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Independent auditors' report on the consolidated financial statements

To the Board of Directors of Sasa Polyester Sanayi Anonim Şirketi

Report for the consolidated financial statements

We have audited the accompanying consolidated balance sheet of Sasa Polyester Sanayi Anonim Şirketi and its Subsidiaries (together will be referred to as the "Group") as at 31 December 2015 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with Standards on Auditing as issued by the Capital Markets Board of Turkey and Auditing Standards which are part of the Turkish Auditing Standards as issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessments, the Group's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sasa Polyester Sanayi Anonim Şirketi and its subsidiary as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 29, 2016.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2015 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Metin Canoğulları, SMMM
Partner

February 29, 2016
İstanbul, Türkiye

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

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

	Notes	Current Period	Prior Period
		(Audited) 31 December 2015	(Audited) 31 December 2014
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	34.456	13.986
Trade Receivables	6	228.620	231.357
– Other Trade Receivables		228.233	231.357
– Other Trade Receivables from Related Parties	29	387	-
Other Receivables	8	1.062	3.504
– Other Receivables		1.062	3.177
– Other Receivables from Related Parties	29	-	327
Inventory	9	202.662	183.087
Prepaid Expenses	10	352	241
Other Current Assets	18	7.896	12.334
Assets Held for Sale	14	5.833	6.057
Non-Current Assets			
Trade Receivables	6	320	4.294
Other Receivables	8	60	60
Investment Properties	11	850	1.039
Tangible Assets	12	141.604	140.848
Intangible Assets	13	2.068	2.423
Prepaid Expenses	10	1.577	854
Deferred Tax Assets	27	8.398	5.694
Other Non-Current Assets	18	63.803	59.766
TOTAL ASSETS		699.561	665.544
LIABILITIES			
Current Liabilities			
Short-Term Borrowings	5	151.952	199.842
Trade Payables	6	120.964	112.903
– Other Trade Payables		120.964	103.529
– Trade Payables to Related Parties		-	9.374
Liabilities for Employee Benefit	7	3.677	3.259
Other Payables	8	497	1.077
– Other Payables to Third Parties		497	1.067
– Other Payables to Related Parties		-	10
Deferred income	8	2.768	620
Provision for Corporate Tax	27	1.389	-
Current Provisions		3.564	3.205
– Short-Term Provisions	15	1.064	705
– Short-Term Provisions for Employee Benefits	17	2.500	2.500
Non-Current Liabilities			
Financial Liabilities	5	-	4.000
Long-Term Provisions		23.683	20.302
– Long-Term Provisions for Employee Benefits	17	23.683	20.302
EQUITY			
Share Capital	20	216.300	216.300
Share Capital Inflation Adjustments	20	196.213	196.213
Restricted Reserves	20	5.963	5.356
Remeasurement losses of defined benefit pension plans	20	(2.073)	(2.073)
Accumulated Losses	20	(96.067)	(166.840)
Net Profit for the Period		70.731	71.380
TOTAL LIABILITIES		699.561	665.544
Contingent asset, liability and commitments	15,16		

The accompanying policies and explanatory notes form an integral part of these financial statement.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

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

	Notes	Current Period	Prior Period
		(Audited) 31 December 2015	(Audited) 31 December 2014
CONTINUING OPERATIONS			
Revenue (Net)	21	1.111.408	1.209.788
Cost of Sales (-)	21	(964.672)	(1.071.447)
GROSS PROFIT		146.736	138.341
General Administrative Expenses (-)	22	(17.595)	(17.698)
Marketing, Sales and Distribution Expenses (-)	22	(50.972)	(49.393)
Research and Development Expenses (-)	22	(1.834)	(1.808)
Other Operating Income	24	105.187	78.167
Other Operating Expenses (-)	24	(75.780)	(61.222)
OPERATING PROFIT		105.742	86.387
Investment Income	23	191	654
Investment Expenses (-)	23	(48)	-
OPERATING PROFIT BEFORE FINANCIAL LOSS		105.885	87.041
Financial Income	25	8.950	4.094
Financial Expenses (-)	26	(42.721)	(24.047)
OPERATING (LOSS) / PROFIT BEFORE TAX		72.114	67.088
Tax Benefit / (Expense)		(1.383)	4.292
– Current Tax Expense	27	(4.087)	-
– Deferred Tax Income / (Expense)	27	2.704	4.292
PROFIT FOR THE PERIOD		70.731	71.380
Other Comprehensive Income / (Expense)			
Remeasurement losses of defined benefit pension plans		-	(959)
TOTAL COMPREHENSIVE INCOME		70.731	70.421
Earnings per share (Hundred)	28	0,327	0,326

The accompanying policies and explanatory notes form an integral part of these financial statement.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

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

	Notes	Paid in Capital	Inflation Adjustment to Shareholders Equity	Restricted Reserves	Remeasurement losses of defined benefit pension plans	Net profit for the year	Accumulated Losses	Total Equity	Other comprehensive income / (expense) not in the reclassified to profit or loss
Balance at 1 January 2014	20	216.300	196.213	5.356	(1.114)	6.241	(173.081)	249.915	
Transfers		-	-	-	-	(6.241)	6.241	-	
Net Profit for the Period		-	-	-	-	71.380	-	71.380	
Other Comprehensive Income		-	-	-	(959)	-	-	(959)	
Total Comprehensive Income/(Loss)		-	-	-	(959)	71.380	-	70.421	
Balance at 31 December 2014	20	216.300	196.213	5.356	(2.073)	71.380	(166.840)	320.336	
Balance at 1 January 2015	20	216.300	196.213	5.356	(2.073)	71.380	(166.840)	320.336	
Transfers		-	-	607	-	(71.380)	70.773	-	
Net Profit for the Period		-	-	-	-	70.731	-	70.731	
Total Comprehensive Income/(Loss)		-	-	-	-	70.731	-	70.731	
Balance at 31 December 2015	20	216.300	196.213	5.963	(2.073)	70.731	(96.067)	391.067	

The accompanying policies and explanatory notes form an integral part of these financial statement.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

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

	Notes	Current Period (Audited) 1 January - 31 December 2015	Prior Period (Audited) 1 January - 31 December 2014
Profit/ (Loss) before taxation		72.114	67.088
Cash Flows from operating activities			
Depreciation and amortization expense	11,12,13	13.201	21.543
Interest expense	26	9.454	12.426
Gain on sale of fixed assets	23	(143)	(654)
Provision for impairment fixed assets	12,24	6.195	-
Change in provision for employee benefits	17	6.941	3.308
Changes in provisions	15	359	356
Interest income from bank deposits	25	(548)	(232)
Rediscount interest income (net)	6	451	(1.155)
Provision for doubtful receivable	24	309	374
Premium provision	17	1.247	3.350
Provision for impairment inventories-net	9	3.752	8.262
Operating cash flows provided before changes in working capital:		113.332	114.666
Changes in operating assets and liabilities:			
Changes in trade receivable	6	6.290	(866)
Changes in due from related parties	6,8	(60)	(155)
Changes in inventories	9	(23.327)	(13.197)
Changes in other receivables	8	2.115	(1.900)
Changes is prepaid expenses	10	(834)	37
Changes in other current assets	18	4.438	(6.307)
Changes in other non-current assets	18	(4.037)	(527)
Changes in trade payables	6	17.484	(119.882)
Changes in due to related parties	29	(9.384)	(2.006)
Changes in debt for employee termination benefits	7	488	115
Changes in other short term liabilities	8	1.578	493
Net cash generated by operating activities:		108.083	(29.529)
Employment termination benefits paid	15,17	(3.171)	(2.918)
Changes in premium provision	17	(1.247)	(1.000)
Changes in corporate tax	27	(2.698)	-
Tax payable paid	8	-	(1.218)
Net cash used in operating activities		100.967	(34.665)
Investing activities:			
Purchase of property, plant and equipment and intangible assets	12,13	(19.853)	(1.976)
Proceeds from sale of property, plant and equipment	12,14	612	912
Net cash used in investing activities		(19.241)	(1.064)
Financing activities:			
Bank loans received	5	249.815	229.181
Interest paid	5,26	(11.864)	(6.661)
Interest received	25	548	232
Repayment of borrowings	5	(299.755)	(173.637)
Net cash generated by financing activities		(61.256)	49.115
Net increase / (decrease) in cash and cash equivalents	3	20.470	13.386
Cash and cash equivalents at the beginning of the period	3	13.986	600
Cash and cash equivalents at the end of the period	3	34.456	13.986

The accompanying policies and explanatory notes form an integral part of these financial statement.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Sasa Polyester Sanayi A.Ş. ("Group") was incorporated on 8 November 1966 in Adana. The Group is mainly engaged in the production and marketing of polyester fibre, yarns and related products and polyester chips. The Group is a subsidiary of Erdemoğlu Holding A.Ş. ("Erdemoğlu Holding") and accordingly its ultimate parent company is Erdemoğlu Holding.* Shares of Sasa Polyester Sanayi A.Ş. are quoted on the Borsa Istanbul A.Ş.

The address of the registered office is Yolgeçen Mahallesi Turhan Cemal Beriker Bulvarı No:559 01355 Seyhan/Adana.

As of 31 December 2015, number of employees of the Group is 1.078 (31 December 2014: 1.088).

[*] Hacı Ömer Sabancı Holding A.Ş. has sold all the shares in Sasa Polyester Sanayi A.Ş. with a nominal value of 110.313.001,18 TL corresponding to 51 % of the total share capital of Sasa Polyester Sanayi A.Ş. to Erdemoğlu Holding with a price of 104.189.990 USD as at 30 April 2015.

Subsidiaries

The Company has founded, Sasa Dis Ticaret A.Ş., with TL 2.000 paid in capital owning 100% of shares, ("the Subsidiary"), in accordance with the Board of Directors decision numbered 24 and dated August 27, 2015, in order to gain an effective structure to the Company's export operations. Sasa and its subsidiary, together will be referred to as the "Group".

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

Basis of Preparation of Financial Statements and Significant Accounting Policies

The financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

According to decision which was made by CMB on March 17, 2005, from the date of January 1, 2005 there is no need for inflation accounting application for the listed companies performing in Turkey. The Group has prepared the financial statements according to this decision.

Functional and representative currency of the Group is TL.

The financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the POA. The accompanying financial statements are prepared in accordance with the TAS/IFRS we have performed several adjustments such as Termination indemnity adjustment in accordance with IAS 19 and Deferred tax adjustments, which are not included in the statutory books.

The financial statements are prepared according to the historical cost basis.

Financial statements are approved for declaration by Board of Directors on February 29, 2016 and signed by General Manager Toker Özcan and General Accounting Manager Mehmet Pehlivan on behalf of the Board of Directors. The financial statements of the Group are subject to the approval of shareholders in the General Assembly and the shareholders possess the right to ask for amendment of these financial statements at the General Assembly after issuance.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

2.2 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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.3 Changes in Accounting Policies

Changes in accounting policies are applied retrospectively and the financial tables for prior years are restated.

2.4 Changes in Accounting Estimates and Errors

The effect of a change in an accounting estimate is recognized prospectively in the year of the change, if the change affects that year only; or the year of the change and future years, if the change affects both. There has not been any significant change in the accounting estimates of the Group in the current year.

Changes in accounting policies are applied retrospectively and the financial statements for prior years are restated.

2.5 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not have an impact on the consolidated financial statements of the Group.

Annual Improvements to TAS/IFRSs

In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010-2012 Cycle" and "Annual Improvements - 2011-2013 Cycle".

Annual Improvements - 2010-2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

TFRS 3 Business Combinations

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar". ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 in determining whether the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

The amendments did not have a significant impact on the consolidated financial statements of the Group.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

ii) Standards issued but not yet effective and not early adopted

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9,
Or
- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted.

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

Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called „own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

IAS 7 Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2.6 Significant Accounting Estimations and Decisions

Preparation of consolidated financial statements necessitates the usage of estimates and assumptions that can affect the amounts of reported assets and liabilities as at statement of financial position date, the explanation for the contingent assets and liabilities and the income and expenses reported during the accounting period. Although these estimates and assumptions are based on Group management's best estimates related with the current conditions and transactions, actual results may differ than these estimates.

Net realizable value of inventory

Inventories are stated at the lower of cost and net realizable value. The Group management has determined that the cost of inventories is higher than the realizable value as of the reporting date. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Based on the estimation made by the Management as of December 31, 2015 the cost of inventories was reduced by TL 3.752 (31 December 2014: TL 8.262) and it was recorded to cost of sales.

Determination of recoverable amount of tangible assets

As discussed in Note 12, the Group took into consideration the internal and external sources of information as described in TAS 36 "Impairment of Assets" as impairment indicators and performed a study based on discounted future cash flow models for the determination of the recoverable amount of the Group's tangible assets as at 31 December 2015. The future projections included in the subject study is heavily dependent on the demand of customers in the market. Moreover, the Group management foresees that weight of production and sale of the products with higher gross profit margin will increase in future periods. This study which is based on discounted future cash flows reflects the Group management's future estimations and assumptions.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TFRS purposes and financial statements prepared in accordance with the tax legislation. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could increase 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.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

The Group has not recognized some of its deferred tax assets because it is not probable that taxable profit will be available sufficient to recognize deferred tax assets in this entity. 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.

VAT

The Group has reclassified VAT amount which is estimated to not use in short term period under current assets.

Retirement Pay Liability

Retirement benefit obligations' present value is determined through using certain assumptions under actuarial basis. These assumptions are also used in determining severance compensation's net expense and include the discount ratio. Any change in such assumptions affects the value of the registered retirement benefit obligation. All actuarial gains and losses are recognized under the fund of actuarial loss/earnings fund for employee termination benefits under equity.

At the end of each year, the Group determines the appropriate discount ratio. This ratio is used to calculate for the fulfilment of obligations for severance compensation's present value of estimated future cash outflows (Note 17).

2.7 Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the financial statements are summarized below:

Revenue

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable. Net sales are calculated after the sales returns and sales discounts are deducted.

Sale of good

Revenue from sale of goods is recognized when all the following conditions are met:

- Transformation the significant risks and benefits of ownership to the buyer by the Group.
 - The absence of Group's continuing managerial involvement associated with ownership and effective control over the goods sold,
 - The amount of revenue can be measured reliably,
 - It is probable that the economic benefits associated with the transaction will flow to the entity and,
 - The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Other Revenues are recognized in accordance with following;

Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers of the Group. The chief operating decision makers, who are responsible for allocation resources and assessing performance of the operating segments, have been identified as the senior management that makes strategic decisions.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

The senior management of the Group makes strategic decisions as a whole over the operations of the Group as the Group operates in a single industry and operations outside Turkey do not present an important portion in overall operations. Based on those reasons, there is a single reportable segment in accordance with the provisions in TFRS 8 and segment reporting is not applicable.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on weighted average basis. 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.

Related Parties

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the Group,
- (ii) has significant influence over the Group, or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others),
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- (iii) Both entities are joint ventures of the same third party,
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
- (vi) The entity is controlled or jointly controlled by a person identified in (a),
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

Tangible Assets

Tangible assets are carried at cost less accumulated depreciation and impairment loss if exists. Depreciation is provided over adjusted costs on a straight-line basis over the economic useful lives. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Land Improvements	15 - 25
Buildings	18 - 40
Machinery and equipment	15 - 25
Motor vehicles	5
Furniture and fixtures	5 - 10

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of net selling price or value in use. Net selling price is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit plus the residual value.

Gains or losses on disposals of property, plant and equipment are included in the related income and expense accounts, as appropriate.

Leasing

Leasing – the Group as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of minimum lease payments. The corresponding liability to the lesser is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. Contingent leases recognized as an expense as incurred.

Assets Held For Sale

According to the Group management, assets which are held for sale, which the sale accounting has been completed within 1 year from the statement of financial position date and which there is no active intention of holding the asset are valued with minimum of the book value and the fair value.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

The recovery of the book value doesn't depend on the usage of the relevant tangible asset but the sale of the tangible asset. For the tangible assets classified under current assets held for sale, the depreciation provision is stopped as of the date of the classification date.

Intangible Assets

Intangible assets comprise of acquired intellectual property and computer software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amounts of any intangible assets including goodwill are assessed and written down immediately to their recoverable amount.

Research and Development Costs

Research costs are expensed as incurred, costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as „at fair value through profit or loss' (FVTPL), „held-to-maturity investments', „available-for-sale' (AFS) financial assets and „loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Receivables

Trade receivables, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as „receivables'. Receivables are measured at amortized cost using the effective interest method less any impairment.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

Borrowings

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. 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. All other borrowing costs are charged to the income statement when they are incurred (Note 5).

Impairment of financial assets

Financial assets are reviewed for indicators of impairment at each statement of financial position date. 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Monetary assets

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

The fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables are estimated to be their fair values due to the elimination of the credit finance income.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Monetary liabilities

Fair value of bank loans and other monetary liabilities approximates to their carrying amount since they are short term liabilities. Fair value of items denominated in foreign currencies and translated at the rates prevailing at the balance sheet date approximates to their carrying amount. Trade payables are stated at fair value.

Effects of changes in foreign currency

The Group's financial statements are presented in the currency of primary economic environment (its functional currency) in which it operates. The Group's financial condition and operating results, the Group's functional currency and presentation currency for financial statements are expressed in TL.

During the preparation of financial statements, transactions on foreign currency (currencies other than TL) are recorded on the base of currencies on transaction date. Monetary assets and liabilities denominated in foreign currencies on balance sheet translated into Turkish Lira using exchange rates prevailing on the statement of financial position date. None-monetary items carried at fair value that is being monitored are denominated in foreign currency, are retranslated into TL at the rates prevailing on the date fair value determined. None-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences, except as specified below, are recognized in profit or loss in the period in which:

- Foreign exchange gain/losses related to assets under construction for future productive use, and included as an adjustment to interest costs and added on cost of those assets,
- Hedging transaction foreign currency risks (hedging accounting policies are described below),
- Foreign exchange differences forming part of the foreign operation net investment, accounted under reserves, associated with profit or loss on sale of the net investment, arising from international activity debt and receivables without intention or possibility of any payment.

The Group's assets and liabilities of foreign operations are expressed in TRY using exchange rates prevailing on the statement of financial position date in the financial statements. Income and expense items, unless exchange rates fluctuates significantly at the dates of the transactions in the period (in case of major fluctuations, exchange rates at the transaction date is used) , are translated using average exchange rates during the period. Exchange differences are recognized in other comprehensive income and accumulated equity in a separate component.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

Earnings per Share

Earnings per share disclosed in the accompanying statement of income are determined by dividing net income by the weighted average number of shares in existence 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, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them a retroactive effect for the period in which they were issued and each previous year.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and 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.

A possible obligation or asset that arises 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 have not been recognized in the accompanying financial statements and treated as contingent liabilities and contingent assets.

Government Grants

Government incentives are not reflected in the financial statements; without the business fulfilment of the necessary conditions for obtaining that incentive which will and a reasonable assurance that they shall be obtained.

Government grants, intended to meet the costs of these incentives are reflected as an expense in profit or loss in a systematic manner throughout the periods. The government grants as a financing tool, rather than being accounted as a net off item profit or loss, should be associated with the statement of financial position (balance sheet) as unearned income, should be reflected in a systematic manner in profit or loss during the economic life of the related assets.

Government incentives given in order to meet expenses or losses previously realized and to provide emergency financial support without any cost in the future are recognized in profit or loss when it becomes liveable.

Loans obtained from the state lower than market interest rate, is considered to be government grants. Benefit from lower interest rates is calculated as the difference between the initial carrying amount and the gains of the loan during the period.

The Group benefits from research and development ("R&D") grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey ("TÜBİTAK") and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

The government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

The portion of government grants associated to previously capitalize intangible assets is deducted from the cost of the intangible asset, whereas the other government grants are recognized as income in the period which they are incurred.

Investment Property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method. The cost of a self-constructed investment property is determined as its cost at the date when the construction or development is complete. On that date the subject asset qualifies as an investment property and thus transferred to investment properties class. The useful life estimation for the buildings within investment properties is between 18-40 years.

Provision for Employment Termination Benefits

Severance Payments:

Under the Turkish law and union agreements, lump sum payments are made to employees in 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" ("TAS 19").

The liability for employment termination benefits recognized in the financial statements was calculated according to the current net value of the liability amounts expected to occur in the future due to retirement of employees and was reflected on the financial statements. All calculated actuarial gains and losses are reflected on the fund of gains/losses due to employee termination benefits under equity.

Liabilities arising from unused leave rights defined as "long-term provisions regarding employee benefits" are accrued in the period in which the right is gained and recognized after being discounted if their impact is material.

Taxation and Deferred Taxes

Tax expense consists of total current tax and deferred tax benefit / (expense).

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred Taxes

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

is accounted for using the statement of financial position Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 statement of financial position date. 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 statement of financial position date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

The current tax or the deferred tax for the current year is accounted as expense or income under the income table.

Share Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity by deducting from retained earnings in the year in which they are declared.

Restricted Reserves

Restricted reserves are allocated from profit of previous year due to obligation arising from law or the Group's articles or objects excluding profit distribution (etc. tax advantage for gain on sale of subsidiaries). These reserves are carried at their statutory amounts.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

Reporting of cash flows

In the statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities.

Subsequent events

Post period-end events that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

NOTE 3- CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash on hand	14	4
Banks	34.442	13.982
- Foreign currency demand deposits	4.299	2.060
- TL demand deposits	160	122
- Foreign currency time deposits (*)	19.113	-
- TL time deposits (**)	10.870	11.800
	34.456	13.986

(*) The effective weighted average interest rate is 1% and maturity is January 4, 2016 for TL 19.113 foreign currency time deposits as of December 31, 2015. (2014: None)

(**) The effective weighted average interest rate is 11,18% and maturity is January 4, 2016 for TL 10.870 time deposits as of December 31, 2015. (2014: 10,15% and January 2, 2016)

There is not any pledge on banks as of December 31, 2015 and December 31, 2014.

NOTE 4- FINANCIAL ASSETS

None.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 5- BORROWINGS

Short term borrowings

	31 December 2015	31 December 2014
Short-term bank borrowings	147.837	195.611
Current portion of long-term borrowings	4.115	4.231
Short-term borrowings	151.952	199.842

Long-term borrowings

	31 December 2015	31 December 2014
Long-term bank borrowings	-	4.000
Long-term borrowings	-	4.000

Foreign currency denominated bank borrowings and corresponding interest expense accruals as at 31 December 2015 and 31 December 2014 are as follows:

Principal	31 December 2015			31 December 2014		
	Weighted Average Effective Interest Rates%	Original Amount	TL	Weighted Average Effective Interest Rates%	Original Amount	TL
TL	9,72	-	41.428	10,26	-	63.119
USD	1,75	22.000.000	63.966	1,50	58.137.581	134.813
Euro	1,30	13.550.341	43.058	-	-	-
		148.452			197.932	
Accrued Interest						
TL		-	3.500		-	5.823
USD		-	-		38	87
		151.952			203.842	

NOTE 6- TRADE RECEIVABLES AND TRADE PAYABLES

Trade Receivables

	31 December 2015	31 December 2014
Trade receivables (*)	173.598	177.182
Cheques received (**)	58.226	57.457
Trade receivables from related parties (Note 29)	387	-
Provision for doubtful receivables	(3.591)	(3.282)
	228.620	231.357

(*) As of 31 December 2015 trade receivables are discounted by using monthly 0,84% for TL, 0,13% for USD, 0,13% for EUR. (As of 31 December 2014 0,84% for TL, 0,13% for USD, 0,13% for EUR).

(**) Cheques received constitute the cheques obtained from customers and kept in portfolio as a result of trade activities and consist of TL 28.312 with maturities of less than three months (31 December 2014: TL 24.610).

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 6- TRADE RECEIVABLES AND TRADE PAYABLES (continued)

Non-current trade receivables

Trade Receivables

	31 December 2015	31 December 2014
Trade Receivables	320	4.294
	320	4.294

As of 31 December 2015 and 31 December 2014, past due but not provisioned trade receivables as follows:

Overdue Period	31 December 2015	31 December 2014
0 - 1 month	15.279	12.156
1 - 3 months	1.269	1.714
Over 3 months	399	196
Total	16.947	14.066

As of 31 December 2015 and 31 December 2014, due to existence of receivable insurance, bank guarantee, mortgage and other guarantees (i.e. cheques), the Group has not recorded any provision relation to trade receivables that were past due but not impaired.

The movements of the provision for doubtful receivables during the period are as follows:

Over Period	31 December 2015	31 December 2014
0 - 3 month	259	-
Over 6 months	3.332	3.282
Total	3.591	3.282

The movements of the provision for doubtful receivables during the period are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Balance at 1 January	(3.282)	(3.033)
Charged for the period (Note 24)	(309)	(374)
Provision released	-	125
Balance at 31 December	(3.591)	(3.282)

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 6- TRADE RECEIVABLES AND TRADE PAYABLES (continued)

Trade Payables	31 December 2015	31 December 2014
Trade Payables	117.884	101.824
Accrued expenses	3.080	1.705
Due to related parties (Note 29)	-	9.374
	120.964	112.903

As of 31 December 2015 trade payables are discounted by using monthly 0,84% for TL, 0,13% for USD, 0,13% for EUR.(As of 31 December 2014 0,84% for TL, 0,13% for USD, 0,13% for EUR).

As of 31 December, 2015 average turnover for trade receivables and trade payables are 79 days and 82 days, respectively (31 December 2014: 85 days and 78 days respectively).

NOTE 7 – LIABILITIES FOR EMPLOYEE BENEFITS

Liabilities for employee benefits	31 December 2015	31 December 2014
Social security and taxes payable	2.664	2.323
Due to personnel	1.013	936
	3.677	3.259

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other Current Receivables	31 December 2015	31 December 2014
Receivables from insurance indemnity	539	294
Job advance	204	270
Deposits and guarantees	-	1.362
Other receivables	319	1.251
	1.062	3.177
Due from related parties (Note 29)	-	327
	1.062	3.504

Other Non-Current Receivables

	31 December 2015	31 December 2014
Deposits and guarantees	60	60
	60	60

Other Payables

	31 December 2015	31 December 2014
Taxes payables	478	418
Cancellation of VAT	11	557
Due to related party (Note 29)	-	10
Other	8	92
	497	1.077

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES (continued)

Deferred income	31 December 2015	31 December 2014
Advances taken	2.768	620
	2.768	620

NOTE 9 – INVENTORIES

	31 December 2015	31 December 2014
Raw materials and supplies	82.444	67.590
Intermediate goods	79.778	75.423
Finished goods	39.811	38.218
By-products (*)	3.844	3.024
Semi-finished goods	3.475	3.094
Spare parts	3.500	2.768
Other	3.097	2.505
Less: Impairment in value of inventories (**)	(13.287)	(9.535)
	202.662	183.087

(*) By-products are not subject to impairment since they are taken to inventories with selling prices.

(**) Impairment has been allocated to finished goods, intermediate goods and other inventories.

Movement of Provision for Impairment of Inventories

	1 January -31 December 2015	1 January -31 December 2014
Balance at 1 January	(9.535)	(1.273)
Charged for the period (Note 21)	(3.752)	(8.262)
Balance at 31 December	(13.287)	(9.535)

The Group has increased TL 3.752 of its provision for impairment of inventories which was amounting TL 9.535 and therefore realized allowance for impairment in current year for TL 13.287.

As of 31 December 2015, total inventory accounted with net realizable value is TL 130.361 (31 December 2014: TL 123.176).

NOTE 10 – PREPAID EXPENSES

Prepaid Expenses (Short-term)

	31 December 2015	31 December 2014
Revision expenses	-	241
Other prepaid expenses	352	-
	352	241

Prepaid Expenses (Long-term)

	31 December 2015	31 December 2014
Advance for construction in progress	1.537	775
Long-term prepaid expenses	40	79
	1.577	854

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 11 – INVESTMENT PROPERTIES

The movement schedules of investment properties and related accumulated depreciation for the years ended 31 December 2015 and 2014 are as follows:

	1 January 2015	Additions	Other Transfers	Disposal	31 December 2015
Cost					
Land	5	-	-	-	5
Buildings	3.780	-	-	-	3.780
	3.785	-	-	-	3.785
Accumulated Depreciation					
Building	2.746	189	-	-	2.935
Net Book Value	1.039				850

As of December 31, 2015 the Group has leased properties with the net book value of TL 850 (31 December 2014: TL 1.039) to the third parties through lease agreements.

The Group has generated rent income of TL 463 (31 December 2014: TL 426) throughout the period resulting from these lease agreements (Note 24). The fair value of factory building was carried out according to the discounted cash flow and has been calculated TL 4.672 (31 December 2014: TL 4.622) with 5,1% inflation rate and 10,02% rediscount rates.

	1 January 2014	Additions	Other Transfers	Disposal	31 December 2014
Cost					
Land	5	-	-	-	5
Buildings	3.780	-	-	-	3.780
	3.785	-	-	-	3.785
Accumulated Depreciation					
Building	2.556	190	-	-	2.746
Net Book Value	1.229				1.039

The total depreciation for the period ended 31 December 2015 and 2014 is presented in Note 12.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

The movement schedules of property, plant and equipment and related accumulated depreciation for 31 December 2015 and 2014 are as follows;

	1 January 2015	Additions (*)	Transfers from construction in Progress	Other transfers	Disposal	31 December 2015
Cost						
Land	15.537	10.227	-	-	-	25.764
Land Improvements	7.179	14	-	-	-	7.193
Buildings	59.829	2.499	-	-	-	62.328
Machinery and equipment (*)	401.772	1.440	3.391	(8.909)	(873)	396.821
Motor vehicles	1.785	5	-	-	-	1.790
Furniture and fixtures	5.083	829	-	-	(2)	5.910
Construction in progress	1.832	4.091	(3.391)	-	-	2.532
	493.017	19.105	-	(8.909)	(875)	502.338

Accumulated depreciation

Land Improvements	5.772	406	-	-	-	6.178
Buildings	40.061	3.026	-	-	-	43.087
Machinery and equipment	300.752	8.067	-	(2.714)	(630)	305.475
Motor vehicles	1.684	24	-	-	-	1.708
Furniture and fixtures	3.900	386	-	-	-	4.286
	352.169	11.909	-	(2.714)	(630)	360.734
Net book value	140.848					141.604

(*) The Group has made an evaluation for spare parts presented in inventory and recognised as an expense when used and transferred to tangible assets amounting to TL 8.909 as of January 1, 2014.

Impairment calculation has been made for these spare parts and recognised as an expense in other operating expense (Note 24) net amounting TL 6.195 for the reporting period.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (continued)

	1 January 2014	Additions (*)	Transfers from construction in progress	Other transfers	Disposal	31 December 2014
Cost						
Land	15.537	-	-	-	-	15.537
Land Improvements	7.179	-	-	-	-	7.179
Buildings	59.829	-	-	-	-	59.829
Machinery and equipment	386.839	9.503	5.031	399	-	401.772
Motor vehicles	1.780	5	-	-	-	1.785
Furniture and fixtures	5.641	123	-	-	(681)	5.083
Construction in progress	6.288	575	(5.031)	-	-	1.832
	483.093	10.206	-	399	(681)	493.017
Accumulated depreciation						
Land Improvements	5.366	406	-	-	-	5.772
Buildings	37.110	2.951	-	-	-	40.061
Machinery and equipment	284.103	16.519	-	130	-	300.752
Motor vehicles	1.661	23	-	-	-	1.684
Furniture and fixtures	4.236	333	-	-	(669)	3.900
	332.476	20.232	-	130	(669)	352.169
Net book value	150.617					140.848

As of December 31, 2015 and 2014 the Group does not acquired property, plant and equipment through finance leases. As of December 31, 2015 and 2014 there is no blockage or pledge on property, plant and equipment..

As of 31 December 2015 and 2014, total depreciation and amortization charges for the period between and the related income statement accounts are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Cost of production (Note 21)	9.691	18.430
Research expense (Note 22)	1.417	1.555
General administrative expenses (Note 22)	1.528	988
Selling, marketing and distribution expenses (Note 22)	565	570
	13.201	21.543

As of 31 December 2015 and 2014, fully depreciated fixed assets and their costs are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Machinery and equipment	269.908	35.473
Motor vehicles	1.866	1.866
Furniture and fixtures	2.713	2.424
Rights	3.172	3.156
Development costs	4.499	3.517
	282.158	46.436

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 13 - INTANGIBLE ASSETS

The movement schedules of intangible assets and related accumulated depreciation for the year ended 31 December 2015 and 2014 are as follows:

	1 January 2015	Additions	Transfers from construction in progress	Other transfers	Disposal	31 December 2015
Cost						
Rights	5.928	748	-	-	-	6.676
Development costs	7.600	-	-	-	-	7.600
	13.528	748	-	-	-	14.276
Accumulated amortisation						
Rights	4.662	507	-	-	-	5.169
Development costs	6.443	596	-	-	-	7.039
	11.105	1.103	-	-	-	12.208
Net book value	2.423					2.068

	1 January 2014	Additions	Transfers from construction in progress	Other transfers	Disposal	31 December 2014
Cost						
Rights	5.249	679	-	-	-	5.928
Development costs	7.600	-	-	-	-	7.600
	12.849	679	-	-	-	13.528
Accumulated amortisation						
Rights	4.275	387	-	-	-	4.662
Development costs	5.709	734	-	-	-	6.443
	9.984	1.121	-	-	-	11.105
Net book value	2.865					2.423

The total amortization for the year ended 31 December 2015 and 2014 is presented in Note 12.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 14 – ASSET HELD FOR SALE

The movement schedules of asset held for sale and related accumulated depreciation for the year ended 31 December 2015 and 2014 are as follows:

	1 January 2015	Additions	Transfers to tangible assets	Disposals	31 December 2015
Cost					
Land	14	-	-	-	14
Land Improvements	1.045	-	-	-	1.045
Buildings	6.538	-	-	-	6.538
Machinery and equipment	13.595	-	-	(1.399)	12.196
Motor vehicles	224	-	-	-	224
Furniture and fixtures	290	-	-	-	290
	21.706	-	-	(1.399)	20.307
Accumulated depreciation					
Land Improvements	819	-	-	-	819
Buildings	4.154	-	-	-	4.154
Machinery and equipment	10.176	-	-	(1.175)	9.001
Motor vehicles	224	-	-	-	224
Furniture and fixtures	276	-	-	-	276
	15.649	-	-	(1.175)	14.474
Net book value	6.057			(224)	5.833

The management continue to disposal activities on asset held for sale.

	1 January 2014	Additions	Transfers to tangible assets	Disposals	31 December 2014
Cost					
Land	14	-	-	-	14
Land Improvements	1.045	-	-	-	1.045
Buildings	6.538	-	-	-	6.538
Machinery and equipment	14.866	-	(399)	(872)	13.595
Motor vehicles	224	-	-	-	224
Furniture and fixtures	332	-	-	(42)	290
	23.019	-	(399)	(914)	21.706
Accumulated depreciation					
Land Improvements	819	-	-	-	819
Buildings	4.154	-	-	-	4.154
Machinery and equipment	10.932	-	(130)	(626)	10.176
Motor vehicles	224	-	-	-	224
Furniture and fixtures	318	-	-	(42)	276
	16.447	-	(130)	(668)	15.649
Net book value	6.572			(246)	6.057

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
Provision for restructuring and demand of other receivables (*)	1.064	675
Other	-	30
	1.064	705

(*) Provision for restructuring and demand of other receivables are consisting of reinstatements lawsuits which were filed by ex-workers against to the Group due to changes of business organizations and possible expenses of other receivables lawsuits. Such lawsuits are pending as of balance sheet date.

Provision for restructuring expenses and other receivables

	1 January - 31 December 2015	1 January - 31 December 2014
Balance at 1 January	675	1.364
Charged for the period (Note 24)	609	207
Allowance released	(220)	(896)
Balance at 31 December	1.064	675

NOTE 16- COMMITMENTS

Commitments and contingencies, which are not included in the liabilities at 31 December 2015 and 31 December 2014, are as follows:

Commitments based on export incentive certificates

	31 December 2015	31 December 2014
The total amount of export commitment of documents stored in the document	2.496.047	1.512.320
The amount mentioned include commitments based on export incentive certificate which are presently fulfilled but the closing transactions are not concluded yet	1.815.683	928.476
Total amount of open export incentives	680.364	583.844
Open export incentives	234.055	93.520
	31 December 2015	31 December 2014
Open import credits	26.912	19.187

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 16- COMMITMENTS (continued)

Collaterals, pledges and mortgages 'CPM' given by the Group

	31 December 2015				31 December 2014			
	TL Equivalent	TL	USD	Euro	TL Equivalent	TL	USD	Euro
A. CPMs given in the name of its own legal personality	142.752	34.299	22.000.000	14.000.000	159.910	26.729	55.000.000	2.000.000
B. CPMs given on behalf of the fully consolidated companies	-	-	-	-	-	-	-	-
C. CPMS given on behalf of third parties for ordinary course of the business	-	-	-	-	-	-	-	-
D. Total amount of other CPMs given								
- Total amount of CPMs given on behalf of the majority shareholder	-	-	-	-	-	-	-	-
- Total amount of CPMs given on behalf of other group companies which are not in scope of B and C	-	-	-	-	-	-	-	-
- Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-	-	-	-	-	-	-
Total CPM Amount	142.752	34.299	22.000.000	14.000.000	159.910	26.729	55.000.000	2.000.000

As of 31 December 2015 the percentage of the other CPM's given by the Group to the total equity is 0% (31 December 2014: 0%).

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 16- COMMITMENTS (continued)

Mortgages and guarantees taken at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Letters of guarantees taken	10.032	14.342
Cheques and notes of guarantees taken	1.719	2.274
Mortgages taken	234	234
Total	11.985	16.850

NOTE 17- EMPLOYEE BENEFITS

Short term employee benefits

	31 December 2015	31 December 2014
Premiums for senior management	2.500	2.500
	2.500	2.500

Long term employee benefits

	31 December 2015	31 December 2014
Provision for employment termination benefits	21.620	18.446
Unused vacation allowance	2.063	1.856
	23.683	20.302

Unused Vacation Allowance

Group provides annual pay vacation to each employee who has completed one year of service.

Movements of unused vacation allowances as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Balance of 1 January	1.856	1.618
Charge for the period (Note 24)	336	290
Allowance released	(129)	(52)
Balance at 31 December	2.063	1.856

Movements of premiums for senior management are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Balance of 1 January	2.500	150
Charge for the period	1.247	3.350
Allowance released	(1.247)	(1.000)
Balance at 31 December	2.500	2.500

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 17- EMPLOYEE BENEFITS (continued)

Provision for employment termination benefits

There are no agreements for pension commitments other than the legal requirement as explained below.

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause excluding 25/2 article of labor law, is called up for military service or dies. As of 8 September 1999 related labor law was changed and retirement requirements made gradual. The amount payable consist of one gross wage for each year of service limited to maximum termination indemnity for non-union employees and 47 days gross wage for each year of service limited to maximum termination indemnity for union employees. Same payment is done for days remaining from 1 year.

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

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

TFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly following actuarial assumptions were used in the calculation of the total liability.

	31 December 2015	31 December 2014
Discount rate (%)	3,81	3,81
Retention rate to estimate the probability of retirement	98	98

Discount rate is derived upon the difference of long-term interest's rates in TL and the expected inflation rate.

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. The maximum amount of TL 4,09 (1 January 2015: TL 3,54), which is expected to be effective from 1 January 2016, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

Movements in the reserve for employment termination benefits are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Balance of 1 January	18.446	16.200
Charge for the period	6.125	3.070
Paid during the period	(2.951)	(2.023)
Actuarial loss	-	1.199
Balance at 31 December	21.620	18.446

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 18 - OTHER ASSETS AND LIABILITIES

Other Current Assets

	31 December 2015	31 December 2014
VAT receivables due to export	6.804	10.533
Value added tax ("VAT")	679	1.137
Deferred special consumption tax	413	664
	7.896	12.334

Other Non-Current Assets

	31 December 2015	31 December 2014
Deferred VAT (*)	63.803	59.766
	63.803	59.766

(*) The Group has reclassified VAT amount which is estimated to not use in short term period under current assets.

NOTE 19 - DERIVATIVE INSTRUMENTS

None

NOTE 20 - SHAREHOLDERS' EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each Kr 1 nominal value of 21.630.000.000 shares (31 December 2014: 21.630.000.000). The shareholders and shareholding structure of the Group at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	Share	TL	Share
Erdemoğlu Holding A.Ş. (*)	183.431	84,80	-	-
Sabancı Holding A.Ş. (*)	-	-	110.313	51,00
Public Offered	32.869	15,20	105.987	49,00
	216.300	100	216.300	100
Inflation adjustment to share capital (**)	196.213		196.213	
	412.513		412.513	

(*) Hacı Ömer Sabancı Holding A.Ş. has sold all the shares in SASA Polyester Sanayi A.Ş with a nominal value of 110.313.001,18 TL corresponding to 51 % of the total share capital of Sasa Polyester Sanayi A.Ş. to Erdemoğlu Holding with a price of 104.189.990 USD as at 30 April 2015. Erdemoğlu Holding A.Ş. has made the share purchase transaction between 14 July 2015 and 4 August 2015 in accordance with Capital Markets Board's II.26.1 take over bids communiqué. At the end of take over bids, Erdemoğlu Holding ratio of shares owned by Sasa Polyester Sanayi A.Ş. has reached 84,80% and a nominal amount of TL 183.430.724,77.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 20- SHAREHOLDERS' EQUITY (continued)

(**) Adjustment to share capital represents the restatement effect of cash contributions to share capital at year-end equivalent purchasing power after netting of prior year losses.

Shareholders' equity items of company as at 31 December 2015 and 31 December 2014 prepared in accordance with the Communiqué No: XI-29 are as follows:

	31 December 2015	31 December 2014
Share capital	216.300	216.300
Inflation adjustment to share capital	196.213	196.213
Restricted reserves	5.963	5.356
Accumulated loss	(96.067)	(166.840)
Actuarial gain / (loss)	(2.073)	(2.073)
Net (loss) / profit for the period	70.731	71.380
Shareholders' Equity	391.067	320.336

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 Group'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.

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss offsetting.

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences as part of TAS/TFRS 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";

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 20- SHAREHOLDERS' EQUITY (continued)

- 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".

There is no other usage other than the addition of capital adjustment differences to the capital.

Dividend Distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from February 1, 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has been determined as 50% of profit available for distribution according to dated 2013 Ordinary General Assembly decision which occurred in March 24, 2014.

The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the Group are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

NOTE 21- SALES AND COST OF SALES

Sales Revenue

	1 January- 31 December 2015	1 January- 31 December 2014
Domestic sales	615.700	726.069
Foreign sales	502.841	486.373
Other sales	7.014	5.771
Sales return	(8.219)	(5.762)
Sales discounts	(5.741)	(2.245)
Other discounts	(187)	(418)
Sales Revenues (net)	1.111.408	1.209.788

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 21- SALES AND COST OF SALES (continued)

Cost of Sales

	1 January- 31 December 2015	1 January- 31 December 2014
Direct first raw material and supplies expenses	725.703	880.910
Energy expenses	111.757	104.816
Labour expenses	56.940	48.703
Other variable expenses	18.259	16.022
Spare parts and maintenance expenses	8.400	6.153
Amortization (Note 12)	7.758	15.922
Insurance expenses	1.994	1.424
Usage of semi-finished goods	1.217	(359)
Other fixed expenses	195	135
Production cost for the year	932.223	1.073.726
Cost adjustment to unrealised sales	11.918	(15.443)
Other idle time expenses	9.372	7.752
Cost of waste goods sold	5.178	6.741
Provision for impairment inventories - net (Note 9)	3.752	8.262
Idle time type amortization (Note 12)	2.072	2.508
Usage of WIP and finished goods	810	(11.105)
Stock count differences	(653)	(994)
Cost of good sold during the year	964.672	1.071.447

NOTE 22- OPERATING EXPENSES

General Administrative Expenses

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses	9.331	9.299
Amortization expenses (Note 12)	1.528	988
Seniority notice indemnity (Note 17)	1.247	2.500
Severance and notice pay	1.062	707
Consultancy expenses	1.019	1.052
Supplies, repair and maintenance expenses	610	391
Insurance expenses	600	790
Auxiliary expenses	435	257
Energy expenses	224	222
Other expenses	1.539	1.492
	17.595	17.698

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 22- OPERATING EXPENSES (continued)

Selling, Marketing and Distribution Expenses

	1 January-31 December 2015	1 January-31 December 2014
Export expenses	39.783	39.022
Personnel expenses	5.619	5.153
Taxes and duties	1.871	1.380
Insurance expenses	964	1.025
Energy expenses	626	750
Amortization expenses (Note 12)	565	570
Rent expenses	18	81
Other	1.526	1.412
	50.972	49.393

Research and Development Expenses

	1 January-31 December 2015	1 January-31 December 2014
Amortization expenses (Note 12)	1.417	1.555
Maintenance expenses	63	38
First raw material and supplies expenses	17	6
Other expenses	337	209
	1.834	1.808

NOTE 23- INCOME FROM INVESTING OPERATIONS

Income / Expense from Investing Operations

	1 January-31 December 2015	1 January-31 December 2014
Gain on sales of tangible assets	191	654
Loss on sales of fixed assets	(48)	-
	143	654

NOTE 24- OTHER OPERATING INCOME / EXPENSE

Other Operating Income

	1 January-31 December 2015	1 January-31 December 2014
Foreign exchange gain from trade receivables / payables	77.336	49.328
Miscellaneous sales income	18.256	20.579
Financial income from credit sales	3.932	3.385
Insurance compensation income	851	48
Scrap sales income	1.547	781
Rent income	628	426
Raw material sales income	327	1.434
Provision for closed requests of restruction and other receivable requests	220	1.157
Provision no longer required	129	-
Other income	1.961	1.029
	105.187	78.167

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 24- OTHER OPERATING INCOME / EXPENSE (continued)

Other Operating Expense

	1 January-31 December 2015	1 January-31 December 2014
Foreign exchange loss from trade receivables / payables	50.349	40.259
Miscellaneous sales expense	16.202	17.608
Provision for impairment of fixed asset (*) (Note 12)	6.195	-
Taxes and duties paid	1.507	1.292
Provision for restructuring expenses (Note 15)	609	207
Provision for unused vacation (Note 17)	336	290
Provision for doubtful receivable expense (Note 6)	309	374
Other	273	1.192
	75.780	61.222

(*) The Group has made an evaluation for spare parts presented in inventory and recognised as an expense when used and transferred to tangible assets amounting to TL 8.909 as of January 1, 2014. Impairment calculation has been made for these spare parts and recognised as an expense in other operating expense (Note 24) net amounting TL 6.195 for the reporting period.

NOTE 25- FINANCIAL INCOME

	1 January-31 December 2015	1 January-31 December 2014
Foreign exchange income	8.402	3.862
Interest income	548	232
	8.950	4.094

NOTE 26- FINANCIAL EXPENSES

	1 January-31 December 2015	1 January-31 December 2014
Foreign exchange losses	33.267	11.621
Interest expense	9.454	12.426
	42.721	24.047

NOTE 27 - TAX ASSETS AND LIABILITIES

Deferred income taxes

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Accounting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for International Financial Reporting Standards and tax purposes.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2015 and 31 December 2014 using the enacted tax rates are as follows:

	Cumulative temporary difference		Deferred income tax asset /(liabilities)	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Net difference between the tax base and carrying value of tangible and intangible assets	(8.571)	(13.906)	(1.714)	(2.781)
Retirement pay provision	21.620	18.446	4.324	3.689
Net difference between the tax base and carrying value of inventories	15.451	11.507	3.090	2.301
Correction of the sale that are not realize	4.330	3.595	866	719
Provision for accumulated unpaid vacation	2.063	1.856	413	371
Held for sale asset's net difference between the book value and tax value	(753)	(977)	(151)	(195)
Provision for restruction expense	1.064	675	213	135
Provision for restructuring asset for investment's net difference between the book value and tax value	488	357	98	71
Provision for doubtful receivable	1.354	1.304	271	261
Provision of export expense	1.475	1.705	295	341
Adjustment for not accrued financial expenses	(159)	(208)	(33)	(44)
Adjustment for not accrued financial income	1.129	1.628	226	326
Other	2.500	2.500	500	500
Deferred income tax assets			10.296	8.714
Deferred income tax liabilities			(1.898)	(3.020)
Deferred income tax asset/liabilities , net			8.398	5.694

Movements in deferred taxes can be analyzed as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Balance at 1 January	5.694	1.162
Deferred tax income of the term	2.704	4.292
Actuarial loss /(profit) deferred tax effect	-	240
Balance at 31 December	8.398	5.694

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

Tax provision reconciliation

	31 December 2015	31 December 2014
(Loss)/ Profit before tax from operations	72.114	67.088
Expected taxation (%20)	(14.423)	(13.418)
Tax effects of:		
- Revenue that is exempt from taxation	506	523
- Expenses that are not deductible in determining taxable profit	(87)	(86)
- Effect of discounted corporate tax	1.125	-
- Effect of using carryforward tax losses that deferred tax asset has not been recognized previously	-	14.134
- Effect of using investment incentives that deferred tax asset has not been recognized previously	11.555	3.227
- Other adjustments	(59)	(88)
Income tax recognized in profit / (loss)	(1.383)	4.292

As of December 31, 2015, the Group has been offsetting its financial profit amounting to TL 83.837 from accumulated withholding tax of previous years amounting to TL 56.950, from its total withholding investment incentives amounting TL 15.380 and research and development deduction TL 671. There is no a withholding investment incentive or research and development incentive that can be used in the following periods.

On the other hand, the Group has been offsetting its reduced corporate tax reduction right amounting to TL 6.675 from its taxable profit amounting TL 1.125.

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 for the year 2015 is 20% (2014: 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) and discounts (R&D discount) from accounting profit of the Group. No additional taxes are paid unless profit is distributed (except 19, 8% withholding tax paid over used investment incentives according to the GVK temporary article).

The Constitutional Court abolished the provisions of Temporary Article 69 of the Income Tax Law regarding the time limitation to the investment allowance in its meeting held on 15 October 2009, and published the minutes of the relevant meeting on its website in October 2009. The decision of the Constitutional Court on the cancellation of the time limitation for investment allowance for the years 2006, 2007 and 2008 came into force with its promulgation in the Official Gazette, dated 8 January 2010, and thereby the time limitation regarding investment allowance was removed, however it has also been stated that balance regarding the calculation of the tax bases could not exceed 25% percent of the relevant income and the remaining balance after the investment allowance should be subject to 20% of corporate tax.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

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.

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 (including the tax statements of March 2007 that Income Tax Law numbered 5615 is effective from 4 April 2007 and the law about the change in some laws) 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.

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.

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 tax office which they relate. However, tax returns are open for five 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.

Total taxes payable for 31 December 2015 and 2014 have been reconciled to the current year tax charge as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Current period tax expense (*)	(4.087)	-
Deferred tax income / (expense)	2.704	4.292
Continuing operations tax income / (expense)	(1.383)	4.292

Corporate tax rate actualized on the basis of taxable profit of the Group is calculated from remaining tax assesment after addition of non deductible expenses and deduction of tax exempt earnings, tax free income and other incentive (accumulated prior year losses and investment incentive).

(*) Current period tax expense amounting TL 4.087 consists of corporate tax amounting TL 1.042 and withholding income tax arised from withholding investment incentive usage amounting TL 3.045.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

Corporate Tax

	1 January - 31 December 2015	1 January - 31 December 2014
Corporate tax to be paid	4.087	-
Less: Prepaid taxes and funds	(2.698)	-
Provision for current period tax	1.389	-

NOTE 28- EARNINGS PER SHARE

	1 January - 31 December 2015	1 January - 31 December 2014
Net (loss) / gain attributable to shareholders	70.731	71.380
Number of ordinary shares	21.630.000.000	21.630.000.000
Earnings per share in full TL hundreds of ordinary shares	0,327	0,330

NOTE 29 - RELATED PARTY DISCLOSURES

Operations with related parties are classified according to the groups mentioned below and include disclosures in this note for all related parties.

(1) Companies of which the group shareholders are a shareholder

(2) Ultimate shareholder

a) Due from related companies:

	31 December 2015	31 December 2014
Group Companies	387	327
- Merinos Halı San. Tic. A.Ş. (1)	235	-
- Özerdem Mensucat San. Tic. A.Ş. (1)	85	-
- Merinos Mobilya Tekstil San. Tic. A.Ş. (1)	60	-
- Dinarsu İmalat ve Ticaret T. A.Ş. (1)	7	-
- Aksigorta A.Ş. (1) (*)	-	309
- Enerjisa Enerji Üretim A.Ş. ("Enerjisa") (1) (*)	-	17
- Temsa Sanayi ve Ticaret A.Ş. (1) (*)	-	1
Total	387	327

(*) These companies are no longer related parties. Sabancı Holding A.Ş sold %51 share in Sasa Polyester Sanayi A.Ş. to Erdemoğlu Holding A.Ş as of April 30, 2015.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 29 - RELATED PARTY DISCLOSURES (continued)

b) Due to related parties:

	31 December 2015	31 December 2014
Group Companies	-	9.384
- Enerjisa Doğalgaz Toptan Satış A.Ş. (1) (*)	-	9.367
- Toroslar Elektrik Perakende Satış A.Ş. (1) (*)	-	13
- Aksigorta A.Ş. (1) (*)	-	4
Total	-	9.384

(*) These companies are no longer related parties. Sabancı Holding A.Ş sold %51 share in Sasa Polyester Sanayi A.Ş. to Erdemoğlu Holding A.Ş as of April 30, 2015.

c) Bank deposits:

	31 December 2015	31 December 2014
Akbank (1) (*)	-	615
Total	-	615

(*) These companies are no longer related parties. Sabancı Holding A.Ş sold %51 share in Sasa Polyester Sanayi A.Ş. to Erdemoğlu Holding A.Ş as of April 30, 2015.

d) Sales to related parties:

	1 January 2015 - 31 December 2015	
	Good	Service
Group Companies	1.543	68
- Kordsa (1) (*)	750	-
- Özerdem Mensucat San. Tic. A.Ş. (1)	380	-
- Merinos Halı San. Tic. A.Ş. (1)	271	-
- Merinos Mobilya Tekstil San. Tic. A.Ş. (1)	136	-
- Dinarsu İmalat ve Ticaret T. A.Ş. (1)	6	-
- Enerjisa (1) (*)	-	57
- Yünsa (1) (*)	-	6
- Temsa (1) (*)	-	5
Total	1.543	68

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 29 - RELATED PARTY DISCLOSURES (continued)

	1 January 2014 - 31 December 2014	
	Good	Service
Group Companies	74	184
- Kordsa (1) (*)	74	2
- Enerjisa (1) (*)	-	171
- Temsa (1) (*)	-	6
- Aksigorta (1) (*)	-	5
Total	74	184

(*) These companies are no longer related parties. Sabancı Holding A.Ş sold %51 share in Sasa Polyester Sanayi A.Ş. to Erdemoğlu Holding A.Ş as of April 30, 2015.

e) Purchases from related parties:

	1 January 2015 - 31 December 2015			
	Good	Service	Fixed Asset	Rent
1) Shareholders	-	-	-	36
- Sabancı Holding (2) (*)	-	-	-	36
2) Group Companies	-	17.324	15.222	-
- Toroslar Elektrik Dağıtım A.Ş. (1) (*)	-	15.136	-	-
- Aksigorta (1) (*)	-	1.820	-	-
- Bimsa (1) (*)	-	243	463	-
- Avivasa (1) (*)	-	117	-	-
- Sabtek (1) (*)	-	8	-	-
- Enerjisa (1) (*)	-	-	14.759	-
Total	-	17.324	15.222	36

	1 January 2014 - 31 December 2014			
	Good	Service	Fixed Asset	Rent
1) 1) Shareholders	-	-	-	106
- Sabancı Holding (2)	-	-	-	106
2) Group Companies	87.235	4.819	635	-
- Yünsa(1)	1	-	-	-
- Enerjisa (1)	87.234	-	-	-
- Aksigorta (1)	-	3.724	-	-
- Bimsa (1)	-	506	635	-
- Toroslar Elektrik Dağıtım A.Ş. (1)	-	300	-	-
- Avivasa (1)	-	258	-	-
- Akyatırım Menkul Değerler A.Ş. (1)	-	16	-	-
- Sabtek (1)	-	10	-	-
- Sabancı Üniversitesi (1)	-	5	-	-
Total	87.235	4.819	635	106

(*) These companies are no longer related parties. Sabancı Holding A.Ş sold %51 share in Sasa Polyester Sanayi A.Ş. to Erdemoğlu Holding A.Ş as of April 30, 2015.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 29 - RELATED PARTY DISCLOSURES (continued)

f) Financial income

	1 January - 31 December 2015	1 January - 31 December 2014
Akbank (1)(*)	4	15
Total	4	15

(*) These companies are no longer related parties. Sabancı Holding A.Ş sold %51 share in Sasa Polyester Sanayi A.Ş. to Erdemoğlu Holding A.Ş as of April 30, 2015.

g) Financial expense

	1 January - 31 December 2015	1 January - 31 December 2014
Akbank (1)(*)	39	128
Total	39	128

(*) These companies are no longer related parties. Sabancı Holding A.Ş sold %51 share in Sasa Polyester Sanayi A.Ş. to Erdemoğlu Holding A.Ş as of April 30, 2015.

h) As of 31 December 2015 and 2014 remuneration of directors and key management personnel amounts are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Short term employee benefits	1.978	1.665
Total	1.978	1.665

NOTE 30 - FINANCIAL RISK MANAGEMENT

Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The Group's risk management is implemented by the Group's Treasury Department according to approved policies by Board of Directors. Treasury Department detects and evaluates financial risks and relieve of a risk through close relations with other departments of the Group.

Market risk

Foreign exchange risk

The Group is subject to foreign exchange risk due to foreign currency denominated liabilities and assets' translation to Turkish Lira. Foreign exchange risk is traced and minimized through the analysis of foreign currency position.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 30 - FINANCIAL RISK MANAGEMENT

Foreign Currency Position Table

Assets and liabilities denominated in foreign currencies at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015			
	TL	USD	EURO	GBP
Trade receivables (including other receivables)	221.013	56.619.397	17.589.119	114.862
Monetary financial assets (including cash and banks)	23.412	4.761.085	2.856.361	64.145
Other	57	-	7.653	7.511
Current Asset	244.482	61.380.482	20.453.133	186.518
Total Asset	244.482	61.380.482	20.453.133	186.518
Trade payables (including other payables)	96.080	3.880.332	26.669.713	12.017
Financial liabilities	107.024	22.000.000	13.550.341	-
Other	-	-	15	-
Short term liabilities	203.104	25.880.332	40.220.069	12.017
Financial liabilities	-	-	-	-
Long term liabilities	-	-	-	-
Total Liabilities	203.104	25.880.332	40.220.069	12.017
Net foreign currency position	41.378	35.500.150	(19.766.936)	174.501
Export	505.356	12.067.970	143.276.821	439.037
Import	624.215	29.999.290	178.987.439	-

	31 December 2014			
	TL	USD	EURO	GBP
Trade receivables (including other receivables)	214.645	72.239.991	16.707.388	-
Monetary financial assets (including cash and banks)	2.060	664.032	179.614	4.278
Other	1.206	3.847	414.814	7.511
Current Asset	217.911	72.907.870	17.301.816	11.789
Total Asset	217.911	72.907.870	17.301.816	11.789
Trade payables (including other payables)	84.934	1.254.205	29.076.665	2.594
Financial liabilities	134.813	58.136.581	-	-
Other	88	37.721	15	-
Short term liabilities	219.835	59.428.507	29.076.680	2.594
Financial liabilities	-	-	-	-
Long term liabilities	-	-	-	-
Total Liabilities	219.835	59.428.507	29.076.680	2.594
Net foreign currency position	(1.924)	13.479.363	(11.774.864)	9.195
Export	486.373	20.220.656	151.103.786	79.968
Import	563.573	73.296.991	139.743.628	2.611

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency Sensitivity Analysis

As of 31 December 2015	Profit / (Loss)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
10% change in US Dollar/TL Parity:		
US Dollar net asset	10.344	(10.344)
US Dollar net hedged amount	-	-
US Dollar Net Effect	10.344	(10.344)
10% change in Euro/TL Parity:		
Euro net asset	(6.281)	6.281
Euro net hedged amount	-	-
Euro Net Effect	(6.281)	6.281
10% change in GBP/TL Parity:		
GBP net asset	75	(75)
GBP net hedged amount	-	-
GBP Net Effect	75	(75)
Total	4.138	(4.138)

As of 31 December 2014	Profit / (Loss)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
10% change in US Dollar/TL Parity:		
US Dollar net asset	3.126	(3.126)
US Dollar net hedged amount	-	-
US Dollar Net Effect	3.126	(3.126)
10% change in Euro/TL Parity:		
Euro net asset	(3.321)	3.321
Euro net hedged amount	-	-
Euro Net Effect	(3.321)	3.321
10% change in GBP/TL Parity:		
GBP net asset	3	(3)
GBP net hedged amount	-	-
GBP Net Effect	3	(3)
Total	(192)	192

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The Group manages its not used cash on hand by time deposits. Income, other than not used cash on hand, and cash flows from operations are considerably free from market interest rate changes. The interest risk of the Group arises from fixed rate short term borrowings.

To keep this exposure at a minimum level, the Group tries to borrow at the most suitable rates.

Interest Rate Position Table

	31 December 2015	31 December 2014
Fixed interest rate financial instruments		
<i>Principle</i>	148.452	197.782
<i>Interest</i>	3.500	6.060
Total fixed financial liabilities	151.952	203.842

Credit risk

Credit risk consists of cash and cash equivalents, deposits at banks, customers subject to credit risk due to uncollected receivables.

Receivables

The Group implements Credit Control procedure approved by the Board of Directors in order to manage credit risk due to receivables from customers. According to the procedure, the Group determine a risk limit for every single customer (except related parties) by taking into consideration receivable insurance, bank guarantee, mortgage and other guarantees and sales are conducted without exceeding customer risk limits. In circumstances where these guarantees do not exist or it is required to exceed the guarantees, sales are conducted through determined internal limits which are specified in the procedure.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure according to Financial Instruments Types

	Trade Receivables		Receivables		Time Deposit
	Related Party	Other	Related Party	Other	
31 December 2015					
- Maximum credit risk exposure as of balance sheet date	387	228.553	-	1.122	34.442
- Guaranteed maximum risk by commitment or etc (*)	-	178.689	-	-	-
- Net book value of non-overdue of unimpaired financial asset	387	211.606	-	1.122	34.442
Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-	-
Net book value of overdue assets that are not impaired	-	16.947	-	-	-
- The part that is guaranteed by commitment or etc	-	11.553	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	3.591	-	-	-
- Impairment	-	(3.591)	-	-	-

(*) Guarantees include receivable insurance, bank collateral, mortgages, and customer checks.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure according to Financial Instruments Types (continued)

	Receivables				
	Trade Receivables		Other Receivables		Time Deposit
	Related Party	Other	Related Party	Other	
31 December 2014					
- Maximum credit risk exposure as of balance sheet date	-	232.369	327	3.237	13.982
- Guaranteed maximum risk by commitment or etc (*)	-	218.303	-	-	-
- Net book value of non-overdue of unimpaired financial asset	-	218.303	327	3.237	13.982
Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-	-
Net book value of overdue assets that are not impaired	-	14.066	-	-	-
- The part that is guaranteed by commitment or etc		12.288	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	3.282	-	-	-
- Impairment	-	(3.282)	-	-	-

As of 31 December 2015 and 31 December 2014 net book value of overdue assets that not impaired is as follows:

Trade Receivables	31 December 2015	31 December 2014
Overdue 1-30 days	15.279	12.156
Overdue 1-3 months	1.269	1.714
Overdue 3-12 months	399	196
Total	16.947	14.066
Portion under the guarantee of collaterals, etc (*)	11.553	12.288

(*) Guarantees include receivable insurance, bank collateral, mortgages, and customer checks.

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

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 to maintain flexibility in funding by keeping committed credit lines available.

As of 31 December 2015;

Contractual maturities

	Financial Liabilities Other than Derivatives				
	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years
Bank borrowings	151.952	153.493	74.530	78.963	-
Trade payables	9.714	9.714	9.714	-	-

Expected maturities

	Financial Liabilities Other than Derivatives				
	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years
Trade Payables	111.250	109.804	68.739	41.065	-
Other Payables	3.265	3.265	3.265	-	-

As of 31 December 2014;

Contractual maturities

	Financial Liabilities Other than Derivatives				
	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years
Bank borrowings	203.842	204.963	94.228	106.543	4.192
Trade Payables	16.481	16.481	16.481	-	-

Expected maturities

	Financial Liabilities Other than Derivatives				
	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years
Trade Payables	96.422	94.951	77.841	17.110	-
Other Payables	1.697	1.697	1.697	-	-

SASA POLYESTER SANAYİ A.Ş. and ITS SUBSIDIARY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequately committed funding lines from high quality lenders.

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, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net debt/ (shareholders' equity + net debt) ratio. Net debt is calculated as total borrowings (including borrowings, trade and other payables as shown in the balance sheet) less cash and cash equivalents and deferred tax liability.

As of 31 December 2015 and 31 December 2014 net debt/ (shareholders' equity + net debt) ratio is as follows:

	31 December 2015	31 December 2014
Total borrowings	308.494	345.208
Cash and cash equivalents	(34.456)	(13.986)
Deferred tax liabilities	8.398	5.694
Net debt	282.436	336.916
Shareholder's equity	391.067	320.336
Shareholder's equity+net debt	673.503	657.252
Net debt/(Shareholders' equity+net debt) ratio	42%	51%

NOTE 31 - SUBSEQUENT EVENT

None.

