of Corporate Governance Principals" Serial: IV, No. 56 which has been published in the Official Gazette of December 30, 2011, no. 28158, and the Capital Market Board's Serial: IV, No: 57 Communiqué "Amendments on the Communiqué on Determination and Application of Corporate Governance Principals" published on the Official Gazette dated February 11, 2012, no. 28201, the preliminary preparations for adaptation have started at our Company as of the same date. The adaptation studies with the mandatory liabilities as set forth in the relevant Communiqué are underway, and shall be completed as per the deadlines set forth in the relevant communiqués and the Capital Market Board notices.

PART I
SHAREHOLDERS

2. Shareholder Relations Unit

The Company organizational structure features a shareholder relations unit. The unit operates under the coordination of the CFO (Chief Financial Officer) Fikret Cömert.

Finance Specialist Beril Korkut Alpdoğan is in charge of the department,

(Phone: +90 212 385 85 78, Fax: +90 212 282 00 12, e-mail: beril.korkut@kordsaglobal.com)

Mustafa Yayla, on the other hand, works within the department as officer in charge of shareholder relations.

(Phone: +90 212 385 85 30, Ext. 28539 - 28547, Direct Phone: +90 212 385 85 39, 385 85 47, Fax: +90 212 282 54 00, +90 212 282 00 12, e-mail: mustafa.yayla@kordsaglobal.com)

8.9% of Company shares are traded publically with the remaining capital (91.1%) held by five corporate shareholders.

The department has assumed the duty of running shareholder relations. During the 12-months in 2011, 38 telephone calls were made in line with this duty with the intention of answering shareholder inquiries. Furthermore, 10 shareholders were answered by e-mails, and 16 investors received information by visiting the Company headquarters in person.

3. Shareholders' Right to Information

During the 12-months in 2011, investors relations department responded to a total of 64 applications including telephone calls, e-mails and face-to-face meetings. Meanwhile, shareholder related information has been published on the corporate website, which can be accessed from www.kordsaglobal.com for durations implicated by laws.

Besides public information, the mentioned page also includes shareholder dividend policies.

The Company principal agreement does not stipulate the appointment of a special auditor as an individual right. Shareholders did not come forward with such a request during the 12-months in 2011.

4. General Assembly Information

The 2010 Shareholders Ordinary Meeting of the General Assembly took place on April 1, 2011. The meeting saw the participation of shareholders representing 91.2157% of the capital, and there was no media participation. The necessary quorum was reached in this meeting. Invitations to the meetings have been executed in accordance with provisions of the Turkish Code of Commerce and Company principal agreement.

Provided that an application was made to the Company's investor relations department at least two days before the General Assembly, entry documentation for shareholders whose shares are managed by financial intermediaries get issued via investor General Assembly blockage forms, in order to ensure shareholder participation at the General Assembly meeting.

The annual report incorporating audited 2010 figures was presented to shareholders at the Company's headquarters at least 15 days prior to the meeting. Shareholders exercised their right to ask questions during the General Assembly meeting; and the relevant answers were given.

Significant decisions within the scope of the Turkish Code of Commerce were put forward at the General Assembly for shareholders' approval. Significant decisions set for revision in accordance with the legislation will be submitted to the approval of shareholders at the General Assembly with the provision of legal compliance related to Corporate Governance Principles.

General Assembly proceedings have been opened to the review of shareholders at Company headquarters. The proceedings can also be accessed from the address www.kordsaglobal.com.

5. Right to Vote and Minority Rights

Company principal agreement does not grant privileged rights to vote. The Company is not affiliated with any other company involving reciprocal shareholding.

6. Dividend Policies and Dividend Distribution Timing

There are no privileges in terms of contributing to the Company profit.

As per the Company's Board of Directors' decision number 816, dated March 14, 2006 the Company's dividend distribution policy is defined as follows:

"In accordance with Capital Markets Board legislation, other legal provisions and Company principal agreement (the Company) shall annually distribute cash (profit) dividends to its shareholders equivalent to at least 50% of distributable profit".

It is decided unanimously that the Board of Directors annually review the aforementioned policy with consideration to domestic and global financial conditions, the state of projects in the pipeline and available funds and immediately notify shareholders at the next general assembly meeting.

Articles 35, 36 and 41 of the Company principal agreement clearly define the means and timing of profit distribution. Having concluded annual dividend distribution within acceptable time limits set out by laws the Company has not yet encountered any legal cases related to this issue.

7. Share Assignment

Company principal agreement does not include any provisions limiting share transfer.

PART II
PUBLIC NOTIFICATION AND TRANSPARENCY

8. Corporate Notification Policy

The Company adopts and practices a notification policy compliant with the Corporate Governance Principles of the Capital Markets Board (CMB) of Turkey. In compliance with CMB legislation and via the Istanbul Stock Exchange, the Company regularly makes timely public notifications in accordance with this policy including: independently audited previous half and end of year consolidated reports prepared in conformity with international financial reporting standards (IFRS), unaudited first and third quarter consolidated reports and special occasions requiring public notifications. Public notifications are made via the Company website at www.kordsaglobal.com.

Company President and CEO Selim Hakan Tiftik is responsible of the implementation of the notification policy.

9. Special Occasion Explanations

The Company has made 14 Special Occasion Declarations to the Istanbul Stock Exchange over the 12-months during 2011. The aforementioned declarations occurred on time with no sanctions placed by the Capital Market Board or Istanbul Stock Exchange. None of the Company shares are listed in international stock exchanges.

10. Corporate Website and Website Content

The Company website is accessible at www.kordsaglobal.com. The content of the website is in the Turkish & English languages. The Company website was renewed on July 31, 2009. Information listed in Capital Market Board's Corporate Governance Principles is presented in "Investor Relations", under the sub-sections Corporate, Share Information, Annual Results and Contact.

11. Announcement of Real Person Ultimate Controlling Shareholder(s)

The Company does not have an ultimate controlling shareholder. Company shares are nominative in their entirety. The Company's shares representing public capital (8.889364%) are listed in the Istanbul Stock Exchange. The Company does not monitor such transfer of shares. Henceforth the Company is only aware of five shareholders bearing the shares/dividends that represent the remainder of the Company's capital (91.110636%).

Partners	Number of Shares (1 Share 1 Kr)	% Ratio	Type of Share	Share Nominal Value/TL
Hacı Ömer Sabancı Holding A.Ş.	17,723,342,701	91.108965	Registered	177,233,427.01
Temsa Global Sanayi ve Ticaret A.Ş.	5,211	0.000027	Registered	52.11
Teknosa İç ve Dış Ticaret A.Ş.	135,666	0.000697	Registered	1,356.66
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	151,625	0.000779	Registered	1,516.25
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	32,737	0.000168	Registered	327.37
Publicly Floating (Public+ MKK)	1,729,239,660	8.889364	Registered	17,292,396.60
Total	19,452,907,600	100.000000		194,529,076.00

12. Public Announcement of Persons with Potential Access to Inside Information

Information related to members of the Board of Directors and members of the Managerial Committee are shared with the public in annual reports. Through the Istanbul Stock Exchange bulletin and officially through the Turkish Commercial Registration Gazette the public is informed about individuals elected as members of the Board of Directors within the respective term.

PART III
BENEFICIARIES

13. Notification of Beneficiaries

Stakeholders are informed on developments concerning the Company by means of public announcements in compliance with valid legislation.

Besides information featured in financial statements and reports publically announced in accordance with Capital Market Boards legislation, verbal or written information is also offered on request to beneficiaries including Company employees, customers, distributors, syndicates, non-governmental organizations, the state and potential investors on issues of interest (with the exception of information currently undeclared to the public). Company employees are informed by way of meetings and various training programs organized according to their areas of specialization and interest.

14. Beneficiaries' Participation in Management

Beneficiaries have been defined as Company employees, customers, suppliers and the society we interact with.

Employee participation in management is facilitated by means of annual goal setting and performance assessment meetings in addition to periodical internal meetings. In addition, the feedback mechanism gives employees, customers and distributors the opportunity to communicate feedback on their respective issues. Results are considered in committees that are set up to create action plans in order to enable necessary changes. These approaches intend to guarantee employee participation and contribution in terms of effective Company management.

15. Human Resources Policy

The Company's current human resources policy and practices are presented below;
and are also accessible at www.kordsaglobal.com. Respective activities are under the management of Vice President, Human Resources and Information Technologies Director. A summary of Human Resources (HR) duties is given below:

- Develop HR processes in accordance with business goals;
- Hire candidates that meet Company expectations in order to prolong the development of its skill pool;
- Promote first class professional specialists with consideration to succession plans;
- Provide employees the opportunity for development;
- Create and maintain an honest, fair and constructive working environment;
- Provide and improve respective safety, health and environmental practices capable of meeting the necessary requirements;
- Develop performance based management systems;
- Manage relations with employees and the Workers Union; create the most favorable results for all parties.

Set out to generate added value in scope of current HR practices, the Company intends to select only the best by utilizing basic processes related to employment such as performance assessment, development, carrier planning and retirement in reaching the goal of becoming a favored employer that holds a high caliber employee profile. The Company will secure this by installing a culture based on high performance, ensuring the development of necessary proficiencies and characteristics at all levels, matching the potential with the right position, maintaining retirement life standards above a certain level through private and individual retirement plans.

16. Information on Customer and Supplier Relations

The Company aspires to establish long-term strategic partnerships with clients and act in accordance with these objectives. Relations with beneficiaries are based on creating value reciprocally. Besides an honest and moral approach to customer relations, the Company adheres to the principles of commercial and technological confidentiality. Customer requests are answered as soon as possible with effective and creative solutions.

Kordsa Global's organizational framework is capable of offering full customer support in commercial and technical matters. Research and Development activities are based on the customer-centered principles with consideration to market developments. Products and services offered by the Company are developed together with the customer with ultimate consideration of their current and future requirements.

Kordsa Global pays strict attention in doing business with reliable suppliers who are customer satisfaction oriented, capable of providing adequate guarantee in regards to worker health and occupational safety as well as environmental safety and quality. Kordsa Global establishes long-term relations with its suppliers based on reciprocal trust, effective communication and partnership and practices a "win-win" principle.

17. Social Responsibility

Priority in all Kordsa Global activities goes to "Worker Health", "Occupational Safety – Environment" and "Quality," respectively.

Kordsa Global believes all occupational accidents and occupation related health problems are preventable. Henceforth, all personnel within working environment are trained in the fields of worker safety, occupational safety and environment, even for short-term tasks.

The scope of safety training will be broadened in accordance with potential training needs. Besides contributing to Sabancı University and to natural disaster assistance committees, the Company implements social responsibility duties by means of donations to related public authorities and institutions, universities and secondary schools.

There are no lawsuits against the Company related to environmental issues.

PART IV
BOARD OF DIRECTORS

18. Structure, Constitution and Independent Members of the Board of Directors

The Company's Board of Directors consists of seven elected members to execute their duties until 2011 Ordinary General Assembly meeting in accordance with provisions of the Turkish Code of Commerce and Company principal agreement.

Not all the Board members are executive members. The distribution of the Board of Directors is as indicated below. Information on the members of the Board of Directors can be found in the activity report.

Mehmet Nurettin PEKARUN	:	Chairperson (non-executive)
Bekir SOYTÜRK	:	Vice Chairperson (non-executive)
Mustafa Nedim BOZFAKIOĞLU	:	Member (non-executive)
Cezmi KURTULUŞ	:	Member (non-executive) resigned on 06.03.2012.
Bülent BOZDOĞAN	:	Member (non-executive)
Seyfettin Ata KÖSEOĞLU	:	Member (non-executive) appointed on 16.08.2011.
Neriman ÜLSEVER	:	Member (non-executive) appointed on 16.08.2011.

Sections on the Board of Directors in the Company principal agreement do not feature any conditions concerning the separation of independent, executive and non-executive members. Pursuant to the General Assembly resolution and according to Article 334 and 335 of the Turkish Code of Commerce, action may be taken against the chairperson and members of the Board of Directors.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

19. Qualifications of Board of Directors

Members Part 19 and 22 of the Company principal agreement specifies the qualifications of the members of the Board of Director and the conditions of their election. Pre-requisite qualifications correspond to respective articles stated within the Turkish Capital Market Boards' principles of corporate management.

20. Corporate Mission, Vision and Strategic Targets

Corporate mission and vision has been determined by the Company's board of directors and publically announced identically in the annual report and the Company website at www.kordsaglobal.com. Activities related to meeting the corporate mission is periodically reviewed by the Board of Directors.

21. Risk Assessment and Internal Control Mechanism

Risk assessment and internal control mechanism are practiced at all levels of the Company.

22. Authorities and Responsibilities of Board of Directors Members and Directors

Company Board of Directors' rights to manage and represent have been defined in articles 14, 16, 17, 18, 19, 20, 21 and 22 of the principal agreement and have been publically announced via www.kordsaglobal.com website.

Directors' authorities and responsibilities on the other hand have not been resolved by the principal agreement. However, the Company's Board of Directors determines these authorities and responsibilities.

23. Operational Principles of Board of Directors

Throughout the 12-months in 2011 the Company's Board of Directors have convened for 32 times. Thirty one of the topics on the agenda were handled by post and circulation. The agenda of the Company Board of Director is determined in accordance with the Chairperson's communications with Board members. None of the Board members declared counter votes concerning any of the decisions at meetings held throughout the twelve-months in 2011. Consensus was reached on CMB's Corporate Management Principles Part IV, article 2.17.4. Unexcused members actually participated in the related Board meetings. Board members did not pose any questions concerning these issues; hence none is mentioned in the minutes of the meeting. Board members are granted weighted right to vote and/or veto concerning such decisions.

24. Bans on Dealings with the Company and Competition

Members of the Company's Board of Directors have not been involved in any dealings with the Company, neither have they been involved in any competitive attempts in identical fields of activity during the 12-month period in 2011.

25. Ethical Rules

All Company activities and relations are conducted as per the Business Ethics Rules accepted by the Company Board of Directors. Such Business Ethics Rules are shared with the public on the web site of the Company accessed through www.kordsaglobal.com, and with the regular training courses held, the awareness of the employees on the subject is ensured.

26. The Quantity, Structure and Independence of Committees Established within the Board of Directors

No committees exist within the Board of Directors, with the exception of the Audit Committee. The Audit Committee assembles quarterly to examine financial results. Members of the Audit Committee do not have executive authority. There has not been a need to establish a separate commission since the Company Board of Directors directly handles corporate management principles and compliance to such principles. The absence of any such commission in the Board of Directors has prevented the occurrence of a conflict of interest.

27. Remuneration Granted to the Board of Directors

The Company principal agreement clearly indicates the means and provisions of all the rights, interests and claims offered to the members of the Company's Board of Directors. The General Assembly has decided on a profit related payment to the Chairperson and members of the Board of Directors. The Company principal agreement states the following provision: "The General Assembly decides on the remuneration allocated to the Board of Directors members". The respective agenda topic was discussed at the recent General Assembly. Board members did not receive any remuneration due to the approval of the motion stating that "no remuneration shall be allocated". Throughout the 12-month period in 2011, the Board of Directors members did not receive any loans from the Company and did not use credit; there was no change applied to the due dates of loans and credits or improvement in terms; no credit was assigned directly or via third parties classified as personal loan tools or any instructions such as bailment in favor of the Board members.

AUDIT COMMITTEE MEMBERS AND WORKING PRINCIPLES

The Audit Committee is responsible of informing the Board of Directors about the Company accounting system, financial reporting, financial information shared with the public, activities of the internal audit department, the functioning and effectiveness of independent auditing and the internal control system. The committee also oversees monitoring of these processes in order to help the company's compliance with respective laws and legislation (especially Capital Markets Board Legislation), corporate management principles and Company ethics.

Committee Framework and Scope of Responsibilities

The Audit Committee of the Company consists of two people, Bülent Bozdoğan as Chairperson and Cezmi Kurtuluş as member. (resigned on 06.03.2012.)

Members do not undertake direct executive function and neither do they hold the title of appointed member in the Board of Directors. Members consist of individuals with adequate knowledge and experience in financial issues. The Board of Directors appoint the Audit Committee Chairperson. The Internal Audit Unit acts as the Audit Committee's rapporteur. The Audit Committee Chairperson appoints the rapporteur. The Board of Directors provides the resources and support necessary for the functioning of the Audit Committee.

The Audit Committee monitors the functioning and effectiveness of the Company accounting system, public sharing of financial information, independent auditing, internal control system and the internal audit department. In other words, the committee ensures that financial and operational activities are kept under surveillance whilst correctly implementing internal and external auditing. At the same time, the committee offers opinion on the authenticity of financial statements, makes suggestions to the board of directors on the election of independent auditing organizations, reviews conformity of company policies related to investigations concerning legal compliance, morality, conflict of interests, bad management and fraudulent transactions. Together with the Internal Audit Department, the committee reviews the adequacy of corporate management policies and establishes strong communication between the Board of Directors, financial managers, independent auditors and the Internal Audit Department by means of periodical meetings.

The Audit Committee reports to the chairperson of the Board of Directors about its activities, findings and recommendations concerning duties and responsibilities.

Committee Meetings

The Audit Committee assembles every three months at the minimum, at least four times a year at Company headquarters or at another location upon the invitation of the chairperson of the Audit Committee. The Chairperson of the Board of Directors or the committee Chairperson might gather the committee for an extraordinary session. Auditors and directors may assemble under a special agenda.

The Audit Committee has convened four times during 2011. These meetings saw Company directors offering information on activities and internal control systems, independent auditors reporting on auditing findings alongside the review of internal audit reports and the approval of the auditing schedule. The Board of Directors was also presented a report on the authenticity and accuracy of consolidated financial statements to be shared with the public.

Internal Audit Department

In accordance with the principal of independence, the Company's Internal Audit Department reports directly to the Audit Committee consisting of Board of Director members functioning within the Company's organization structure. The Executive Committee and management of the affiliated partners are responsible for the internal control mechanism, coordinated and audited by the Company's internal audit department. The Internal Audit Department's duties include checking the reliability and accuracy of financial statements of the Company and its affiliated partners, making sure activities are executed in accordance with laws and the Company's accepted ethical rules, identify current and potential risks in order to increase effectiveness and efficiency by analyzing processes and to contribute to the development of solutions to minimize or completely eliminate such risks. The internal audit department is responsible for reporting periodically to The Audit Committee.

AGENDA OF THE GENERAL ASSEMBLY

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş. THE AGENDA OF THE ORDINARY GENERAL ASSEMBLY TO BE HELD ON APRIL 18, 2012

AGENDA

1. Opening and the organization of the Executive Board,
2. Empowering the Executive Board to sign the General Assembly Meeting Proceedings,
3. The reading and discussion of Board of Directors Activity Report, and the summary of the Auditor Report concerning the year 2011,
4. Informing the General Assembly about the donations and grants made in 2011,
5. Informing the General Assembly about the transactions effected with the associated parties in 2011,
6. Informing the General Assembly about the guarantees, pledges, mortgages given in favor of third parties in 2011, and the revenues and interests obtained,
7. As per the principles of Corporate Governance, informing the General Assembly about the remuneration policy of the Board Members and the Senior executives,
8. Reading the Balance Sheet and the Profit/Loss accounts of 2011, the debate and the approvals thereof, and the acceptance or the refusal of the Board of Directors' proposal upon discussion, with regards to the distribution of the 2011 profit,
9. Presenting for the approval of the General Assembly the members for working for the remaining terms of the Board of Directors memberships which have become vacant within the year,
10. Acquitting the Board of Directors Members and the Audit Board pursuant to the activities of 2011,
11. Pursuant to the permit obtained from the Capital Market Board, and the Turkish Republic Ministry of Customs and Trade, the approval of the amendment of Article 7 of the Articles of Association, and the addition of Article 42,
12. Selection of the members of the Board of Directors, determining the Independent members of the Board of Directors, and determining the terms of duty for the members of the Board of Directors,
13. Selection of the members of the Audit Board, and determining their terms of duty,
14. Determining the salaries to be paid to the members of the Board of Directors and the Audit Board,
15. Approving the selection of the Independent External Audit Institution determined by the Board of Directors,
16. Allowing the governing shareholders, members of the Board, Senior Managers, and their spouses and Next of Kin up to second degrees for effecting transactions which may lead to a conflict of interest with the Company or the affiliates, and for competing,
17. Empowering the Chairperson and members of the Board of Directors with the authority to execute proceedings stated in articles 334 and 335 of the Turkish Code of Commerce.

Assembly Date	:	April 18, 2012 Wednesday
Time	:	13:30
Location	:	Sabancı Center, Hacı Ömer Sabancı Holding Conference Hall 343304. Levent, Beşiktaş - ISTANBUL

PROFIT SHARE DISTRIBUTION CHART

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

INFORMATION ON THE RATE OF PROFIT SHARE DISTRIBUTED [1]

DIVIDEND INFORMATION PER SHARE	TOTAL DIVIDEND AMOUNT (TL)	DIVIDEND CORRESPONDING TO A SHARE WITH A NOMINAL VALUE OF 1 TL	
		AMOUNT (TL)	PERCENTAGE (%)
GROSS	75,935,819.23	0.390357	39.04
NET	64,545,446.33 (*)	0.331804 (*)	33.18 (*)

THE PERCENTAGE OF THE PROFIT SHARES DISTRIBUTED, TO THE NET DISTRIBUTABLE TERM PROFIT TO WHICH DONATIONS HAVE BEEN ADDED

THE PERCENTAGE OF THE PROFIT SHARES (TL)	DISTRIBUTED TO THE PARTNERS, TO THE NET DISTRIBUTABLE TERM PROFIT TO WHICH DONATIONS HAVE BEEN ADDED (%)
75,935,819.23	87.70

(1) In case there are privileged share groups in the profit, a group separation shall be made.

(*) As the TL 43,824,170.55 portion of the gross TL 75,935,819.23 earnings distributed is earnings subject to withholding in the ratio of 19.8% within the scope of Provisional Article 61 of the GVK pursuant to the investment discount, in case the remaining TL 32,111,648.67 is distributed to people within the scope of Article 94/6-b-i and ii of GVK (real people with full liabilities, real people with limited liabilities, and legal entities with limited liabilities), it is necessary to apply 15% withholding (agreements for the prevention of double taxation must also be checked, and the rate of the dividend earnings on which a 15% withholding is applicable to the gross dividend earnings is 42.29%.

In other words, a 15% withholding will have been applicable on the earnings subject to withholding, in case a withholding of 6.343% is made on the gross dividend payment to real people with full liabilities, real people with limited liabilities, and legal entities with limited liabilities.

In this case, the net divided to be distributed is 36.5597% (0.365597).

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Deloitte.

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. and its subsidiaries (hereafter together referred to as "the Group") which comprise the consolidated balance sheet as of 31 December 2011, consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards published by Capital Market Board. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards issued by Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi Ticaret A.Ş. and its subsidiaries as of 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with financial reporting standards published by Capital Market Board.

Additional paragraph for convenience translation into English

The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Istanbul, 26 March 2012

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

Ömer Tanrıöver
Partner

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Notes	2011 USD (*)	2010 USD (*)	2011	2010
ASSETS					
Cash and Cash Equivalents	4	34.077.974	33.643.151	64.369.885	52.012.312
Trade Receivables (net)	7	134.298.525	129.033.071	253.676.483	199.485.127
Other Receivables	8	10.874.222	8.508.811	20.540.318	13.154.622
Inventories (net)	9	217.364.930	166.903.635	410.580.616	258.033.019
Other Current Assets	18	39.638.362	22.349.032	74.872.902	34.551.604
Assets Classified as Held for Sale	12	246.658	-	465.913	-
Total Current Assets		**436.500.671**	**360.437.700**	**824.506.117**	**557.236.684**
Other Receivables	8	10.354.525	10.636.871	19.558.662	16.444.603
Financial Assets	5	108.804	120.669	205.520	186.554
Property, Plant and Equipment (net)	10	399.505.593	442.729.987	754.626.114	684.460.560
Intangible Assets (net)	11	11.566.083	5.310.488	21.847.175	8.210.015
Investment Property	13	6.972.961	-	13.171.226	-
Goodwill	14	24.138.476		45.595.167	45.595.167
Deferred Tax Assets	25	10.725.351	12.043.098	20.259.115	18.618.629
Other Non-Current Assets	18	858.939	635.873	1.622.449	983.060
Total Non-Current Assets		**464.230.731**	**500.969.332**	**876.885.428**	**774.498.588**
Total Assets		**900.731.402**	**861.407.032**	**1.701.391.545**	**1.331.735.272**

(*) US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2011 and 31 December 2010, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

LIABILITIES	Notes	2011 USD (*)	2010 USD (*)	2011	2010
Borrowings	6	135.503.450	67.259.955	255.952.466	103.983.891
Trade Payables	7	63.520.720	70.755.019	119.984.288	109.387.259
Other Payables	8	10.724.211	11.758.438	20.256.963	18.178.545
Income Tax Payable	25	3.418.619	3.025.048	6.457.430	4.676.724
Provision for Employee Benefits	17	8.508.036	8.193.191	16.070.830	12.666.674
Other Current Liabilities	18	12.692.260	13.915.069	23.974.410	21.512.696
Total Current Liabilities		**234.367.297**	**174.906.720**	**442.696.387**	**270.405.789**
Borrowings	6	55.288.624	39.831.658	104.434.682	61.579.743
Other Liabilities	8	7.522.302	7.919.800	14.208.876	12.244.011
Government Grants	15	1.376.337	1.421.929	2.599.763	2.198.302
Provision for Employee Benefits	17	11.445.891	12.004.396	21.620.143	18.558.796
Deferred Tax Liabilities	25	31.848.452	38.475.798	60.158.541	59.483.583
Total – Non-Current Liabilities		**107.481.606**	**99.653.581**	**203.022.005**	**154.064.435**
Total Liabilities		**341.848.903**	**274.560.301**	**645.718.392**	**424.470.224**
EQUITY					
Equity attributable to owners of the parent	**19**	**486.263.681**	**513.225.119**	**918.503.467**	**793.446.034**
Share Capital	19	102.985.376	125.827.345	194.529.076	194.529.076
Share Premium	19	32.851.255	40.137.604	62.052.736	62.052.736
Shareholders' Contribution	19	260.269.904	317.997.298	491.623.822	491.623.822
Financial Assets Fair Value Reserve	19	(143.020)	(174.742)	(270.151)	(270.151)
Currency Translation Differences	19	34.217.765	(1.086.693)	64.633.936	(1.680.027)
Hedging Reserves	19	854.233	(785.530)	1.613.561	(1.214.430)
Restricted Reserves	19	8.801.977	7.836.791	16.626.055	12.115.679
Accumulated Losses	19	-	(2.040.468)	-	(3.154.564)
Net Income for the Period	19	46.426.191	25.513.514	87.694.432	39.443.893
Non-Controlling Interests		**72.618.818**	**73.621.613**	**137.169.686**	**113.819.014**
Total Equity		**558.882.499**	**586.846.732**	**1.055.673.153**	**907.265.048**
Total Liabilities and Equity		**900.731.402**	**861.407.033**	**1.701.391.545**	**1.331.735.272**
Commitments, Contigent Asests and Liabilities		16			

(*) US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2010 and 31 December 2009, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Notes	2011 USD (*)	2010 USD (*)	2011	2010
OPERATING REVENUES					
Sales (net)	20	861.444.057	817.656.592	1.627.181.679	1.264.097.091
Cost of Sales (-)	20	-725.211.003	(692.743.544)	(1.369.851.063)	(1.070.981.519)
GROSS PROFIT		**136.233.054**	**124.913.048**	**257.330.616**	**193.115.572**
Marketing, Selling and Distribution Expenses (-)	21	(30.297.306)	(31.531.811)	(57.228.581)	(48.748.180)
General And Administrative Expenses (-)	21	(34.767.483)	(37.420.027)	(65.672.298)	(57.851.362)
Research and Development Expenses (-)	21	(2.616.459)	(2.135.283)	(4.942.230)	(3.301.147)
Other Operating Income	22	25.687.753	8.108.712	48.521.596	12.536.069
Other Operating Expenses (-)	22	(23.619.055)	(7.262.128)	(44.614.033)	(11.227.250)
OPERATING PROFIT		**70.620.504**	**54.672.511**	**133.395.070**	**84.523.702**
Financial Income	23	52.654.257	21.246.663	99.458.626	32.847.341
Financial Expenses (-)	24	(54.082.454)	(25.093.816)	(102.156.347)	(38.795.040)
INCOME BEFORE TAX		**69.192.307**	**50.825.358**	**130.697.349**	**78.576.003**
Tax Expense:					
- Current Tax Expense	25	(20.483.863)	(20.567.013)	(38.691.968)	(31.796.602)
- Deferred Tax Income / (Expense)	25	2.805.375	1.773.554	5.299.073	2.741.915
NET INCOME FOR THE PERIOD		**51.513.820**	**32.031.899**	**97.304.454**	**49.521.316**
ATTRIBUTABLE TO:					
- Owners of the parent		46.426.191	25.513.514	87.694.432	39.443.893
- Non-controlling interests		5.087.629	6.518.385	9.610.022	10.077.423
Earnings per 1.000 ordinary shares	26	2,39	1,31	4,51	2,03

(*) US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2011 and 31 December 2010, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

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

CONSOLIDATED STATEMENTS OF INCOME FOR COMPREHENSIVE THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	2011 USD (**)	2010 USD (**)	2011	2010
NET INCOME FOR THE PERIOD	**51.513.820**	**32.031.899**	**97.304.454**	**49.521.316**
Other Comprehensive Income:				
Fair value decrease of financial assets	-	(37.719)	-	(58.313)
Currency translation differences	45.837.115	16.428.259	86.581.726	25.398.088
Changes in hedging reserves	1.705.539	(785.530)	3.221.593	(1.214.430)
Tax income / (expense) related with other comprehensive income accounts (*)	**(208.376)**	**11.316**	**(393.602)**	**17.494**
OTHER COMREHENSIVE INCOME (AFTER TAX)	**47.334.278**	**15.616.326**	**89.409.717**	**24.142.839**
TOTAL COMPREHENSIVE INCOME	**98.848.097**	**47.648.225**	**186.714.171**	**73.664.155**
TOTAL COMREHENSIVE INCOME ATTRIBUTABLE TO				
- Owners of the parent	83.030.539	35.413.437	156.836.386	54.749.172
- Non-controlling interests	15.817.558	12.234.788	29.877.785	18.914.983

(*) Tax income related with other comprehensive income accounts is due to the fair value changes in available for sale financial assets.
(**) US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2011 and 31 December 2010, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VETİCARET A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWİSE INDICATED.)

	Share capital	Share premium	Shareholders' contribution	Financial assets fair value reserve	Hedging reserves	Currency translation differences	Restricted reserves	Accumulated loss	Net income for the period	Total	Total non-controlling interest	Total Equity
Balances at 1 January 2010	**194.529.076**	**62.052.736**	**491.623.822**	**(229.332)**	**-**	**(18.240.555)**	**11.548.978**	**(38.027.270)**	**35.439.407**	**738.696.862**	**104.098.416**	**842.795.278**
Transfers	-	-	-	-	-	-	566.701	34.872.706	(35.439.407)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(9.194.385)	(9.194.385)
Total comprehensive income	-	-	-	(40.819)	(1.214.430)	16.560.528	-	-	39.443.893	54.749.172	18.914.983	73.664.155
Balances at 31 December 2010	**194.529.076**	**62.052.736**	**491.623.822**	**(270.151)**	**(1.214.430)**	**(1.680.027)**	**12.115.679**	**(3.154.564)**	**39.443.893**	**793.446.034**	**113.819.014**	**907.265.048**
Balances at 1 January 2011	**194.529.076**	**62.052.736**	**491.623.822**	**(270.151)**	**(1.214.430)**	**(1.680.027)**	**12.115.679**	**(3.154.564)**	**39.443.893**	**793.446.034**	**113.819.014**	**907.265.048**
Transfers	-	-	-	-	-	-	4.510.376	34.933.517	(39.443.893)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(31.778.953)	-	(31.778.953)	(6.527.113)	(38.306.066)
Total comprehensive income	-	-	-	-	2.827.991	66.313.963	-	-	87.694.432	156.836.386	29.877.785	186.714.171
Balances at 31 December 2011	**194.529.076**	**62.052.736**	**491.623.822**	**(270.151)**	**1.613.561**	**64.633.936**	**16.626.055**	**-**	**87.694.432**	**918.503.467**	**137.169.686**	**1.055.673.153**

(*) It was resolved at Ordinary General Assembly Meeting of the Group held on 1 April 2011 to reserve TL 2.305.126 of first legal reserve and TL 2.205.250 second legal reserve and in total TL 31.778.953 dividend to distribute from the distributable net profit of 2010. In accordance with the decision, the dividend payments commenced on 4 April 2011. As a result of this transaction, dividend distributed per share is TL 1,63.

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(AMOUNTS EXPRESSED İN TURKİSH LİRA ("TL") UNLESS OTHERWİSE İNDİCATED.)

	Notes	2011 USD (*)	2010 USD (*)	2011	2010
Cash provided by operating activities					
Net income for the period		**51.513.820**	**32.031.899**	**97.304.454**	**49.521.316**
Adjustments to reconcile net income before taxation and minority interest to net cash provided by operating activities:					
Depreciation and amortization	10,11,21	29.015.302	34.184.106	54.807.004	52.848.628
Provision for impairment on fixed assets	10,21,22	8.966.803	5.935.450	16.937.394	9.176.205
Provision for impairment on investment properties	13	443.416	-	837.568	-
Employee termination benefit	13	1.977.379	1.819.944	3.735.072	2.813.634
Deferred tax	17	(2.805.375)	(1.773.554)	(5.299.073)	(2.741.915)
Interest income	25	(2.093.660)	(877.002)	(3.954.715)	(1.355.845)
Interest expense	23	6.693.290	5.219.648	12.642.956	(8.069.576)
(Gain) from sale of property, plant and equipment – net	24	(55.884)	(11.044)	(105.559)	(17.074)
Redemption of government grants	22	(72.600)	(204.038)	(137.135)	(315.442)
Inventory obsolescence loss – net	9	2.070.670	(692.777)	3.911.288	(1.071.033)
Personnel bonus accrual	17	2.528.896	3.005.886	4.776.832	4.647.100
Personnel vacation accrual	17	1.918.348	2.158.506	3.623.567	3.337.051
Employee retirement benefit provision	17	341.529	484.098	645.114	748.416
Provision for doubtful receivables	7	92.827	6.677	175.341	10.323
Insurance income accrual	22	(13.854.985)	-	(26.170.681)	-
Tax expense	25	20.483.863	20.567.013	38.691.968	31.796.602
Unrealized credit finance expense		653.527	51.470	1.234.447	79.572
Unearned credit finance income		(1.730.632)	(196.761)	(3.268.991)	(304.192)
Unrealized foreign exchange losses		2.580.262	(1.825.798)	4.873.856	(2.822.683)
(Gain)/Loss on derivative financial instruments		(209.808)	851.539	(396.307)	1.316.479
Net cash provided by operating activities before changes in operating assets and liabilities:		**108.456.986**	**100.735.264**	**204.864.400**	**155.736.718**
Changes in Assets and Liabilities of the Company					
Trade receivables		(29.627.102)	(16.653.310)	(55.962.633)	(25.746.017)
Inventories		(83.316.502)	(32.407.111)	(157.376.541)	(50.101.394)
Other current receivables		(9.360.346)	(9.144.884)	(17.680.757)	(14.137.990)
Other non-current receivables		(1.987.108)	(2.153.235)	(3.753.448)	(3.328.902)
Trade payables		7.340.790	1.740.413	13.866.019	2.690.679
Other short term payables		2.069.156	10.620.056	3.908.429	16.418.606
Other non-current liabilities and payables		1.040.217	306.020	1.964.865	473.107
Short term benefits to employees		1.393.106	241.620	2.631.437	373.544
Doubtful receivables collected		167.225	-	315.871	-
Employee termination benefits and retirement benefits paid	17	(1.064.254)	(1.557.132)	(2.010.270)	(2.407.326)
Employee vacation provision paid	17	(1.577.945)	(2.156.683)	(2.980.581)	(3.334.232)
Employee bonuses paid	17	(2.460.215)	(2.162.061)	(4.647.100)	(3.342.546)
Taxes paid		(19.541.141)	(17.891.611)	(36.911.262)	(27.660.431)
Net cash provided by operating activities		**(28.467.135)**	**29.517.345**	**(53.771.571)**	**45.633.816**
Cash flows from investing activities:					
Purchase of property, plant, equipment and intangible assets	10, 11	(54.016.053)	(31.956.197)	(102.030.922)	(45,393,261)
Development cost paid		(3.222.990)	-	(6.087.905)	(4.011.019)
Proceeds from sale of property, plant and equipment	10, 11	9.341.347	2.134.791	17.644.871	3.300.387
Interest received	23	2.093.660	877.002	3.954.715	1.355.845
Proceeds from sale of assets classified as held for sale		-	991.483	-	1.532.833
Net cash used in investing activities		**(45.804.035)**	**(27.952.920)**	**(86.519.241)**	**(43.215.215)**
Cash flows from financing activities:					
Dividends paid		16.824.054	-	(31.778.956)	-
Dividends paid to non-controlling interests		(3.455.510)	(5.947.209)	(6.527.113)	(9.194.385)
Proceeds from borrowings – net		90.461.061	7.454.534	170.871.899	11.524.710
Change in factoring payables		9.453.563	-	17.856.836	9.327.865
Interest paid		(6.046.923)	(5.219.648)	(11.422.033)	(8.069.576)
Net cash provided by financing activities		**73.588.138**	**(3.712.323)**	**139.000.633**	**(5.739.251)**
Foreign currency translation differences		7.225.238	4.965.461	13.647.752	7.676.602
Net (decrease)/increase in cash and cash equivalents		6.542.206	2.817.563	12.357.573	4.355.952
Cash and cash equivalents at the beginning of the period	4	**27.535.768**	**30.825.589**	**52.012.312**	**47.656.360**
Cash and cash equivalents at the end of the period	4	**34.077.974**	**33.643.151**	**64.369.885**	**52.012.312**

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret Anonim Şirketi ("Kordsa Global" or the "Company") was established on 9 February 2006 as a subsidiary of Hacı Ömer Sabancı Sabancı Holding A.Ş. ("Sabancı Holding") and is registered in İstanbul, Turkey. The Company operates under 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.

Kordsa Global is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded in the Istanbul Stock Exchange ("ISE") since 1991. As of 31 December 2011, 9% of the Group's shares is listed on the ISE. As of the same date, the shareholders owning the Group's shares and the percentage of the shares are as follows (Note 19):

	%
Hacı Ömer Sabancı Holding A.Ş.	91,11
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	<1
Teknosa İç ve Dış Tic. A.Ş.	<1
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	<1
Temsa Global Sanayi ve Ticaret A.Ş.	<1
Public shares and Takasbank	8,89
	100,00

Average number of employees within the Group is 4.033 (31 December 2010: 3.903).

The address of the registered office is as follows:

Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.
Sabancı Center Kule 2
Kat:17
34330 4. Levent
Istanbul

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS (Cont'd)

Subsidiaries

The country of the Subsidiaries consolidated in these consolidated financial statements as of 31 December 2011 and 2010 and, for the purposes of these consolidated financial statements, their respective geographical segments are as follows:

Subsidiaries	Country	Geographical segment
	Almanya	Avrupa, Ortadoğu ve Afrika
InterKordsa GmbH	Germany	Europe, Middle East and Africa
InterKordsa GbRmH	Germany	Europe, Middle East and Africa
Kordsa GmbH	Germany	Europe, Middle East and Africa
Nile Kordsa Company	Egypt	Europe, Middle East and Africa
Kordsa, Inc.	United States of America	North America
Kordsa Argentina	Argentina	South America
Kordsa Brazil	Brazil	South America
PT Indo Kordsa Tbk	Indonesia	Asia
PT Indo Kordsa Polyester	Indonesia	Asia
Thai Indo Kordsa Co., Ltd.	Thailand	Asia
Kordsa Qingdao Nylon Enterprise ("KQNE")	China	Asia
Sabancı Industrial Yarn and Tire Cord	Mauritius	Diğer
Fabric B.V. ("Sabancı B.V.")	The Netherlands	Other
Kordsa Mauritius(*)	Mauritius	Other

(*) The company maintains its legal existence and is in the process of liquidation.

For the purposes of segment information in these consolidated financial statements, information related to corporate administrative operations of Kordsa Global have been included in the "Other" segment (Note 3).

These financial statements have been approved to be issued during the meeting of the Board of Directors held on 26 March 2012, and have been signed by the President and CEO Hakan Tiftik and Chief Financial Officer Fikret Cömert on behalf of the Board of Directors. The shareholders of the Group have the right to make changes in the consolidated financial statements after the aforementioned financial statements are issued, and they are subject to approval of the shareholders at the general assembly meeting of the Group.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

A) Financial Reporting Standards Applied

The Capital Markets Board of Turkey ("CMB") regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25 "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB in its financial statements for the accounting periods starting 1 January 2005.

Until the differences of the IAS/IFRS adopted by the European Union from those issued by the International Accounting Standards Board ("IASB") are announced by the Turkish Accounting Standards Board ("TASB"), financial statements are prepared in accordance with IAS/IFRS based on the CMB Communiqué No: XI-29. The financial statements and explanatory notes are presented using the compulsory standard formats as published by the Communiqué Serial XI, No: 29 declared by the CMB on 17 April 2008 and 9 January 2009 including the compulsory disclosures.

The financial statements have been prepared on the historical cost basis except for the revaluation of available-for-sale financial assets and hedging instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Statutory Decree No: 660, which has been become effective and published in the Official Gazette on 2 November 2011, and the Additional Clause 1 of the Law No: 2499 were nullified and accordingly, Public Oversight, Accounting and Audit Standards Institution (the "Institution") was established. As per Additional Article 1 of the Statutory Decree, applicable laws and standards will apply until new standards and regulations be issued by the Institution and will become effective. In this respect, the respective matter has no effect over the 'Basis of The Preparation of Financial Statements" Note disclosed in the accompanying financial statements as of the reporting date.

Functional and presentation currency

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

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

2.1 Basis of preparation (cont'd)

New and Revised Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are set out in the following sections.

(a) New and Revised Standards affecting presentation and disclosure only

Amendments to IAS 1 *Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)*

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the Equity disclosure to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity.

(b) New and Revised Standards that affect the financial performance and/or balance sheet of the Group.

None

(c) Standards, amendments and interpretations effective in 2011, but not relevant to the Group.

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

2.1 Basis of preparation (cont'd)

New and Revised Standards (cont'd)

(c) Standards, amendments and interpretations effective in 2011, but not relevant to the Group (cont'd)

IAS 24 Related Party Disclosures (as revised in 2009)

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities.

Amendments to IAS 32 Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

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

2.1 Basis of preparation (cont'd)

New and Revised Standards (cont'd)

(c) Standards, amendments and interpretations effective in 2011, but not relevant to the Group (cont'd)

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

Improvements to IFRSs issued in 2010

Except for the amendments to IAS 1 described earlier in section (a), the application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

2.1 Basis of preparation (cont'd)

New and Revised Standards (cont'd)

(d) New standards, new interpretations and amendments to standards that have been issued but are not effective and have not been early adopted by the Group

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

Amendments to IFRS 7	*Disclosures – Transfers of Financial Assets*
IFRS 9	*Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*
Amendments to IAS 12	*Deferred Tax – Recovery of Underlying Assets*
IAS 19 (2011)	*Employee Benefits*
IAS 27 (2011)	*Separate Financial Statements*
IAS 28 (2011)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Amendments to IAS 32	*Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The group management does not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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

2.1 Basis of preparation (cont'd)

New and Revised Standards (cont'd)

(d) New standards, new interpretations and amendments to standards that have been issued but are not effective and have not been early adopted by the Group (cont'd)

Key requirements of IFRS 9 are described as follows: (cont'd)

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 was amended to defer the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application. The amendments modify the existing comparative transition disclosures in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 depending on the entity's date of adoption and whether the entity chooses to restate prior periods.

The Group management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual periods beginning 1 January 2015 and that the application of IFRS 9 may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

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

2.1 Basis of preparation (cont'd)

New and Revised Standards (cont'd)

(d) New standards, new interpretations and amendments to standards that have been issued but are not effective and have not been early adopted by the Group (cont'd)

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation,that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Group management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may not have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

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

2.1 Basis of preparation (cont'd)

New and Revised Standards (cont'd)

(d) New standards, new interpretations and amendments to standards that have been issued but are not effective and have not been early adopted by the Group (cont'd)

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may not result in adjustments to the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs.

The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

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

2.1 Basis of preparation (cont'd)

New and Revised Standards (cont'd)

(d) New standards, new interpretations and amendments to standards that have been issued but are not effective and have not been early adopted by the Group (cont'd)

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

On 19 October 2011 the IASB issued an Interpretation, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

2.1 Basis of preparation (cont'd)

B) Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. and its Subsidiaries (the "Group") on the basis set out in sections (b), (c) and (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared taking into account the uniform chart of accounts principles and applications and in accordance with the CMB Financial Reporting Standards. The results of operations of Subsidiaries are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale, respectively.

b) Subsidiaries are companies in which the Group has the power to control the financial and operating policies for the benefit of the Group, either (a) through the power to exercise more than 50% voting rights relating to shares in the companies or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The table below sets out all consolidated Subsidiaries and shows their shareholding rates at 31 December 2011 and 2010:

Subsidiaries	Direct and indirect ownership interest by the Company and its Subsidiaries (%)	Proportion of effective interest(%)
InterKordsa GmbH	100,00	100,00
InterKordsa GbRmH	100,00	100,00
Kordsa GmbH	100,00	100,00
Nile Kordsa Company	51,00	51,00
Kordsa, Inc.	100,00	100,00
Kordsa Arjantin	100,00	100,00
Kordsa Brezilya	94,01	94,01
PT Indo Kordsa Tbk	60,21	60,21
PT Indo Kordsa Polyester	99,99	60,20
Thai Indo Kordsa	64,19	38,65
KQNE	99,50	99,50
Sabancı B.V.	100,00	100,00
Kordsa Mauritius (*)	100,00	100,00

(*) The company maintains its legal existence and is in the process of liquidation

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

2.1 Basis of preparation (cont'd)

B) Basis of Consolidation (cont'd)

The balance sheets and income statements of the Subsidiaries were consolidated by using the full consolidation method and the book value of the shares held by the Group and its Subsidiaries are net off from the related equity. The transactions and balances among the Group and the Subsidiaries are mutually net off within the scope of the consolidation. The cost of the subsidiary shares held by the Group and the Subsidiaries and the dividend incurring from these shares were deducted from the capital and the period profit.

c) Investments, in which the Group has interests below 20%, or over which the Group does not exercise a significant influence, or which are considered not having a significant impact on the consolidated financial statements are classified as available for sale. Available for sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for impairment (Note 5).

d) The results of Subsidiaries are included or excluded from consolidation regarding to their effective dates of acquisition and disposal, respectively.

e) The non-controlling interests' share in the net assets and results for the period for Subsidiaries is separately classified in the consolidated balance sheets and income statements as non-controlling interests.

f) 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 recognised directly in equity and attributed to owners of the Group.

2.2 Changes in the Accounting Policies

Significant changes in the accounting principles and significant accounting errors should de applied retrospectively and prior period financial statements should be restated. There are no changes in the accounting principles for the period between 1 January - 31 December 2011.

2.3 Changes in or Corrections of the Accounting Estimations

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.

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

2.4 Summary of Significant Relevant Accounting Policies

a) Revenue recognition

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

Other revenues earned by the Group are recognised on the following bases:
Royalty and rental income - on an accrual basis.
Interest income - on an effective yield basis.
Dividend income - when the Group's right to receive payment is established.

b) Inventories

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

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any (Note 10). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

d) Intangible assets

Intangible assets include rights, software and other identifiable rights. Intangible assets are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method over a period not exceeding 20 years (Note 11). The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenses

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

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

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

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 amortization 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.

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

e) Impairment of assets

Assets such as goodwill are not entitled to amortization since they do not have useful life. As for these assets, value impairment test is performed every year. For the ones that are entitled to amortization, value impairement test is applied when the book value of the asset is not recoverable any more. Provision for the value impairement is recorded when the book value is higher than the realizable value of the asset. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. As for the determination of the value impairement, assets are grouped in the lowest level of cash flows (cash generating groups). Non-financial assets that are obliged to value impairement except goodwill, are tested for the possible value impairement reversal during every reporting period.

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are classified on income statement in the period generated.

g) Business combinations

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 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 IFRS 2 Share-based Payment at the acquisition date; and

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

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

g) Business combinations (cont'd)

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, 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 (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

h) Goodwill

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

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

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

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

ı) Cash and cash equivalents

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

i) Trade receivables and provision for impairment

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

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

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

j) Due date income / (charges)

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

Restructuring

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

l) Financial Leasing

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

m) Provision for employment termination benefits

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. (Note 17)

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

n) Provision for post-employment benefits

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

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.

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

ö) Available-for-sale financial instruments

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

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

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

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

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

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

Impairment of financial assets

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

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

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

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

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

p) Equity items

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

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

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

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

In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 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 balance sheet date and adjustments provided for the previous years' income tax liabilities.

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

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

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority and are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities (Note 25).

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

s) Foreign currency transactions and the effect of changes in foreign exchange rates

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at period-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statement of income.

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

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

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

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and

- 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.

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

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

s) Foreign currency transactions and the effect of changes in foreign exchange rates

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

ş) Borrowings and borrowing costs

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

International Accounting Standard No 23 "Borrowing Costs" was revised on 29 March 2007 by the IASB. The revised IAS 23 is effective from 1 January 2009, yet voluntary early transition to the application right is reserved. The Company opted for early adoption and changed its accounting policy, choosing the policy envisaged in IAS 23 related to borrowing costs at 1 January 2007. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 6).

t) Derivative financial instruments and embedded derivatives

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

Foreign currency and interest rate swap transactions:

Although the stated derivative financial instruments provide an effective hedge against the economic risks, they are treated as held for trading financial instruments since they not match the requirements of IAS 39 "Financial instruments: Recognition and measurement".

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

t) Derivative financial instruments and embedded derivatives (cont'd)

Held for trading derivative financial instruments are recognized in the financial statement at cost and carried at fair value after the period of recognition. Profit and loss arising from a change in the fair value of these financial instruments is recognized as income and expense in the consolidated income statement.

The positive fair valued derivative financial instruments are recognized in the asset side of the consolidated balance sheet where the negative fair valued derivative financial instruments are recognized in the liability side of the consolidated balance sheet (Note 7).

Forward transactions:

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

The Group does not use hedging for speculative reasons.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income.

The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

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

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

u) Deferred financing costs

Deferred financing costs (primarily comprising legal and other costs incurred in relation to obtaining long-term bank borrowings from financial institutions) are amortised, using the effective interest method, over the remaining life of the long-term bank borrowings (Note 18).

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

ü) Related parties

For the purpose of these consolidated financial statements, shareholders of Hacı Ömer Sabancı Holding A.Ş. Group Companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties The Group assigned its top management as board of directors, the president (CEO) and vice presidents, and the general managers of the subsidiaries (Note 27).

v) Earnings per share

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

y) Reporting of cash flows

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

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

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

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

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

z) Share premium

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

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

2.4 Summary of Significant Relevant Accounting Policies (cont'd)

aa) Investment property

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. The depreciation period for the land rights included in investment property is 30 years.

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 (Note 13).

ab) Segment reporting

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

ac) Offsetting

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

ad) Comparatives and restatement of prior period financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. The Group prepared the consolidated balance sheet at 31 December 2011 in comparison with its consolidated balance sheet at 31 December 2010, the Group also prepared the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period 1 January - 31 December 2011 in comparison with the accounting period 1 January - 31 December 2010.

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

2.5 Significant Accounting Estimations and Assumptions

Preparation of the consolidated financial statements in accordance with CMB Financial Reporting Standards necessitates the usage of estimations and assumptions that can affect amounts of reported assets and liabilities as of balance sheet date, the explanation for the contingent assets and liabilities and income and expenses reported during the accounting period. Although these estimations and assumptions are based on the best judgment 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) Estimated impairment of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in note 2.4. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by Kordsa Global Management covering a three-year period. Cash flows beyond three years are extrapolated by taking into consideration the shut-down periods recurring once a year. The USD fair value is converted into TL by using the related foreign exchange rate on the date of the balance sheet. Therefore, the value in use calculations are affected by the fluctuations in the foreign exchange market. The discount rate used in the value in use calculations is 8,75% , the risk premium is 2% and the growth rate is 17%. The discount rates used are after tax and reflect specific risks relating to the company. As of 31 December 2011, 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 the accounting policy in Note 2.4. 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 2.4, tangible and intangible assets are stated at historical cost less depreciation and net of any impairment. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Useful lives depend on best estimates of management, are reviewed in each financial period and necessary corrections are made.

(d) Provision for doubtful receivables

In accordance with the accounting policy given in the Note 2.4, the Group calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the inability of its customers' to make required payments. The estimates used in evaluating the adequacy of the provision for impairment of trade receivables are based on the aging of the trade receivable balances and the trend of collection performance. The provision for doubtful trade receivables is a critical accounting estimate that is formed by past payment performance and financial position of customers.

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

2.5 Significant Accounting Estimations and Decisions (cont'd)

(e) Provisions

In accordance with the accounting policy given in the Note 2.4, 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.

(f) Deferred Tax

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

(g) Internally-generated intangible assets

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

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 3 - SEGMENT REPORTING

The reportable geographical segments for segment reporting are as follows:

a) External revenues

	2011	2010
Europe, Middle East and Africa	637.564.529	476.598.874
North America	407.090.541	300.531.606
South America	216.904.052	176.321.044
Asia	365.622.557	310.645.567
	1.627.181.679	**1.264.097.091**

b) Segment assets

	2011	2010
Europe, Middle East and Africa	730.412.489	583.365.032
North America	240.296.420	182.024.445
South America	362.370.248	282.713.089
Asia	381.532.524	275.356.491
Other	415.598	707.708
Segment assets (*)	**1.715.027.279**	**1.324.166.765**
Unallocated assets	27.535.838	26.175.136
Less: Intersegment eliminations and reclassifications	(41.171.572)	(18.606.629)
Total assets per consolidated financial statements	**1.701.391.545**	**1.331.735.272**

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

c) Segment liabilities

	2011	2010
Europe, Middle East and Africa	106.185.941	87.378.683
North America	41.154.598	33.559.756
South America	102.936.082	71.984.424
Asia	35.292.307	32.107.178
Segment liabilities (*)	**285.568.928**	**225.030.041**
Unallocated liabilities	396.985.274	217.532.158
Less: Intersegment eliminations and reclassifications	(36.835.810)	(18.091.975)
Total liabilities per consolidated financial statements	**645.718.392**	**424.470.224**

(*) Segment liabilities comprise mainly operating liabilities and exclude taxation, other financial liabilities and financial liabilities.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

d) Segmental analysis for the period 1 January - 31 December 2011

	Europe, Middle East and Africa	North America	South America	Asia	Inter-segment elimination	Total
External revenues	637.564.529	407.090.541	216.904.052	365.622.557	-	1.627.181.679
Inter-segment revenues	41.337.373	16.362.377	19.824.971	7.328.751	(84.853.472)	-
Revenues	678.901.902	423.452.918	236.729.023	372.951.308	(84.853.472)	1.627.181.679
Segment operating expenses	(572.461.782)	(399.725.364)	(252.664.659)	(339.622.315)	78.845.021	(1.485.629.099)
Total segment operating result	106.440.120	23.727.554	(15.935.636)	33.328.993	(6.008.451)	141.552.580
Unallocated expenses						(8.157.510)
						133.395.070

e) Segmental analysis for the period 1 January - 31 December 2010

	Europe, Middle East and Africa	North America	South America	Asia	Inter-segment elimination	Total
External revenues	476.598.874	300.531.606	176.321.044	310.645.567	-	1.264.097.091
Inter-segment revenues	30.367.771	7.024.085	98.545	619.911	(38.110.312)	-
Revenues	506.966.645	307.555.691	176.419.589	311.265.478	(38.110.312)	1.264.097.091
Segment operating expenses	(445.175.174)	(275.395.263)	(201.794.308)	(280.346.802)	35.917.389	(1.166.794.158)
Total segment operating result	61.791.471	32.160.428	(25.160.428)	30.918.676	(2.192.923)	97.302.933
Unallocated expenses						(12.779.231)
						84.523.702

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 3 - SEGMENT REPORTING (Cont'd)

f) Capital expenditure

	2011	2010
Europe, Middle East and Africa	44.967.491	14.577.520
North America	6.370.648	4.933.484
South America	13.996.645	7.256.910
Asia	42.784.043	22.636.366
	108.118.827	**49.404.280**

g) Depreciation and amortisation

	2011	2010
Europe, Middle East and Africa	21.126.476	20.395.410
North America	9.722.866	9.739.860
South America	10.319.668	9.299.287
Asia	13.637.994	13.414.071
	54.807.004	**52.848.628**

h) Provision for doubtful receivables

	2011	2010
Europe, Middle East and Africa	23.982	-
North America	64.853	10.323
Asia	86.506	-
	175.341	**10.323**

i) Provision for inventory obsolescence:

	2011	2010
Europe, Middle East and Africa	(208.316)	949.124
North America	73.545	410.949
South America	11.263.292	11.590.652
Asia	407.203	165.000
	11.535.724	**13.115.725**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 3 - SEGMENT REPORTING (Cont'd)

j) Provision for employment termination benefits

Provision for employment termination benefits amounting to TL 3.735.072 as of 31 December 2011 (2010: TL 4.001.153) comprise the provisions of Europe, Middle East and Africa.

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

a) External revenues

	2011	2010
Nylon yarn	422.779.593	317.331.394
Polyester yarn	11.304.719	14.380.188
Fabric	1.121.927.660	871.545.707
Other	71.169.707	60.839.802
	1.627.181.679	**1.264.097.091**

b) Segment assets

	2011	2010
Nylon yarn	534.910.581	406.355.605
Polyester yarn	165.097.737	141.490.690
Fabric	671.401.302	566.126.266
Other	84.148.894	46.975.629
Segment assets	**1.455.558.514**	**1.160.948.190**
Unallocated assets	276.511.065	191.836.072
Less: Intersegment eliminations and reclassifications	(30.678.034)	(21.048.990)
Total assets per consolidated financial statements	**1.701.391.545**	**1.331.735.272**

c) Capital expenditure

	2011	2010
Nylon yarn	28.850.777	11.702.358
Polyester yarn	23.280.584	12.987.598
Fabric	43.806.852	12.491.398
Other	12.180.614	12.222.926
	108.118.827	**49.404.280**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2011 and 2010 are as follows:

	2011	2010
Cash	37.260	332.274
Time Deposits	2.241.878	6.581.752
Demand Deposits	62.090.747	45.098.286
	64.369.885	**52.012.312**

Time deposits have less than 3-months maturity. Average annual interest rate for time deposits in Indonasian Rupiahs is 5% (2010:7,15%) and 2,3% for Thailand Baht (2010: 1%).

NOTE 5-MARKETABLE SECURITRES

	2011	2010
Common stocks	205.520	186.554
	205.520	**186.554**

Details of the common stocks are as follows:

	2011		2010	
	Percentage of		Percentage of	
	shareholding %	Amount	shareholding %	Amount
Investimentos Lei 8200	<0,01	109.337	<0,01	101.449
Desenbanco	<0,01	77.346	<0,01	71.766
Investivos Fiscais Finor	<0,01	7.078	<0,01	6.567
Diğer	-	11.759	-	6.772
		205.520		**186.554**

Movement schedule of marketable securities for the years ended 31 December 2011 and 2010 is as follows:

	2011	2010
Balances at 1 January	186.554	1.719.387
Disposals	-	(1.583.717)
Fair value reserve change	-	(58.313)
Translation gain	18.966	109.197
Balances at 31 December	**205.520**	**186.554**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 6 - BORROWINGS

	2011	2010
Short term borrowings	225.934.624	91.822.885
Factoring liabilities	30.017.842	12.161.006
Total short term financial liabilities	**255.952.466**	**103.983.891**
Long term bank borrowings	104.434.682	61.286.540
Long term financial leasing	-	293.203
Total long term financial liabilities	**104.434.682**	**61.579.743**
Total financial liabilities	**360.387.148**	**165.563.634**

	2011		2010	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term bank borrowings:				
USD borrowings	3,17	89.702.131	3,20	30.470.482
Euro borrowings	4,37	80.658.748	2,45	2.153.503
Brazilian Real borrowings	12,36	13.146.153	-	-
TL borrowings	-	674.976	-	1.205.052
		184.182.008		**33.829.037**
Short-term portion of long-term bank borrowings:				
USD borrowings	3,86	41.752.616	3,44	53.251.782
Euro borrowings	-	-	4,07	4.742.066
		41.752.616		**57.993.848**
Total short-term bank borrowings		**225.934.624**		**91.822.885**
Long-term bank borrowings:				
USD borrowings	3,86	103.033.578	3,44	59.463.444
Euro borrowings	3,76	1.401.104	4,07	1.823.096
Total long-term bank borrowings		**104.434.682**		**61.286.540**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 6 - BORROWINGS (Cont'd)

	2011		2010	
	Fair value	Book value	Fair value	Book value
USD borrowings	234.488.325	234.488.325	143.185.708	143.185.708
Euro borrowings	82.059.852	82.059.852	8.718.665	8.718.665
TL borrowings	674.976	674.976	1.205.052	1.205.052
Brazilian Real borrowings	13.146.153	13.146.153	293.203	293.203
Total Borrowings	**330.369.306**	**330.369.306**	**153.402.628**	**153.402.628**

Redemption schedules of long-term borrowings are summarised below:

	2011	2010
1 to 2 years	17.547.726	7.111.600
2 to 3 years	20.188.010	9.717.747
3 to 4 years	33.074.460	11.327.359
4 to 5 years	13.566.300	21.249.507
Over 5 years	20.058.186	11.880.327
	104.434.682	**61.286.540**

Financial Lease Payables

Payment schedule of the lease payables is listed below:

	2011	2010
1-3 months	-	-
Over 12 months	-	293.203
	-	**293.203**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables	2011	2010
Trade receivables	242.378.691	193.538.432
Checks received	4.537.972	2.036.539
Due from related parties (Note 27)	8.839.332	5.848.136
	255.755.995	**201.423.107**
Less: Provision for doubtful receivables	(1.538.876)	(1.633.788)
Less: Unearned credit finance income	(540.636)	(304.192)
	253.676.483	**199.485.127**

As of 31 December 2011, annual interest rates for discount of TL, USD and Euro trade receivables and payables are %10,96, %4,42 and %5,24, respectively (2010: %6,54, %2,28 and %2,82). The average maturities of the trade receivables and payables as of 31 December 2011 and 2010 are up to 3 months.

As of 31 December 2011, trade receivables amounting to TL 26.176.565 (2010: -TL 11.557.500) were past due but not impaired. The aging of these receivables as of 31 December 2011 and 2010 is as follows:

	2011	2010
Up to 1 month	23.100.236	8.762.034
1 to 3 months	2.169.618	1.876.675
3 to 12 months	906.711	918.791
	26.176.565	**11.557.500**

As of 31 December 2011, trade receivables amounting to TL 1.538.876 (2010: TL 1.633.788) were impaired and provided for. The aging of these receivables as of 31 December 2011 and 2010 is as follows:

	2011	2010
0 to 1 months	259.026	178.264
1 to 3 months	165.837	434.429
3 to 12 months	467.587	1.021.095
1 to 5 years	646.426	-
	1.538.788	**1.633.788**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

Movement schedules of provision for doubtful receivables as of 31 December 2011 and 2010 are as follows:

	2011	2010
Balances at 1 January	1.633.788	2.132.617
Additions	175.341	10.323
Collections	(315.871)	(504.121)
Currency translation differences	45.618	(5.031)
Balances at 31 December	**1.538.876**	**1.633.788**

Trade payables	2011	2010
Trade payables	114.922.219	105.634.021
Due to related parties (Note 27)	5.257.746	3.832.810
	120.179.965	**109.466.831**
Less: Unrealised finance expense on purchases with credit terms	(195.677)	(79.572)
	119.984.288	**109.387.259**

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other short term receivables	2011	2010
Taxes and other dues (*)	8.177.168	5.398.833
Receivables from insurance company	-	4.666.428
Advances given	5.160.105	2.057.384
Deposits and guarantees given	555.005	38.960
Tax receivables (Note 16)	1.815.593	-
Other	4.832.447	993.017
	20.540.318	**13.154.622**

Other long term receivables		
Taxes and other dues (*)	18.603.430	15.790.737
Other	955.232	653.866
	19.558.662	**16.444.603**

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

Other short term payables	2011	2010
Taxes and dues payable	9.389.261	10.725.255
Payable to personnel	2.507.951	2.063.822
Advances received	578.115	2.781.054
Other	7.781.636	2.608.414
	20.256.963	**18.178.545**

Other long term payables		
Taxes and dues payable (**)	14.208.876	12.141.525
Other	-	102.486
	14.208.876	**12.244.011**

(**) Taxes, duties and charges payable comprise the long term payables of Kordsa Brazil related to social security premiums and other taxes payables.

NOTE 9 - INVENTORIES

	2011	2010
Raw materials and supplies	156.440.979	93.432.138
Semi-finished goods	48.910.229	27.278.481
Intermediate goods	21.364.635	15.730.808
Finished goods	146.134.904	85.595.304
Spare parts	27.745.861	29.790.513
Other inventories	20.054.789	11.447.595
	420.651.397	**263.274.839**
Less: Provision for obsolescence	(10.070.781)	(5.241.820)
	410.580.616	**258.033.019**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 9 - INVENTORIES (Cont'd)

The allocation of the provisions for obsolescence for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
Finished goods	5.932.775	2.654.691
Spare parts	3.829.412	2.465.376
Raw materials and supplies	308.594	121.753
Balances at 31 December	**10.070.781**	**5.241.820**

Movement schedules for provision for obsolescence for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
Balances at 1 January	5.241.820	6.212.055
Additions	11.535.724	13.115.725
Reversals	(7.624.436)	(14.186.758)
Currency translation differences	917.673	100.798
Balances at 31 December	**10.070.781**	**5.241.820**

The amount of provision for inventory obsolescence classified to cost of goods sold for the year 2011 is TL 3.911.288 (2010: TL 1.071.033).

The cost of inventories recognised as expense and included in cost of sales amounted to TL 883.872.919 for the period 1 January - 31 December 2011 (2010: TL 644.180.411).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment as of 31 December 2010 is as follows:

	1 January 2011	Additions	Disposals	Provision for impairment(*)	Transfers to assets classified as held for sale	Transfers to investment property	Transfers	Currency translation differences	31 December 2011
Cost:									
Land and land improvements	83.512.350	15,955	-	-	-	(24.441.858)	27.572	6.708.656	65.822.675
Buildings	250.786.384	1.351.597	(56.150)	-	-	-	4.057.674	19.415.452	275.554.957
Machinery and equipment	1.166.679.015	17.878.342	(45.214.553)	-	(4.493.907)	-	65.493.319	89.130.303	1.289.472.519
Motor vehicles	3.802.790	347.126	(806.182)	-	-	-	202.045	480.655	4.026.434
Furniture and fixtures	42.100.515	1.354.728	(1.575.629)	-	-	-	3.602.517	4.199.922	49.682.053
Construction in progress	55.020.071	86.096.407	(4.083)	-	-	-	(86.120.880)	9.601.239	64.592.754
	1.601.901.125	**107.044.155**	**(47.656.597)**	**-**	**(4.493.907)**	**(24.441.858)**	**(12.737.753)**	**129.536.227**	**1.749.151.392**
Accumulated depreciation:									
Land improvements	25.676.625	1.633.735	-	-	-	(10.433.064)	-	1.070.462	17.947.758
Buildings	118.045.020	10.381.749	(43.632)	6.740.632	-	-	-	7.366.587	142.490.356
Machinery and equipment	737.278.300	38.720.854	(29.727.480)	10.182.655	(4.027.994)	-	-	41.197.733	793.624.068
Motor vehicles	2.743.317	373.718	(721.491)	-	-	-	-	322.624	2.718.168
Furniture and fixtures	33.697.303	2.123.193	(1.523.607)	14.107	-	-	-	3.433.932	37.744.928
	917.440.565	**53.233.249**	**(32.016.210)**	**16.937.394**	**(4.027.994)**	**(10.433.064)**	**-**	**53.391.338**	**994.525.278**
Net book value	**684.460.560**								**754.626.114**

(*) Impairment on buildings amounting to TL 6.685.900 is related to the South America Region. Total impairment onmachinery and equipment and furniture and fixtures are related to Asia Pacific Region.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The movement of property, plant and equipment as of 31 December 2010 is as follows:

	1 January 2010	Additions	Disposals	Provision for impairment (*)	Transfers	Currency translation differences	31 December 2010
Cost:							
Land and land improvements	80.541.221	3.836	-	-	19.900	2.947.393	83.512.350
Buildings	244.064.006	362.531	(18.004)	-	988.918	5.388.933	250.786.384
Machinery end equipment	1.131.585.062	6.816.346	(8.626.225)	-	2.712.854	34.190.978	1.166.679.015
Motor vehicles	3.324.308	494.953	(289.042)	-	123.802	148.769	3.802.790
Furniture and fixtures	40.420.886	1.256.582	(1.774.175)	-	588.890	1.608.332	42.100.515
Construction in progress	20.890.755	39.061.213	(53.605)	-	(7.291.916)	2.413.624	55.020.071
	1.520.826.238	**47.995.461**	**(10.761.051)**	**-**	**(2.857.552)**	**46.698.029**	**1.601.901.125**
Accumulated depreciation:							
Land improvements	23.287.042	1.484.486	-	-	-	905.097	25.676.625
Buildings	104.954.952	9.989.292	(7.502)	-	-	3.108.278	118.045.020
Machinery and equipment	674.330.769	38.225.276	(5.712.634)	9.176.205	(1.881.373)	23.140.057	737.278.300
Motor vehicles	2.605.658	316.360	(289.042)	-	-	110.341	2.743.317
Furniture and fixtures	32.102.940	1.750.126	(1.468.560)	-	-	1.312.797	33.697.303
	837.281.361	**51.765.540**	**(7.477.738)**	**9.176.205**	**(1.881.373)**	**28.576.570**	**917.440.565**
Net book value	**683.544.877**						**684.460.560**

(*) Impairment on machinery and equipment amounting to TL 4.501.080 is related to the South America Region, whereas TL 4.675.125 is related to the Asia Pacific Region.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

TL 49.816.841 of current period depreciation and amortisation expenses are included in cost of sales (2010: TL 48.784.385), TL 1.160.761 of them are included in research and development expenses (2010: TL 635.551) and TL 3.829.402 of them are included in general administrative expenses (2010: TL 3.428.692).

Amount of mortgage on property, plant and equipment is TL 22.852.777 (2010: TL 21.588.930).

Leased assets included in property, plant and equipment	2011	2010
Cost	189.711	2.760.209
Accumulated depreciation	(163.909)	(2.414.655)
Net book value	**25.802**	**345.554**

NOTE 11 - INTANGIBLE ASSETS

	1 January 2011	Additions	Transfers	Currency translation differences	31 December 2011
Cost:					
Rights	50.335	-	-	-	50.335
Technology licences	22.302.273	-	-	215.657	22.517.930
Capitalized development expenses (*)	-	-	12.737.753	-	12.737.753
Computer software	15.259.398	1.074.672		835.211	17.169.281
Customer relationships	659.479	-	-	-	659.479
Other	1.106.132	-	-	-	1.106.132
	39.377.617	**1.074.672**	**12.737.753**	**1.050.868**	**54.240.910**
Accumulated Amortization:					
Rights	50.335	-	-	-	50.335
Technology licences	18.421.200	325.680	-	(970.806)	17.776.073
Computer software	11.640.358	1.241.456	-	623.184	13.504.998
Other	1.055.710	6.619	-	-	1.062.329
	31.167.603	**1.573.755**	**-**	**(347.622)**	**32.393.735**
Net book value	**8.210.015**				**21.847.175**

(*) Capitalized development expenses is comprised of the capitalized projects of the R&D center in İzmit. As of 31 December 2011, the average useful life has been determined as 15 years.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 11 - INTANGIBLE ASSETS (Cont'd)

	1 January 2010	Additions	Transfers	Currency translation differences	31 December 2010
Cost::					
Rights	50.335	-	-	-	50.335
Technology licences	21.667.547	-	-	634.726	22.302.273
Computer software	12.498.176	1.396.819	955.083	409.320	15.259.398
Customer relationships	659.479	-	-	-	659.479
Other	1.078.158	12.000	21.096	(5.122)	1.106.132
	35.953.695	**1.408.819**	**976.179**	**1.038.924**	**39.377.617**
Accumulated Amortization					
Rights	50.335	-	-	-	50.335
Technology licences	17.882.227	319.647	-	219.325	18.421.199
Computer software	10.501.164	760.794	-	378.400	11.640.358
Other	1.053.063	2.647	-	-	1.055.710
	29.486.789	**1.083.088**	**-**	**597.725**	**31.167.602**
Net book value	**6.466.906**				**8.210.015**

NOTE 12 – ASSETS CLASSIFIED AS HELD FOR SALE

The company decided to consolidate its South America Cord Fabric Facilities in Brazil. After this process, the fixed assets which are idle and expected to be sold in twelve months are classified as assets classified as held for sale and presented separately on the balance sheet.

As the sales revenue is expected to be higher than the book value of the related assets, the company did not book any impairment provision.

The detailed information of the assets classified as held for sale is provided below:

	2011	2010
Cost		
Machinery end equipment	4.493.907	-
Accumulated amortization		
Machinery and equipment	(4.027.994)	-
	465.913	**-**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 13 – INVESTMENT PROPERTY

	1 January 2011	Transfers	Provisions for impairment	31 December 2011
Cost:				
Land rights	-	24.441.858	-	24.441.858
		24.441.858		**24.441.858**
Accumulated Amortization				
Land rights	-	10.433.064	837.568	11.270.632
		10.433.064	**837.568**	**11.270.632**
Net book value				**13.171.226**

(*) Investment property is owned by PT Indo Kordsa Company in Asia Pasific Region. The fair value of the Group's investment property has been determined by an independent valuation company and TL 837.568 of impairment provision as a result of this valuation has been provided for on the financial statements.

NOTE 14 – GOODWILL

The goodwill with an amount of TL 45.595.167 (2010: TL 45.595.167) net book value as of 31 December 2011 consisted of TL 42.570.007 (2010: TL 42.570.007), which accrued in consequence of the merger with Dusa Endüstriyel İplik ve Sanayi ve Ticaret A.Ş on 30 September 1999, and TL 3.025.160 (2010: TL 3.025.160), which accrued in consequence of the acquisition of the PT Indo Kordsa Group on 22 December 2006.

In Note 2.5 details of assessment for the impairment of goodwill is defined. There is no change in the book value of the goodwill, which is TL 45.595.167 for the period ended as of 31 December 2011 and 2010.

NOTE 15 - GOVERNMENT GRANTS

	2011	2010
Government grants	2.599.763	2.198.302

Government grants comprise the incentives related to the fixed asset purchase of Interkordsa GmbH.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 16 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

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

	2011	2010
a) Guarantees given:		
Pledges given to banks	144.171.535	279.868
Letter of credits	23.272.154	32.604.626
Mortgages Given	22.852.777	21.588.930
Pledges given for machinery and equipment	6.109.500	4.583.871
Letter of guarantees	9.115.689	6.511.434
Pledges	108.818	423.046
Other guarantees	429.325	335.051
	206.059.798	**66.326.826**

b) Guarantees received:

	2011	2010
Mortgages received	5.000.000	5.000.000
Letter of guarantees	3.070.250	1.458.457
Cheques and notes received as collateral	1.214.820	1.186.260
	9.285.070	**7.644.717**

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
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NOTE 16 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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

31 December 2011	TL Equivalent	TL	USD	EUR	Thai Baht	Indonesian Rupiah (000)	Brazilian Real	Argentina Peso	Other TL Equitvcalent
A. Given on behalf of its own legal entity	206.059.798	7.836.245	29.591.561	3.023.547	386.440.356	533.696.485	-	1.559.481	52.602
B. Given in favor of partnership within full scope of consolidation	118.712.945	-	62.847.660	-	-	-	-	-	-
C. Given for the third parties that are in the context of commercial activities	-	-	-	-	-	-	-	-	-
D. Other	-	-	-	-	-	-	-	-	-
i. In favor of the parent company	-	-	-	-	-	-	-	-	-
ii. Given in favor of group companies that are not in the scope of clauses B and C	-	-	-	-	-	-	-	-	-
iii. Given in favor of the third parties that are not in the	-	-	-	-	-	-	-	-	-
	324.772.743	7.836.245	92.439.221	3.023.547	386.440.356	533.696.485	-	1.559.481	52.602

31 December 2010	TL Equivalent	TL	USD	EUR	Thai Baht	Indonesian Rupiah (000)	Brazilian Real	Argentina Peso	Other TL Equivalent
A. Given on behalf of its own legal entity	66.326.826	2.413.234	3.877.680	4.237.017	430.355.712	156.551.512	-	-	251.262
B. Given in favor of partnership within full scope of consolidation	82.311.393	-	53.241.522	-	-	-	-	-	-
C. Given for the third parties that are in the context of commercial activities	-	-	-	-	-	-	-	-	-
D. Other	-	-	-	-	-	-	-	-	-
i. In favor of the parent company	-	-	-	-	-	-	-	-	-
ii. Given in favor of group companies that are not in the scope of clauses B and C	-	-	-	-	-	-	-	-	-
iii. Given in favor of the third parties that are not in the	-	-	-	-	-	-	-	-	-
scope of clause C	-	-	-	-	-	-	-	-	-
	148.638.219	2.413.234	57.119.202	4.237.017	430.355.712	156.551.512	-	-	251.262

The percentage of the Group's other GPMs to the Group's equity is 0% (31 December 2010: 0%)

NOTE 16 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Cont'd)

i) During the preparation of the consolidated financial statements for the fiscal period 01 January to 31 December 2008, the Group found that a person employed in the accounting department of Kordsa Global İzmit had caused the Group to suffer loss through misappropriation of the Company's assets, and in an attempt to recover the money embezzled by the employee the Group initiated legal proceedings with a claim of TL 4.774.030 without limiting its right to litigation and to claim any excess.

ii) In 2008 PT Indo Kordsa Polyester, a subsidiary of the Group, underwent an inspection by the tax authorities and received a tax loss penalty amounting to USD 2.9 million. The Group has objected to the stated amount, but decided to pay this amount by the end of 31 December 2009. This payment has been accounted in prepaid taxes under other current assets. The lawsuit has been finalized in favor of the Company. The tax authority resolved to pay US Dollar 2.7 Million principal and US Dollar 1.1 Million legal interest to the Company. As of the date of the preparation of the consolidated financial statements, prepaid tax amounts to US Dollar 200 Thousand.

iii) In 2003, Kordsa Argentina, which is a subsidiary of the Group, entered into a collective labour agreement with the Textile Workers' Association of Argentina, but this agreement was terminated by the Textile Workers' Association of Argentina subsequently. Kordsa Argentina filed a lawsuit challenging the termination of this agreement, but the case was rejected in 2008. Following the rejection of this lawsuit, 30 workers subject to the stated agreement demanded salary differences to be paid by Kordsa Argentina. The total liability of Kordsa Argentina was calculated as USD 903 thousand, (including the principal amount and interest). If other employees in the same situation also sue, Kordsa Argentina may face an additional obligation amounting to USD 130 thousand. Provision of USD 903 thousand has been reserved in the consolidated financial statement related to this case.

iv) Three lawsuits have been filed against the Group's subsidiary, Kordsa Argentina with a total risk of USD 514 thousand as of the balance sheet date, comprising occupational accidents, terminations and claims. Based on the Group's legal counsel, the outcomes of the cases are uncertain and the Group has not reserved provision for these amounts in the consolidated financial statements.

v) Kordsa İzmit, a subsidiary of the Group, has undergone a tax audit in 2011 in where lump-sum expense in 2008-2009 Corporate Tax Declarations has been criticised. Thus, the principal lump-sum expense in the corporate tax decleration plus 20% which corresponds to total TL 1.815.593 was paid by the Company as a tax penalty. The penalty has been booked under "Other Current Liabilities" rather than recognising as an expense. In accordance with a similar experience that the company has encountered and the opinion of the Sabancı Holding Tax Department, the penalty is expected to be refunded in a year.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 17 – EMPLOYEE BENEFITS

Current Employee Benefits	2011	2010
Provision for unused vacation	6.284.997	4.903.731
Provision for bonus accrual	4.776.832	4.647.100
Provision for salary accrual	1.321.037	863.732
Provision for capital contribution plan (*)	3.687.964	2.252.111
	16.070.830	**12.666.674**

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

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

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

	2011	2010
1 January	4.903.731	4.723.437
Increase during the year	3.623.567	3.337.051
Decrease during the year	(2.980.581)	(3.334.232)
Currency translation differences	738.280	177.475
31 December	**6.284.997**	**4.903.731**

Non-Current Employee Benefits	2011	2010
Provision for employment termination benefits	17.689.827	15.965.025
Accruals for employee retirement benefit plans	3.930.316	2.593.771
	21.620.143	**18.558.796**

Provision for employment termination benefits

Provision for employment termination is allocated in accordance with the disclosures given below:

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age 58 for women (60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2011 the amount payable consists of one month's salary limited to a maximum of TL 2.731,85 (2010: TL 2.517,01) for each year of service.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 17 - RETIREMENT PLANS (Cont'd)

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IAS 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:

	2011	2010
Discount rate (%)	4,66	4,66
Turnover rate to estimate the probability of retirement (%)	97,82	97,87

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 2.805 (1 January 2011: TL 2.623), which is effective from 1 January 2012, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

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

	2011	2010
1 January	15.965.025	15.558.717
Increase during the year	3.735.072	4.001.153
Paid during the year	(2.010.270)	(2.407.326)
Actuarial loss/(gain)	-	(1.187.519)
31 December	**17.689.827**	**15.965.025**

Provision for employment retirement benefits plans:

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

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 17 - RETIREMENT PLANS (Cont'd)

Duration of Employment/Service	Payable salary provision
Within 120 days- 1 year	30 days
Within 1 year- 3 year	90 days
Within 3 year- 6 year	180 days
Within 6 year- 10 year	240 days
Over 10 year	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 income statement as income or expenses with considering the expected working period of employees.

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

	2011	2010
Balances at 1 January	2.593.771	1.575.535
Additions	645.114	748.416
Exchange rate differences	691.431	269.820
Balances at 31 December	**3.930.316**	**2.593.771**

NOTE 18 - OTHER ASSETS AND LIABILITIES

	2011	2010
Deductable VAT	15.453.322	12.358.107
Prepaid expenses	5.561.274	9.207.779
Prepaid Taxes	9.885.648	4.880.375
Deferred VAT	10.493.421	4.061.330
Insurance claim income(*)	28.489.955	1.639.721
Derivative financial instruments (Note 28)	2.641.573	1.870.519
Advances given to personnel	481.485	234.732
Other	1.866.224	299.041
	74.872.902	**34.551.604**

(*) Thai Indo Kordsa, a subsidiary of the Group, accrued income for the receivables from the insurance company as a result of the flood disaster in Thailand and accounted for the insurance receivables amounting to USD 14.883.206 (TL 28.112.888) in other current assets.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 18 - OTHER ASSETS AND LIABILITIES (Cont'd)

Other non-current assets	2011	2010
Deferred financing cost	538.337	567.382
Other	1.084.112	415.678
	1.622.449	**983.060**

Other short-term liabilities	2011	2010
Sales discounts and commission accruals (**)	8.274.474	2.279.068
Other tax accruals(*)	6.289.395	3.325.074
Cost accruals	4.312.846	5.794.956
Provision for legal claims	2.140.441	1.166.104
Derivative financial instruments (Note 28)	631.705	3.186.998
Provision for reconstruction	-	1.749.919
Other	2.325.549	4.010.577
	23.974.410	**21.512.696**

(*) Other tax accruals mainly comprise foreign Subsidiaries' export, hygiene, security and other tax liabilities.
(**) Sales discount and commission accruals consist of the accrued intermediary commissions as of the balance sheet date.

NOTE 19 - EQUITY

Paid-in share capital

The Company's authorized and issued capital consists of 19.452.907.600 shares at 1 shares of Kr1 nominal value (2010: 19.452.907.600 shares). All shares are paid and there is no preferred stock. The Company's shareholders and their shareholdings at 31 December 2011 and 2010 are as follows:

	2011	Share (%)	2010	Share (%)
Hacı Ömer Sabancı Holding. A.Ş.	177.233.427	91,11	177.233.427	91,11
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	1.516	<1	1.516	<1
Teknosa İç ve Dış Tic.A.Ş.	1.357	<1	1.357	<1
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	327	<1	327	<1
Temsa Termo Mekanik Sanayi ve Ticaret A.Ş.	52	<1	52	<1
Other (Public and Takasbank)	17.292.397	8,89	17.292.397	8,89
Total paid-in share capital	**194.529.076**	**100,00**	**194.529.076**	**100,00**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 19 - EQUITY (Cont'd)

Revaluation Reserves

	2011	2010
Financial assets fair value reserve	(270.151)	(270.151)
Hedging reserve	1.613.561	(1.214.430)
	1.343.410	**(1.484.581)**

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 for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Movements of Hedging Reserve:

	2011	2010
Balances at 1 January	(1.214.430)	-
Increases / (Decreases)	(14.718.103)	(2.351.396)
Income tax related to gains / losses recognized in other comprehensive income	(393.602)	-
Reclassified to profit or loss:	17.980.215	1.171.795
Foreign currency translation effects	(40.519)	(34.829)
Balances at 31 December	**1.613.561**	**(1.214.430)**

NOTE 19 - EQUITY (Cont'd)

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 in the Extraordinary General Assembly Meeting of Kordsa Turkey on 29 November 2006, the share premium of TL 57.736 was accounted as addition to share premium.

Restricted Reserves

As of 31 December 2011 restricted reserves comprise the legal reserves amounting to TL 16.626.055 (2010: TL 12.115.679).

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.

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

In addition, in accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilized in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of the CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment To Share Capital";

- if the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings".

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 19 - EQUITY (Cont'd)

Restricted Reserves (Cont'd)

- Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

Profit Distribution:

In accordance with the Capital Markets Board's (the "Board") Decree issued as of 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:IV, No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extend that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

Inflation adjustment to equity can only be netted-off against losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders.

In accordance with the above explanation, the composition of Group's equity, which is considered as the basis for profit distribution, in accordance with Communiqué No. XI/29, is as follows:

	2011	2010
Share premium	62.052.736	62.052.736
Net income for the period	87.694.432	39.443.893
Accumulated losses	-	(3.154.564)

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 20 - SALES AND COST OF SALES

	2011	2010
Sales income (gross)	1.646.429.911	1.274.619.159
Sales returns (-)	(3.031.132)	(1.568.625)
Sales discounts (-)	(6.683.852)	(2.368.376)
Other sales discounts (-)	(9.533.248)	(6.585.067)
Sales income (Net)	**1.627.181.679**	**1.264.097.091**
Cost of sales (-)	(1.369.851.063)	(1.070.981.519)
Gross profit	**257.330.616**	**193.115.572**

NOTE 21 - EXPENSES BY NATURE

	2011	2010
Raw materials and consumables used	883.872.919	644.180.411
Personnel expenses	196.641.385	178.269.238
Energy expenses	115.966.352	103.478.697
Depreciation and amortization expenses	54.807.004	52.848.628
Distribution expenses	38.155.715	30.498.777
Packaging expenses	32.021.135	27.675.062
Fixed assets impairment expense (*)	9.496.040	9.176.205
Consultancy expenses	8.067.366	6.440.207
Idle mill expenses	5.014.986	5.153.569
Other	153.651.271	123.161.414
	1.497.694.172	**1.180.882.208**

(*) Provision of impairment is related with the buildings in South America Region and machinery and equipment in Asia Pasific Region.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 22 - OTHER INCOME/EXPENSES

Other income	2011	2010
Income from insurance damages (**)	26.170.681	24.322
Domestic production incentive income (*)	18.984.105	9.699.553
Export incentive income	671.969	1.735.500
Gain on sale of property, plant and equipment	286.141	593.270
Rent income	105.528	117.123
Other	2.303.172	366.301
	48.521.596	**12.536.069**

Other expenses	2011	2010
Inventory impairment loss (**)	18.496.758	-
Amortization loss of non-operating assets (**)	7.441.354	-
Provision for impairment of investment property (Note 13)	837.568	-
Donations	6.046.170	3.326.222
Taxes and duties	5.058.951	2.664.695
Expenses of the customer damages	1.299.784	-
Expense of contract breach with suppliers (net)	-	1.385.162
Loss on sale of property, plant and equipment	180.582	576.196
Doubtful receivable provision	-	36.459
Other	5.252.866	3.238.516
	44.614.033	**11.227.250**

(*) Domestic production incentive income refers to the Brazilian Subsidiary's sales tax return income on finished goods produced and sold in its own country.
(**) Thai Indo Kordsa, a subsidiary of the Group, accrued income for its receivables from the insurance company due to the flood disaster in Thailand and accounted for TL 25.906.484 of insurance damages income in other income. Inventory impairment of TL 18.496.758 and amortization loss of non-operating fixed assets of TL 7.358.746 have been accounted for in other expenses. The remaining TL 264.917 of recognized insurance income accrual includes TL 138.857 from Kordsa Turkey, TL 95.621 from Kordsa Brazil and TL 29.720 from Kordsa Argentina. TL 82.608 of amortization loss of non-operating assets is comprised of losses from Kordsa Inc. (Laurel Hill).

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 23 - FINANCIAL INCOME

	2011	2010
Foreign exchange gain	90.831.632	28.725.057
Interest income	3.954.715	1.355.845
Credit finance income	3.268.991	2.131.652
Derivative financial instruments	1.403.288	573.745
Other	-	61.042
	99.458.626	**32.847.341**

NOTE 24 - FINANCIAL EXPENSE

	2011	2010
Foreign exchange loss	84.876.999	26.861.193
Interest expense	12.642.956	8.069.576
Credit finance expense	1.234.447	1.366.566
Derivative financial instruments	2.180.910	1.049.025
Other	1.221.035	1.448.680
	102.156.347	**38.795.040**

NOTE 25 - TAXES ON INCOME

Corporate Tax

	2011	2010
Corporate tax currently payable	38.691.968	31.796.602
Less: Prepaid taxes	(32.234.538)	(27.119.878)
	6.457.430	**4.676.724**

Corporate Income Tax Law has been changed with the law numbered 5520 which was published at 13 June 2006. Most of the rules of the new Corporate Income Tax Law are applicable from 1 January 2006. According to this, corporate tax rate applicable in Turkey is % 20 (2010: %20). Corporate tax rate is applied to the taxable profit which is calculated by adding non-taxable expenses and deducting some exemptions taken place in tax laws (exemptions for participation revenues, exemptions for investment incentives) from accounting profit of the Company. No additional taxes are paid unless profit is distributed (except %19.8 witholding tax paid over used investment incentives).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

NOTE 25 - TAXES ON INCOME (Cont'd)

Investment Incentive

According to the regulation, published in the Official Gazette on August 1, 2010 based on Law No. 6009, the investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the concerned period. In addition to this, 20% corporate tax rate will be applied on the income after the deduction of the allowance.

The additional paragraph to Provisional Article 69 included in accordance with Law No:6009, which is related to the 25% threshold and also requires the incentive amount that will be subject to investment incentive exemption in determining tax base cannot exceed 25% of the respective income has been revoked based on the ground that it is contrary to the Constitution upon the Constitutional Court's resolution No: E. 2010/93 K. 2012/20 issued on 9th February 2012 and published in the Official Gazette No: 28208 on 18th February 2012.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. As of 1 January 2005, forementioned conditions are not valid thus, there are no inflation adjustments.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to the Company are as follows:

Real property, investment equity, preferential rights, usufruct shares, founding shares, sales exemption:

A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of 5 years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized.

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate cannot benefit from this exemption.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 25 - TAXES ON INCOME (Cont'd)

Apart from the abovementioned exemptions considered in the determination corporate income tax base, allowances stated in Corporate Income Tax Law Articles 8, 9 and 10 and Income Tax Law Article 40 are also taken into consideration.

The taxes on income reflected to consolidated income statements for the years ended 31 December 2011 and 2010 are summarized as follows:

	2011	2010
Current period corporate tax expense	(38.691.968)	(31.796.602)
Deferred tax income / (expense)	5.299.073	2.741.915
	(33.392.895)	**(29.054.687)**

The reconciliation of tax for the years ended 31 December 2011 and 2010 is as follows:

	2011	2010
Profit before tax in the consolidated financial statements	130.697.349	78.576.003
Tax charge according to parent company'stax rates 20%	26.139.470	15.715.201
Tax rate differences of subsidiaries	11.396.374	13.286.914
Expected group tax charge	**37.535.844**	**29.002.115**
Disallowable expenses	1.074.640	497.422
Other exempt income	2.185.661	717.634
Dividend income	(1.607.524)	(1.406.510)
Lump-sum expense provision	(516.855)	(399.491)
Research and development incentive allowance	(2.304.979)	(1.211.055)
Consolidation eliminations without deferred tax effect	(2.973.892)	1.854.572
Effective tax charge	33.392.895	29.054.687
Tax penalty	-	-
Tax expense of the Group	**33.392.895**	**29.054.687**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 25 - TAXES ON INCOME (Cont'd)

Deferred income taxes

	2011	2010
Deferred tax assets	20.259.115	18.618.629
Deferred tax liabilities	(60.158.541)	(59.483.583)
Deferred income tax liabilities - net	**(39.899.426)**	**(40.864.954)**

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

Tax rate used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method is 20% in Turkey (2010: 20%).

At 31 December 2011 and 2010, tax rates used for companies operating in Egypt and Germany are %20% and 30%, respectively.

At 31 December 2011 and 2010, tax rate used for companies operating in the United States of America is 35%, Argentina is 35% and Brazil is 21,5%.

At 31 December 2011 and 2010, tax rate used for companies operating in Indonesia is 25%, Thailand is 30% and China is 24%.

Tax rate to be used in Thailand starting from 1 January 2012 has been declared as 23%. This rate will be 20% starting from 1 January 2013.

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 2011 and 2010 using the enacted tax rates are as follows:

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 25 - TAXES ON INCOME (Cont'd)

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2011	2010	2011	2010
Carry forward tax losses	26.729.268	25.800.970	9.238.905	9.034.841
Provision for employment termination benefits	18.808.480	17.371.876	4.223.825	4.073.369
Inventories	8.159.002	3.369.900	2.163.625	1.032.008
Adjustment for consignment sales	2.685.547	2.314.666	537.109	462.933
Unearned credit finance income	706.473	362.990	149.586	75.539
Other	9.217.425	11.361.242	3.946.065	3.939.939
Deferred tax assets			**20.259.115**	**18.618.629**
Property,plant and equipment and intangibles	218.543.354	213.211.315	(55.826.721)	(56.085.836)
Provision for carry forward tax losses	13.292.695	9.580.315	(4.652.443)	(3.353.110)
Other	(784.345)	52.449	320.623	(44.637)
Deferred tax liabilities			**(60.158.541)**	**(59.483.583)**
Deferred tax liabilities - net			**(39.899.426)**	**(40.864.954)**

Since it is not anticipated to be able to offset the financial losses of the Group's subsidiary Kordsa Brazil, which amounted TL 77.866.716 to as of 31 December 2011 (2010: TL 42.548.347), from the profit of the Company, the deferred tax asset was not calculated. According to the Brazilian tax system, there is no time limitation for the carry forward of the financial losses. However, the maximum amount which can be offset within any given year is limited to the 30% of the total profit, which is subject to tax, of the related year.

	2011	2010
Deferred tax assets to be realized after twelve months	9.238.905	9.034.841
Deferred tax liabilities to be settled after twelve months	60.158.541	59.438.946

Movements in deferred taxes for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
Balances at 1 January	(40.864.954)	(42.944.180)
Current year deferred tax expense-net	5.299.073	2.741.915
Associated with the equity	(393.602)	17.494
Currency translation differences	(3.939.943)	(680.183
Balances at 31 December	**(39.899.426)**	**(40.864.954)**

(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.

	2011	2010
Net income attributable to equity holders of the parent	87.694.432	39.443.893
Weighted average number of ordinary shares	19.452.907.600	19.452.907.600
Per 1.000 units of common stocks	4,51	2,03

Nominal values of ordinary shares for the years ended 31 December 2011 and 2010 are assumed to be Kr 1 each.

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Bank balances:	2011	2010
Akbank T.A.Ş. - bank borrowings	70.718.055	8.879.017
Akbank T.A.Ş. - demand deposits	21.199.830	10.957.437
	91.917.885	**19.836.454**

Due from related parties:	2011	2010
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. ("Brisa")	8.612.692	5.686.817
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	76.236	35.435
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. ("Bimsa")	14.540	37.138
Akbank A.G.(*)	1.386	1.647
Other	134.478	87.099
	8.839.332	**5.848.136**

(*) Balance consists of the receivables from factoring transactions of Interkordsa.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Due to related parties:	2011	2010
Enerjisa	3.516.982	3.525.264
Sasa Polyester Sanayi A.Ş. ("SASA")	907.036	-
Aksigorta A.Ş.	436.906	38.815
Bimsa	143.953	138.549
Olmuksa International Paper Sabancı Ambalaj San. Tic. A.Ş. ("Olmuksa")	124.197	76.089
Brisa	45.960	29.197
Teknosa İç ve Dış Ticaret A.Ş.("Teknosa")	37.378	-
Sabancı Üniversitesi	9.440	6.419
Temsa Global Sanayi ve Ticaret A.Ş.("Temsa")	6.308	-
Hacı Ömer Sabancı Holding A.Ş.("Sabancı Holding")	5.968	7.746
Other	23.618	10.731
	5.257.746	**3.832.810**

Product sales	2011	2010
Brisa	36.769.900	25.015.649

Service sales	2011	2010
Enerjisa	99.339	-
Sabancı Holding	11.092	-
Ak Emeklilik A.Ş.	1.672	-
Olmuksa	1.117	-
Brisa	-	1.400
	113.220	**1.400**

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

Product purchases	2011	2010
SASA	796.650	4.794
Olmuksa	206.322	245.053
	1.002.972	**249.847**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Service purchases	2011	2010
Enerjisa	34.130.146	33.248.355
Aksigorta	3.773.432	3.031.994
Bimsa	1.555.259	1.824.332
Sabancı Telekominikasyon Hizmetleri A.Ş.	534.002	-
Ak Emeklilik A.Ş.	322.337	439.878
Sabancı Holding	128.688	91.328
Teknosa	38.732	-
Sabancı Üniversitesi	34.857	50.832
Brisa	24.210	118.959
Other	258.227	326.120
	40.799.890	**39.131.798**

Property, plant and equipment purchases	2011	2010
Bimsa	140.882	71.599
Temsa	114.000	-
Teknosa	16.629	-
Enerjisa	9.418	-
	280.929	**71.559**

Interest income	2011	2010
Akbank T.A.Ş.	676	29.636

Interest expense	2011	2010
Akbank T.A.Ş.	1.713.952	684.100

Foreign exchange gains / (losses) - net	2011	2010
Akbank T.A.Ş.	269.815	(951.951)

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Rent expense	2011	2010
Sabancı Holding	281.942	421.116

Rent income	2011	2010
Bimsa	48.360	44.529
Other	23.584	32.636
	71.944	**77.165**

Donations	2011	2010
Sabancı University	3.905.000	1.500.000

Renumerations

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

Details of the renumerations provided by the Group for 2011 and 2010 are as follows:

	2011	2010
Short-term employee benefits	11.307.580	8.528.233
Post-employment benefits	221.928	309.627
Other long-term benefits	14.375	512.490
Employee termination benefits	35.113	-
	11.708.996	**9.350.350**

Security and guarantee letters given

2011

Related party	Amount	Currency	Description	Bank
Kordsa Inc.	3.950.000	USD	Credit Guarantee	GE Capital
Kordsa Argentina	2.500.000	USD	Credit Guarantee	Akbank N.V.
Kordsa Argentina	15.000.000	USD	Credit Guarantee	İş Bankası
Kordsa Argentina	6.397.660	USD	Credit Guarantee	Citibank Argentina
Kordsa Argentina	10.000.000	USD	Credit Guarantee	HSBC Argentina
Kordsa Brazil	25.000.000	USD	Credit Guarantee	IFC

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

2010

Related party	Amount	Currency	Description	Bank
Kordsa Inc.	5.875.000	USD	Credit Guarantee	GE Capital
Kordsa Argentina	3.550.000	USD	Credit Guarantee	Akbank N.V.
Kordsa Argentina	7.500.000	USD	Credit Guarantee	İş Bankası
Kordsa Argentina	1.316.522	USD	Credit Guarantee	Citibank Argentina
Kordsa Argentina	10.000.000	USD	Credit Guarantee	HSBC Argentina
Kordsa Brazil	25.000.000	USD	Credit Guarantee	IFC

NOTE 28 - FINANCIAL RISK MANAGEMENT

Financial risk management

Financial risk factors

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

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

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

(a) Liquidity risk

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

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Liquidity risk (cont'd)

Liquidity risk analysis of the financial liabilities of the Group as of 31 December 2011 and 2010 is as follows:

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

2011	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	360.387.148	362.561.921	155.427.852	102.068.965	84.885.836	20.179.268
Trade payables	119.984.288	120.644.249	119.264.221	1.037.723	342.305	-
Other payables	37.065.602	37.684.242	19.653.179	1.257.501	15.171.040	1.602.522
	517.437.038	**520.890.412**	**294.345.252**	**104.364.189**	**100.399.181**	**21.781.790**

2010	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	165.563.634	176.998.631	25.710.863	86.516.199	19.749.966	45.021.603
Trade payables	109.387.259	109.466.831	109.173.628	-	293.203	-
Other payables	30.422.556	30.759.291	16.447.119	1.666.339	10.834.367	1.811.466
	305.373.449	**317.224.753**	**151.331.610**	**88.182.538**	**30.877.536**	**46.833.069**

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

(b) Market risk

Interest rate risk

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

Interest rate risk table of the Group as of 31 December 2011 and 2010 is as follows:

Variable interest financial instruments	2011	2010
Financial liabilities	179.308.068	102.294.403
Cash and cash equivalents	-	-

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 2011, if interest rates on USD 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 806.479 (2010: TL 651.557), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2011, if interest rates on Euro denominated borrowings had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 12.263 (2010: TL 35.194), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2011, if interest rates on Brazilian Real 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 3.486 (2010: TL 0), mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Turkish Lira. Foreign Exchange risk is monitored with an analysis of foreign exchange positions. In addition, the Group aims to reduce foreign exchange risk arising from assets and liabilities by using currency and interest rate swap instruments. As of 31 December 2011, there are no swap transactions.

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

Derivative financial instruments

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

Foreign currency and interest rate swap transactions:

Although the stated derivative financial instruments provide an effective hedge against the economic risks, they are treated as available for sale financial instruments since they not match the requirements of IAS 39 "Financial instruments :Recognition and measurement".

Available for sale derivative financial instruments are recognized in the financial statement at cost and carried at fair value after the period of recognition. Profit and loss arising from a change in the fair value of these financial instruments is recognized as income and expense in the consolidated income statement.

The positive fair valued derivative financial instruments are recognized in the asset side of the consolidated balance sheet where the negative fair valued derivative financial instruments are recognized in the liability side of the consolidated balance sheet (Note 18).

As of 31 December 2011, there are no swap transactions.

Foreign currency forward transactions:

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

Group does not use hedging for speculative reasons.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income.

The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

Derivative financial instruments (Cont'd)

Foreign currency forward transactions (Cont'd):

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

The Group entered into foreing currency forward transactions in order to manage the risks emerging from the sales transactions which are expected to occur within 12 months following the balance sheet date. The carrying values of the items hedged against the non-financial risk will be adjusted once the expected sales will take place. The Group also entered into foreign currency forward transactions with due date 2011 in order to hedge its trade receivables and payables from the effects of the changes in foreign currency exchange rates.

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

Foring exchange forward contracts

31 December 2011	Average Rate	Foreign Currency (TL)	Contract Value (TL)	Fair Value (TL)
Buy TL Sell EUR				
Less than 3 months	2,5172	40.567.080	41.551.550	784.119
3-6 months	2,5619	43.499.640	45.441.180	728.287
6-9 months	2,6041	42.644.310	45.355.565	584.775
9-12 months	2,6511	44.354.970	48.004.150	502.534
Buy BRL Sell USD				
Less than 3 months	1,8664	9.633.390	9.570.705	(103.493)
3-6 months	1,8911	9.633.390	9.696.498	(142.514)
6-9 months	1,9147	9.633.390	9.818.242	(176.314)
9-12 months	1,9369	9.633.390	9.931.930	(209.384)
Buy IDR Sell USD				
Less than 3 months	9,143	5.940.591	5.989.945	23.791
3-6 months	9,213	6.252.259	6.352.644	18.674
6-9 months	9,285	6.752.818	6.914.508	8.217
9-12 months	9,353	6.233.370	6.429.388	(8.824)
				2.009.868

The unrealized gains resulting from the changes in the fair value of currency derivatives that are designated and effective as cash flow hedges amounting to TL 1.613.561 has been deferred in equity (2010: unrealized losses TL 1.214.430 None). Sales are expected to be realized within the upcoming 12 months after the balance sheet date and therefore hedging reserve is expected to be recycled to income statement.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2010	Average Rate	Foreign Currency (TL)	Contract Value (TL)	Fair Value (TL)
Buy TL Sell EUR				
Less than 3 months	1,3999	6.761.926	7.141.129	326.512
3-6 months	1,3612	15.572.920	15.465.720	(201.792)
6-9 months	1,3700	6.147.205	6.354.060	185.336
9-12 months	1,3591	16.392.547	16.699.892	262.221
Buy BRL Sell USD				
Less than 3 months	2,0147	21.822.578	21.455.350	(630.024)
3-6 months	2,0265	17.621.988	17.413.600	(648.553)
6-9 months	2,0611	19.466.150	19.542.300	(579.735)
9-12 months	2,0965	21.720.125	22.178.000	(585.447)
Buy IDR Sell USD				
Less than 3 months	1,4322	3.580.500	3.865.000	297.525
3-6 months				
6-9 months	1,7508	3.555.800	3.735.842	160.992
9-12 months	1,7822	2.782.800	2.976.537	122.338
6-9 months	1,8177	4.328.800	4.724.541	172.959
9-12 months	1,8485	5.101.800	5.661.708	187.474
Indonesian Rupiah Buy USD Sell				
Less than 3 months	9,088	9.430.600	9.534.595	(23.272)
3-6 months	9,193	3.323.900	3.398.440	3.173
6-9 months	9,341	4.638.000	4.818.375	(4.111)
9-12 months	9,468	7.420.800	7.817.798	(12.433)
				(966.839)

The unrealized losses resulting from the changes in the fair value of currency derivatives that are designated and effective as cash flow hedges amounting to TL 1.214.430 has been deferred in equity Sales are expected to be realized within the upcoming 12 months after the balance sheet date and therefore hedging reserve is expected to be recycled to income statement.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

Derivative financial instruments (Cont'd)

Hedges of net investments in foreign operations:

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

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

The Company subjected the net investment in one of its foreign subsidiary and the US Dollar borrowings in another subsidiary to the hedge of a net investment in foreign operations. The Company accounted for the foreign exchange losses arising from the related borrowings under "Currency Translation Reserves" in Equity in accordance with IAS 39 and IFRIC 16.

Foreign Currency Position

Group's assets and liabilities denominated in foreign currencies at 31 December 2011 and 2010 are as follows:

	2011	2010
Assets	401.001.118	300.173.629
Liabilities	(504.134.513)	(316.246.580)
Net foreign currency position	**(103.133.395)**	**(16.072.951)**

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

2011	Total TL Equivalent	USD (*)	EUR (*)	Thailand Baht (*)	Indonesian Rupiah (000) (*)"	Brazilian Real (*)"	Argentinean Pesos (*)	Other TL Equivalent"
Assets:								
Trade receivables	238.846.284	49.504.878	38.304.094	54.869.866	1.154.376	41.253.747	183.062	5.095.872
Cash and cash equivalent	64.783.062	15.198.874	3.112.017	253.956.519	9.652.074	254.506	7.912.632	7.592.683
Monetary other receivables and assets	12.352.254	2.746.860	1.214.156	-	-	-	-	-
Non-monetary other receivables and assets	61.238.691	2.155.071	(940.283)	486.638.378	55.350.610	6.423.941	36.145.306	785.284
Current assets	**377.220.291**	**69.605.683**	**41.689.984**	**795.464.763**	**66.157.060**	**48.202.194**	**44.241.000**	**13.473.839**
Monetary other receivables and assets	23.780.827	1.684.522	-	361.720	2.036.825	18.136.301	4.192.096	-
Non-current assets	**23.780.827**	**1.684.522**	**-**	**361.720**	**2.036.825**	**18.136.301**	**4.192.096**	**-**
Total Assets	**401.001.118**	**71.290.205**	**41.689.984**	**795.826.483**	**68.193.915**	**66.388.495**	**48.433.096**	**13.473.839**
Liabilities:								
Trade payables	81.849.774	48.121.814	3.550.473	12.581.544	3.879.140	5.070.618	9.214.187	1.586.639
Financial payables	255.151.613	85.484.985	33.005.462	-	-	13.054.981	-	-
Monetary other payables and liabilities	43.290.042	7.521.616	2.887.080	25.739.385	20.365.590	5.409.246	20.709.048	1.713.769
Total short term liabilities	**380.291.429**	**141.128.015**	**39.443.015**	**38.320.929**	**24.244.730**	**23.534.845**	**29.923.235**	**3.300.408**
Financial Payables	104.434.682	54.549.868	573.330	-	-	-	-	-
Monetary other payables and liabilities	19.408.402	-	2.127.640	20.103.657	13.116.044	10.771.833	7.660.147	-
Total long term liabilities	**123.843.084**	**54.549.868**	**2.700.970**	**20.103.657**	**13.116.044**	**10.771.833**	**7.660.147**	**-**
Total liabilities	**504.134.513**	**195.674.883**	**42.143.985**	**58.424.586**	**37.360.774**	**34.306.378**	**37.583.382**	**3.300.408**
Fair value of financial instruments used for	2.009.756	1.063.982	-	-	-	-	-	-
Net foreign currency asset / (liability)	**(103.133.395)**	**(124.384.678)**	**(454.001)**	**737.401.897**	**30.833.141**	**32.081.817**	**10.849.714**	**10.173.431**
Monetary items net foreign currencyasset / (liability) position	**(164.372.086)**	**(126.539.749)**	**486.282**	**250.763.519**	**(24.517.469)**	**25.657.876**	**(25.295.592)**	**9.338.147**

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

KORDSA GLOBAL ENDÜSTRİYEL İPLİK VE KORD BEZİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

2011	Total TL Equivalent	USD (*)	EUR (*)	Thailand Baht (*)	Indonesian Rupiah (000) (*)	Brazilian Real (*)	Argentinean Pesos (*)	Other TL Equivalent
Assets:								
Trade receivables	190.689.594	54.256.927	33.325.186	310.203.146	-	18.536.930	49.538	4.062.062
Cash and cash equivalent	51.722.549	15.468.471	2.283.098	86.481.914	14.288.975	9.806.782	2.306.840	6.242.378
Monetary other receivables and assets	11.058.279	3.341.490	202.939	2.146.027	852.273	6.209	11.906.706	-
Non-monetary other receivables and assets	29.275.544	4.648.017	81.121	4.784.916	108.093.607	1.760.509	2.927.156	887.914
Current assets	**282.745.966**	**77.714.905**	**35.892.344**	**403.616.003**	**123.234.855**	**30.110.430**	**17.190.240**	**11.192.354**
Assets, held-for sale	-	-	-	-	-	-	-	-
Monetary other receivables and assets	17.427.663	367.000	-	476.720	2.275.281	17.723.156	-	-
Non-current assets	**17.427.663**	**367.000**	**-**	**476.720**	**2.275.281**	**17.723.156**	**-**	**-**
Total Assets	**300.173.629**	**78.081.905**	**35.892.344**	**404.092.723**	**125.510.136**	**47.833.586**	**17.190.240**	**11.192.354**
Liabilities:								
Trade payables	93.400.133	52.933.308	6.343.511	24.647.578	5.778.014	4.867.304	5.954.180	1.639.072
Financial payables	102.753.174	62.018.560	3.365.170	-	-	-	-	-
Monetary other payables and liabilities	41.487.671	10.113.370	3.052.701	57.552.325	23.905.611	5.095.073	22.082.974	1.419.767
Total short term liabilities	**237.640.978**	**125.065.238**	**12.761.382**	**82.199.903**	**29.683.625**	**9.962.377**	**28.037.154**	**3.058.839**
Financial Payables	61.579.763	38.462.771	889.706	-	-	-	-	-
Monetary other payables and liabilities	17.025.839	-	1.122.829	17.959.899	11.969.241	9.695.615	8.089.212	-
Total long term liabilities	**78.605.602**	**38.462.771**	**2.012.535**	**17.959.899**	**11.969.241**	**9.695.615**	**8.089.212**	**-**
Total liabilities	**316.246.580**	**163.528.009**	**14.773.917**	**100.159.802**	**41.652.866**	**19.657.992**	**36.126.366**	**3.058.839**
Fair value of financial instruments used for	(966.839)	(645.264)	-	-	-	-	-	-
Hedged amount of foreign currency based assets	31.856.531	20.789.800	-	-	-	-	-	-
Hedged amount of foreign currency based liabilities	27.964.414	-	11.900.000	-	-	-	-	
Net foreign currency asset / (liability)	**(12.180.834)**	**(64.656.304)**	**9.218.427**	**303.932.921**	**83.857.270**	**28.175.594**	**(18.936.126)**	**8.133.515**
Monetary items net foreign currency asset / (liability) position	**(45.348.495)**	**(90.094.121)**	**21.037.306**	**299.148.005**	**(24.236.337)**	**26.415.085**	**(21.863.282)**	**7.245.601**

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

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

Year-end rates	2011	2010
American Dollar	1,8889	1,5460
Euro	2,4438	2,0491
Indonesian Rupiah (1000 units)	0,2083	0,1719
Argentinean Peso	0,4389	0,3888
Brazilian Real	1,0070	0,9279
Thai Baht	0,0596	0,0513
Chinese Renminbia	0,2998	0,2334
Egyptian Pound	0,3124	0,2702

Average rates	2011	2010
American Dollar	1,6715	1,5004
Euro	2,3240	1,9894
Indonesian Rupiah (1000 units)	0,1905	0,1651
Argentinean Peso	0,4048	0,3836
Brazilian Real	0,9979	0,8524
Thai Baht	0,0548	0,0473
Chinese Renminbia	0,2587	0,2231
Egyptian Pound	0,2825	0,2683

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

Foreign currency position as of 31 December 2011 and 2010 in regard to the changes in foreign currency rates is depicted in the table below:

2011	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
USD net assets/liabilities	(26.874.571)	26.874.571	20.764.698	(20.764.698)
Hedged USD (-)	-	-	-	-
USD net effect	**(26.874.571)**	**26.874.571**	**20.764.698**	**(20.764.698)**
Change in EURO against TL by 10%				
Euro net assets/liabilities	5.047.828	(5.047.828)	23.766.450	(23.766.450)
Hedged Euro (-)	-	-	-	-
Euro net effect	**5.047.828**	**(5.047.828)**	**23.766.450**	**(23.766.450)**
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(27.179)	27.179	-	-
Hedged other currency (-)	-	-	-	-
Other currency net effect	**(27.179)**	**27.179**	**-**	**-**
	(21.853.922)	**21.853.922**	**44.531.148**	**(44.531.148)**

2010	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
USD net assets/liabilities	(19.572.943)	19.572.943	24.148.980	(24.248.980)
Hedged USD (-)	-	-	-	-
USD net effect	**(19.572.943)**	**19.572.943**	**24.148.980**	**(24.148.980)**
Change in EURO against TL by 10%				
Euro net assets/liabilities	8.855.434	(8.855.434)	45.953.575	(45.953.575)
Hedged Euro (-)	-	-	-	-
Euro net effect	**8.855.434**	**(8.855.434)**	**45.953.575**	**(45.953.575)**
Change in other currency against TL by 10%				
Other currency net assets/ liabilities	(62.131)	62.131	-	-
Hedged other currency (-)	-	-	-	-
Other currency net effect	**(62.131)**	**62.131**		
	(10.779.640)	**10.779.640**	**70.102.555**	**(70.102.555)**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

Export and import balances from Turkey as of 31 December 2011 and 2010 is as follows:

	2011		2010	
	Original Balance	TL	Original Balance	TL
Euro	184.240.120	435.908.952	153.532.808	305.430.492
USD	56.752.474	95.508.170	59.636.892	89.476.807
Total Export		**531.417.122**		**394.907.299**

	2011	2010
Import	**383.451.602**	**229.757.340**

(c) Funding risk

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

(d) Credit risk

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

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

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.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2011, the credit risk regarding the financial instruments is as follows:

	Trade Receivables		Other Receivables (*)		Bank Deposits	
2011	**Related Party**	**Other**	**Related Party**	**Other**	**Related Party**	**Other**
Maximum credit risk based on financial instruments as of reporting date	**8.839.332**	**244.837.151**	**-**	**7.655.176**	**2.336.279**	**61.996.346**
- Collateralized or secured with guaranteespart of maximum credit risk	**-**	**-**	**-**	**-**	**-**	**-**
- Collateralized or secured with guarantees part of maximum credit risk	8.839.332	218.660.586	-	7.655.176	2.336.279	61.996.346
Net book value of past due but not impaired financial assets	-	26.176.565	-	-	-	-
- Collateralized or guaranteed part	-	-	-	-	-	-
Net book value of impaired financial assets	-	-	-	-	-	-
- Gross amount of overdue part	-	*1.538.876*	-	-	-	-
-Impairment (-)	-	*(1.538.876)*	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-

(*) Excludes tax and other legal receivables.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2010, the credit risk regarding the financial instruments is as follows:

	Trade Receivables		Other Receivables (*)		Bank Deposits	
2010	**Related Party**	**Other**	**Related Party**	**Other**	**Related Party**	**Other**
Maximum credit risk based on financial instruments as of reporting date	**5.848.136**	**193.538.432**	**-**	**8.409.655**	**10.957.401**	**40.722.637**
- Collateralized or secured with guarantees part of maximum credit risk	-	-	-	-	-	-
- Collateralized or secured with guarantees part of maximum credit risk	5.021.323	182.807.745	-	8.409.655	10.957.401	40.722.637
Net book value of past due but not impaired financial assets	826.812	10.730.687	-	-	-	-
- Collateralized or guaranteed part	-	-	-	-	-	-
Net book value of impaired financial assets						
- Gross amount of overdue part	-	-	-	-	-	-
Impairment (-)	-	*1.633.006*	-	-	-	-
- Collateralized or guaranteed part of net value	-	*(1.633.006)*	-	-	-	-
-Teminat ile güvence altına alınmış kısmı	-	-	-	-	-	-

(*) Excludes tax and other legal receivables.

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

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

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

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

	2011	2010
0-1 month	23.100.236	8.762.034
1-3 month	2.169.618	1.876.675
3-12 months	906.711	918.791
	26.176.565	**11.557.500**

(e) Capital risk management

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

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

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Cont'd)

As of 31 December 2011 and 2010 Net debt/(Equity+net debt+non-controlling interest) ratio is:

	2011	2010
Total liabilities	360.387.148	165.563.364
Cash and cash equivalents	(64.369.885)	(52.012.312)
Net debt	296.017.263	113.551.052
Equity attributed to the equity holders of the parent	918.503.467	793.446.034
Non-controlling interests	137.169.686	113.819.014
Equity+net debt+non-controlling interest	1.351.690.416	1.020.816.100
Net debt/(Equity+net debt+non-controlling interest) ratio	22%	11%

NOTE 29 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

31 December 2011	Loans and receivables (cash and cash equivalents included)	Available for sale investments	Financial liabilities at amortized cost	Carrying Value	Notes
Financial assets					
Cash and cash equivalents	64.369.885	-	-	64.369.885	4
Trade receivables	244.837.151	-	-	244.837.151	7
Receivables from related parties	8.839.332	-	-	8.839.332	7
Financial investments	-	205.520	-	205.520	5
Other financial assets (**)	7.655.176	-	-	7.655.176	8
Financial liabilities					
Borrowings	-	-	360.387.148	360.387.148	6
Trade payables	-	-	114.726.542	114.726.542	7
Payables to the related parties	-	-	5.257.746	5.257.746	7
Other financial liabilities (**)	-	-	10.876.702	10.876.702	8

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

NOTE 29 - FINANCIAL INSTRUMENTS (cont'd)

31 December 2010	Loans and receivables (cash and cash equivalents included)	Available for sale investments	Financial liabilities at amortized cost	Carrying Value	Notes
Financial assets					
Cash and cash equivalents	52.012.312	-	-	52.012.312	4
Trade receivables	193.636.991	-	-	193.636.991	7
Receivables from related parties	5.848.136	-	-	5.848.136	7
Financial investments	-	186.554	-	186.554	5
Other financial assets (**)	8.409.655	-	-	8.409.655	8
Financial liabilities					
Borrowings	-	-	165.563.634	165.563.634	6
Trade payables	-	-	105.554.449	105.554.449	7
Payables to the related parties	-	-	3.832.810	3.832.810	7
Other financial liabilities (**)	-	-	7.555.778	7.555.778	8

(*) The Group believes that the carrying values of the financial instruments approximate their fair values.
(**) Excludes tax and other legal receivables.

NOTE 29 - FINANCIAL INSTRUMENTS (cont'd)

Monetary assets

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

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

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

Monetary liabilities

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

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

(f) Fair value estimation

Effective from 1 January 2009, Group has applied the amendment in IFRS 7 related to financial instruments measured at fair value in the balance sheet. This amendment is explained based on the steps in the hierarchy of fair value calculations:

Level: 1: Quoted prices in markets for assets and liabilities

Level: 2: Direct or indirect observable inputs for the assets or liabilities other than quoted prices in market

Level: 3: Inputs for the assets and liabilities where observable market data can not be determined.

NOTE 29 - FINANCIAL INSTRUMENTS (cont'd)

2011

	Level 1	Level 2	Level 3
Assets / (Liabilities)			
Financial assets at FVTPL			
- Derivative financial instruments	-	2.009.757	-
Available-for-sale financial assets			
- Common stocks	-	205.520	-
- Corporate bonds	-		-
Total Assets / (Liabilities)	**-**	**2.215.277**	**-**

2010

	Level 1	Level 2	Level 3
Assets / (Liabilities)			
Financial assets at FVTPL			
- Derivative financial instruments	-	(1.316.479)	-
Available-for-sale financial assets			
- Common stocks	-	186.554	-
- Corporate bonds	-	-	-
Total Assets / (Liabilities)	**-**	**(1.129.925)**	**-**

NOTE 30 – EVENTS AFTER THE BALANCE SHEET DATE

PT Indo Kordsa Tbk and PT Indo Kordsa Polyester, subsidiaries of the Group, have changed their functional currencies to US Dollar starting from 1 January 2012 in order to avoid the foreign currency risk arising from the fluctuations in foreign exchange rates resulting from the increasing amount of US Dollar sales and purchase transactions.

Thai Indo Kordsa, a subsidiary of the Group, collected US Dollar 9.466.350 (TL 17.880.980) of the total US Dollar 14.883.206 (TL 28.112.288) receivables from the insurance company in January 2012 related to the flood in Thailand which had been accrued as of 31 December 2011.

2011 STATUTORY AUDIT REPORT

To the General Assembly of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.

To the General Assembly

Trade Name	: Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.
Head Office	: Istanbul
Issued Capital	: TL 194,529,076

Field of Activity: Production of fabrics, which are contained in the structure of vehicle tires and constitute the main frame, and of industrial fabrics; production of industrial fabrics and industrial single end cord contained in the structure of rubber and plastic materials such as drive belts, V-belts, rubber hoses; production of heavy denier fibers and liners; transformation of any kind of yarn into tire cord fabric, into fabrics used in mechanical rubber goods and other rubber reinforcement materials, and marketing thereof; production of Nylon 6, Nylon 6.6, and PET (Polyethyleneterephthalate) HMLS (High Modulus Low Shrinkage) polyester and rayon heavy decitex yarn to be used in auto tires and mechanical rubber products; and marketing, sales, importation and exportation of all the abovementioned and other affairs as stated in the General Assembly Meeting minutes and the amendment proposal registered on 6.4.2011.

Name(s) and Term of Office of the Auditor(s) and whether they are shareholders:
Levent DEMİRAĞ 1 April 2011 until 2013 Ordinary General Assembly Meeting
Soner AKKAYA 1 April 2011 until 2013 Ordinary General Assembly Meeting
Term of office is 3 years. They are not shareholders of the Company.

Numbers of Board of Directors Meetings and Board of Auditors Meetings Attended:
3 Board of Directors' meetings were attended and 4 Board of Auditors meetings were held.

Scope and Dates of the Examinations Conducted on the Corporate Accounts, Books, and Documents and Conclusions:
Investigations and controls have been carried out on the last weeks of 3rd, 6th, 9th and 12th months according to the Tax Regulations and Commercial Code, no subject for criticism has been detected.

Number and Dates of Cash Counts Performed at the Company's Treasury, according to Paragraph 3, Clause 1 of Turkish Commercial Code Article 353:
Due to the accepted principle of the Company, there is no cash present in the safe.

Examinations and dates performed according to Paragraph 4, Clause 1 of Turkish Commercial Code Article 353:
On the examinations conducted on the 1st business day of each month, it is observed that the valuable documents are in compliance with the book records.

Complaints and Unlawful Acts Noted and Measures Taken:
No complaints have been received.
We have examined the accounts and transactions of Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. for the period of 01.01.2011 - 31.12.2011 according to Turkish Commercial Code, Company's Articles of Association, other regulation and Generally Accepted Accounting Principles and Standards.

In our opinion, the Balance Sheet as of 31.12.2011 reflects the true financial status of the Company at the date; the Profit and Loss Statement for period 01.01.2011 - 31.12.2011 reflects the true and accurate operational results of the period.

We hereby submit the approval of the Balance Sheet, Profit and Loss Statement, and ratification of the actions of the Board of Directors to your votes.

BOARD OF AUDITORS

Levent DEMİRAĞ Soner AKKAYA

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