

**SASA POLYESTER  
SANAYİ A.Ş. AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2022, AND  
THE INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF THE  
INDEPENDENT AUDITOR'S REPORT AND THE  
CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH)

## (CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

### INDEPENDENT AUDITOR'S REPORT

To the General Assembly of  
SASA Polyester Sanayi A.Ş.

#### A) Report on the Audit of the Consolidated Financial Statements

##### 1) Opinion

We have audited the consolidated financial statements of SASA Polyester A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

##### 2) Basis for Opinion

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

##### 3) Key Audit Matters

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

### 3) Key Audit Matters (cont'd)

Key Audit Matter	How the Matter was Addressed in the Audit
<p data-bbox="320 315 501 342"><i>Revenue Cut-off</i></p> <p data-bbox="320 376 839 495">Under TFRS 15 revenue is recognised when a performance obligation is satisfied by transferring control over a promised product or service.</p> <p data-bbox="320 528 839 831">Due to the nature of the Group's operations, there are export products whose production is completed, invoiced to the overseas customer or whose sales price has been collected although it has not been delivered. The products in this condition are in the Group's stock areas or on the way as of reporting date. The ownership rights and risks of these non-transferable products can be transferred to the customer according to the terms of the contract.</p> <p data-bbox="320 864 839 983">With reference to the above explanations, as a part of sales cut-off principle, recognition of revenue in the correct period is identified as a key audit matter.</p> <p data-bbox="320 1016 839 1135">Please refer to Note 2.6.1 and Note 18 to the financial statements for the Group's disclosures on revenue recognition, including the related accounting policy and amounts.</p>	<p data-bbox="895 376 1414 465">The following audit procedures have been applied for the recording of revenue during the audit:</p> <p data-bbox="895 499 1414 618">The design and implementation of controls by management on the revenue process have been evaluated. The Group's sales and delivery procedures have been analyzed.</p> <p data-bbox="895 651 1414 831">Terms of trade and delivery with respect to contracts made with customers have been examined and the timing of revenue recognition in the financial statements for the different shipment arrangements has been assessed.</p> <p data-bbox="895 864 1414 1135">In our substantive audit procedures we focused on transactions where amount had been invoiced but revenue had not earned. The customers with the longest delivery time were identified and a date range was determined and sales lists were provided from the related departments of the Group. Tests have been completed to check the completeness and accuracy of these lists.</p>

### 3) Key Audit Matters (cont'd)

Key Audit Matter	How the Matter was Addressed in the Audit
<p data-bbox="280 324 794 380"><i>Deferred Tax Assets Calculated for Investment Incentives</i></p> <p data-bbox="280 414 798 660">The Group's investment incentive certificate within the scope of Project-Based Incentive System has the advantages of corporate tax on investment expenditures within the scope of investment incentive documents. Within the scope of these investment incentive documents, there is a deferred tax asset of TL 13,378,910 to be used as of 31 December 2022.</p> <p data-bbox="280 683 798 929">Deferred tax calculated for the Incentive Certificate has been determined as the key audit matter since the accuracy of the expenditures made within the scope of the incentive system taken into account in deferred tax asset is significant and the recoverability of the deferred tax asset is based on estimations and assumptions.</p> <p data-bbox="280 974 798 1108">Please refer to Note 2.6.13 and Note 26 to the financial statements for the Group's disclosures on deferred tax assets, including the related accounting policy and amounts.</p>	<p data-bbox="834 324 1468 481">During our audit on the project-based investment incentive system, we focused on the validity of investment expenditures, the appropriateness of the incentive system and the mathematical accuracy of the calculation and the recoverability of the deferred tax asset calculated.</p> <p data-bbox="834 492 1468 548">The following audit procedures are implemented accordingly.</p> <ul style="list-style-type: none"> <li data-bbox="834 560 1468 660">- Analysis have been performed to understand the deferred tax assets, temporary differences that constitute the basis of these assets and the scope of investment incentives.</li> <li data-bbox="834 660 1468 750">- The validity of the expenditures subject to the deferred tax calculation is assessed for reasonableness and the accuracy of the deferred tax calculation.</li> <li data-bbox="834 761 1468 940">- In order to examine the impact on corporate tax calculation and investment incentive practices, tax specialists were included in the audit team which were in the same audit network of our organization. The measurement of the related deferred tax assets reviewed and evaluated by our tax experts.</li> </ul> <p data-bbox="834 952 1468 1075">-The business model and the significant management estimates to ensure that the investment incentives can be used in the future are examined by considering the following:</p> <ul style="list-style-type: none"> <li data-bbox="877 1120 1468 1187">• Related business model's mathematical accuracy is checked.</li> <li data-bbox="877 1198 1468 1288">• Sales tonnage and price assumptions used in the model are compared with previous year performances.</li> <li data-bbox="877 1299 1468 1422">• The foreign exchange rate forecasts of the years used in the business model are compared with the exchange rate estimates and independent data sources in the approved budget / long term plans.</li> </ul> <p data-bbox="834 1456 1468 1534">The compliance of the explanations in the notes to the consolidated financial statements regarding the deferred tax assets and liabilities with TAS 12 has been checked.</p>

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

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

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

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

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

Responsibilities of independent auditors in an independent audit are as follows:

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

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of "material misstatement" of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control).
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## 5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

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

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

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

## B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Group on 15 March 2023.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January - 31 December 2022 does not comply with TCC and the provisions of the Group's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

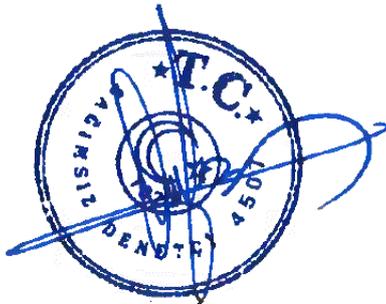
The engagement partner on the audit resulting in this independent auditor's report is Osman Arslan.

### Additional paragraph for convenience translation to English

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Osman Arslan  
Partner

İstanbul, 15 March 2023

<b>INDEX</b>	<b>PAGE</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>1</b>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>2</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>3</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>4</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>5-76</b>

# SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

		Current Period	Prior Period
	Notes	31 December 2022	31 December 2021
<b>ASSETS</b>			
<b>Current Assets</b>		<b>14,349,023</b>	<b>8,984,006</b>
Cash and Cash Equivalents	3	803,111	2,170,396
Financial Investments	4	55,239	3,132
Trade Receivables	5	3,614,608	2,218,391
- Trade Receivables from Third Parties	5	3,614,608	2,213,401
- Trade Receivables from Related Parties	28	-	4,990
Other Receivables	7	5,828	8,277
- Other Receivables from Third Parties	7	5,828	8,277
Inventories	8	8,757,034	3,903,250
Derivative Instruments	29	-	3,668
Prepaid Expenses	9	86,478	31,150
Other Current Assets	16	1,026,725	645,742
<b>Non-Current Assets</b>		<b>38,113,122</b>	<b>13,210,157</b>
Other Receivables		98	117
Investment Properties	10	-	45
Property, Plant and Equipment	11	21,993,760	8,701,243
Intangible Assets	12	7,502	3,853
Prepaid Expenses	9	1,764,327	692,437
Deferred Tax Asset	26	14,347,435	3,812,462
<b>TOTAL ASSETS</b>		<b>52,462,145</b>	<b>22,194,163</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>26,330,857</b>	<b>9,151,729</b>
Short-Term Borrowings	4	16,609,612	3,206,990
- Bank Loans	4	11,159,070	1,716,033
- Short-Term Portion of Long-Term Borrowings	4	5,378,292	1,438,203
- Lease Liabilities	4	72,250	52,754
Trade Payables	5	7,507,950	3,958,781
- Trade Payables to Third Parties	5	7,507,950	3,958,781
Payables Related to Employee Benefits	6	84,477	26,253
Other Payables	7	25,161	50,267
- Other Payables to Third Parties	7	25,161	50,267
Deferred Income	7	2,101,168	1,860,460
- Deferred Income from Third Parties	7	1,844,462	1,406,609
- Deferred Income from Related Parties	28	256,706	453,851
Current Tax Liabilities	26	-	47,518
Short-term Provisions	13	2,489	1,460
- Other Short-term Provisions	13	2,489	1,460
<b>Non-Current Liabilities</b>		<b>9,710,135</b>	<b>8,879,807</b>
Long-Term Borrowings	4	9,541,873	8,791,882
- Bank Loans	4	7,640,623	5,850,176
- Convertible Bonds	4	1,815,345	2,822,264
- Lease Liabilities	4	85,905	119,442
Long-Term Provisions	15	168,262	87,925
- Long-Term Provisions for Employee Benefits	15	168,262	87,925
<b>EQUITY</b>		<b>16,421,153</b>	<b>4,162,627</b>
Share Capital	17	2,263,633	1,120,000
Adjustments to Share Capital	17	13	13
Repurchased Shares	17	-	(14,993)
Restricted Reserves Appropriated from Profit	17	213,747	213,747
Other Reserves	17	83,902	83,902
Share Premiums	17	777,134	-
Accumulated Other Comprehensive Income / (Expenses) that will not be Reclassified to Profit or Loss		1,178,323	1,178,323
- Remeasurement Losses on Defined Benefit Plans	17	(4,109)	(4,109)
- Revaluation Gain on Property, Plant and Equipment	17	1,182,432	1,182,432
Prior Years' Profit	17	1,314,827	884,200
Net Profit for the Period	17	10,589,574	697,435
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>52,462,145</b>	<b>22,194,163</b>

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

## SASA POLYESTER SANAYİ A.Ş. VE AND ITS SUBSIDIARIES

### AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

	Notes	Current Period	Prior Period
		1 January - 31 December 2022	1 January - 31 December 2021
Revenue	18	31,060,178	14,644,953
Cost of Sales (-)	18	(24,195,229)	(10,942,436)
<b>GROSS PROFIT</b>		<b>6,864,949</b>	<b>3,702,517</b>
General Administrative Expenses (-)	19	(225,430)	(113,170)
Marketing Expenses (-)	19	(1,048,050)	(469,867)
Research and Development Expenses (-)	19	(10,429)	(8,546)
Other Income from Operating Activities	20	3,152,111	2,605,532
Other Expenses from Operating Activities (-)	20	(3,093,218)	(3,176,453)
<b>OPERATING PROFIT</b>		<b>5,639,933</b>	<b>2,540,013</b>
Income from Investing Activities	22	8,798	4,215
Expenses from Investing Activities (-)	22	(466)	(1,132)
<b>OPERATING PROFIT BEFORE FINANCE EXPENSE</b>		<b>5,648,265</b>	<b>2,543,096</b>
Finance Income	23	1,126,939	1,189,517
Finance Expenses (-)	24	(6,720,603)	(4,920,603)
<b>PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>54,601</b>	<b>(1,187,990)</b>
<b>Tax Income from Continuing Operations</b>		<b>10,534,973</b>	<b>1,885,425</b>
- Current Tax Expense (-)	26	-	(64,701)
- Deferred Tax Income	26	427,212	498,991
- Deferred Tax Income with Incentive Certificate	26	10,107,761	1,451,135
<b>PROFIT FOR THE YEAR</b>		<b>10,589,574</b>	<b>697,435</b>
<b>Other comprehensive income/expense</b>		-	<b>669,840</b>
Items Not to be Reclassified in Profit or Loss		-	669,840
<i>Revaluation Increases on Property, Plant and Equipment</i>		-	744,267
<i>Tax Effect of Revaluation Increases on Property, plant and Equipment(-)</i>		-	(74,427)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>10,589,574</b>	<b>1,367,275</b>
<b>Distribution of Profit for the Year:</b>			
Attributable to the Parent		10,589,574	697,435
Non - Controlling Interests		-	-
<b>Earnings Per Share</b>	<b>27</b>	<b>4.7203</b>	<b>0.3114</b>
<b>Distribution of Total Comprehensive Income:</b>			
Attributable to the Parent		10,589,574	1,367,275
Non - Controlling Interests		-	-

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

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

							Other comprehensive income or expenses not to be reclassified to profit or loss		Retained Earnings			
	Notes	Share capital	Inflation adjustment to share capital	Share Premiums	Other Reserves	Repurchased Shares	Gain on Revaluation of Property, Plant and Equipment	Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Prior years' Profit / (Losses)	Net Profit for the Year	Total Equity
<b>1 January 2021</b>	<b>17</b>	<b>830,000</b>	<b>13</b>	-	-	(5,707)	512,592	(4,109)	191,559	1,049,814	312,188	2,886,350
Transfers from retained earnings	17	290,000	-	-	-	-	-	-	22,188	-	(312,188)	-
Total Comprehensive Income		-	-	-	-	-	669,840	-	-	-	697,435	1,367,275
Equity Component of Convertible Bond	4	-	-	-	83,902	-	-	-	-	-	-	83,902
Decrease from Share Repurchase Transactions	17	-	-	-	-	(9,286)	-	-	-	(165,614)	-	(174,900)
<b>31 December 2021</b>	<b>17</b>	<b>1,120,000</b>	<b>13</b>	-	<b>83,902</b>	<b>(14,993)</b>	<b>1,182,432</b>	<b>(4,109)</b>	<b>213,747</b>	<b>884,200</b>	<b>697,435</b>	<b>4,162,627</b>
<b>1 January 2022</b>	<b>17</b>	<b>1,120,000</b>	<b>13</b>	-	<b>83,902</b>	<b>(14,993)</b>	<b>1,182,432</b>	<b>(4,109)</b>	<b>213,747</b>	<b>884,200</b>	<b>697,435</b>	<b>4,162,627</b>
Transfers from retained earnings	17	1,120,000	-	-	-	-	-	-	-	(422,565)	(697,435)	-
Total Comprehensive Income		-	-	-	-	-	-	-	-	-	10,589,574	10,589,574
Decrease from Share Repurchase Transactions	17	-	-	-	-	(7,500)	-	-	-	(408,662)	-	(416,162)
Transactions with Non-Controlling Shareholders (*)	17-4	23,633	-	777,134	-	22,493	-	-	-	1,261,854	-	2,085,114
<b>31 December 2022</b>	<b>17</b>	<b>2,263,633</b>	<b>13</b>	<b>777,134</b>	<b>83,902</b>	<b>-</b>	<b>1,182,432</b>	<b>(4,109)</b>	<b>213,747</b>	<b>1,314,827</b>	<b>10,589,574</b>	<b>16,421,153</b>

(\*) The Group has realised the share conversions of the Convertible Bonds through conditional capital increase and repurchased shares. The conditional capital increase was subject to an issue premium of TL 512,000 equivalent to TL 15,830 on 27 October 2022 and an issue premium of TL 265,134 equivalent to TL 7,803 on 2 December 2022.

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

# SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

	Notes	Current Period	Prior Period
		1 January - 31 December 2022	1 January - 31 December 2021
<b>Cash Flows From Operating Activities:</b>			
<b>Profit/(Loss) For The Period Before Tax from Continuing Operations</b>		<b>54,601</b>	<b>(1,187,990)</b>
<b>Adjustments Related to Reconciliation of Net Profit for the Year</b>		<b>4,464,458</b>	<b>2,776,337</b>
Adjustments Related to Depreciation and Amortization Expenses	10,11,12	326,294	243,414
Adjustments Related to Interest Income/Expenses		2,002,814	448,418
<i>Adjustments Related to Interest Expenses</i>	4,24	2,029,513	474,945
<i>Adjustments Related to Interest Income</i>	22,23	(21,645)	(20,567)
<i>Unearned Finance Income Related to Credit Sales</i>		(5,054)	(5,960)
Adjustments Related to Losses / (Gains) on Disposal of Property, Plant and Equipment		(3,884)	(2,739)
<i>Adjustments Related to Losses (Gains) on Disposal of Property, Plant and Equipment</i>	22	(3,884)	(2,739)
Adjustments Related to Provisions		104,517	36,976
<i>Adjustment Related to Provisions for Employee Benefits</i>	15	104,517	36,976
Adjustments Related to Provisions for Legal Cases	13	1,029	882
Adjustments Related to the Valuation of Derivative Instruments	29	-	(3,668)
Adjustments Related to Impairment / (Reversal)		6,158	1,402
<i>Adjustments for Impairment / (Reversal) of Receivables</i>	5	6,158	1,402
Adjustments Related to Unrealized Foreign Exchange Difference	4	2,488,688	2,356,735
Adjustments Related to Cash and Cash Equivalents Foreign Exchange Difference		(461,158)	(305,083)
<b>Changes in Working Capital:</b>		<b>(2,165,835)</b>	<b>(729,930)</b>
Adjustments Related to Increase in Trade Receivables		(1,467,986)	(1,540,745)
<i>Increase in Trade Receivables from Third Parties</i>		(1,472,976)	(1,588,226)
<i>Decrease in Trade Receivables from Related Parties</i>		4,990	47,481
Adjustment Related to Increase in Operational Other Receivables		(5,037)	(3,422)
<i>Increase in Other Receivables</i>		(5,037)	(3,422)
Adjustments Related to Increase in Inventories		(4,853,784)	(2,565,015)
Adjustments Related to (Increase)/Decrease in Prepaid Expenses		637,109	54,745
Adjustments Related to Increase in Other Current Assets		(373,480)	(397,051)
Adjustments Related to Increase in Trade Payables to Third Parties		3,619,834	2,509,391
Adjustments Related to (Decrease)/Increase in Other Payables		(21,423)	47,942
Adjustments Related to Increase in Deferred Income		240,708	1,159,561
Adjustments Related to Increase in Payables Related to Employee Benefits		58,224	4,664
<b>Cash Flows Generated from Operating Activities:</b>		<b>2,353,224</b>	<b>858,417</b>
Payments Related to Provisions for Employee Benefits	15	(24,180)	(5,744)
Tax Paid	26	(47,518)	(17,183)
<b>Net Cash (Used in) / Generated from Operating Activities</b>		<b>2,281,526</b>	<b>835,490</b>
<b>Cash Flows Used in Investing Activities:</b>			
Payment for Purchase of Property, Plant and Equipment and Intangible Assets		(14,055,989)	(2,498,179)
<i>Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets</i>	9,10,11,12	(14,055,989)	(2,498,179)
Cash Inflows from Sale for Property, Plant and Equipment and Property, Plant and Equipment	11,22	6,222	4,446
<i>Cash Inflows from Sale of Property, Plant and Equipment</i>		6,222	4,446
Interest Received	22,23	21,645	20,567
<b>Net Cash Used in Investing Activities</b>		<b>(14,028,122)</b>	<b>(2,473,166)</b>
<b>Cash Flows from Financing Activities:</b>			
Cash Inflows from Borrowings	4	19,282,308	7,847,052
<i>Cash Inflows from Bank Loans</i>	4	19,282,308	5,785,572
<i>Cash Inflows from Convertible Bond</i>	4	-	2,061,480
Cash Outflows Related to Debt Payments	4	(7,186,585)	(4,116,379)
<i>Cash Outflow on Repayment of Bank Loans</i>	4	(7,119,628)	(4,075,697)
<i>Cash Outflow on Repayment of Lease Liabilities</i>	4	(66,957)	(40,682)
Interest Paid	4,24	(1,709,301)	(525,029)
Cash Outflows Related to the Acquisition of Own Shares and Other Equity Instruments		(416,162)	(174,900)
Other Cash (Outflows) / Inflows		(52,107)	43,850
<b>Net Cash Generated from Financing Activities</b>		<b>9,918,153</b>	<b>3,074,594</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,828,443)</b>	<b>1,436,918</b>
<b>EFFECT OF FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>		<b>461,158</b>	<b>305,083</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	3	<b>2,170,396</b>	<b>428,395</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	3	<b>803,111</b>	<b>2,170,396</b>

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

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 1 – ORGANIZATION AND OPERATIONS OF THE GROUP**

Sasa Polyester Sanayi A.Ş. (“the Company”) was incorporated on 8 November 1966 in Adana. The Group is mainly engaged in the production and marketing of polyester fiber, yarns and related products and polyester chips. The Group is a subsidiary of Erdemoğlu Holding A.Ş. (“Erdemoğlu Holding”). The Group is controlled by Erdemoğlu Holding. Shares of Sasa Polyester Sanayi A.Ş. are quoted on the BIST 30 index of Borsa Istanbul A.Ş.

The address of the registered office is:

Sarı Hamzalı Mahallesi Turhan Cemal Beriker Bulvarı No:559 Seyhan/Adana.

As of 31 December 2022, number of employees of the Company is 4,743 (31 December 2021: 4,477).

#### **Subsidiaries**

The Company has founded its subsidiary, Sasa Dış Ticaret A.Ş. (“the Subsidiary”), with TL 2,000 paid in capital owning 100% of shares in accordance with the Board of Directors decision numbered 24 and dated 27 August 2015, in order to gain an effective structure to the Company's export operations.

The Company established its subsidiary Sasa Uluslararası Finansal Yatırım A.Ş. (“the Subsidiary”) with a capital of TL 20,000 in accordance with the decision of the Board of Directors dated 8 November 2022 and numbered 55, in order to provide an effective structure for the Company's activities to access financial resources. The Company owns 100% of Sasa Uluslararası Finansal Yatırım A.Ş. As at the balance sheet date, the Subsidiary has not yet commenced its operations.

Sasa and its subsidiaries, together will be referred to as “the Group”.

#### **Approval of Consolidated Financial Statements**

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 15 March 2023. General Assembly has the authority to modify the consolidated financial statements.

### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2.1 Basis of Presentation**

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation.

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

In addition, the consolidated financial statements have been prepared in accordance with the formats of “TFRS Taxonomy Announcement” published by POA and Financial Statement Examples and Guidelines for Use published by CMB, on 4 October 2022.

The financial statements are prepared on the historical cost basis, except for the revaluation of land and derivative financial instruments. In determining the historical cost, the fair value of the amount paid for the assets is generally taken as the basis.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

##### 2.1 Basis of Presentation (cont'd)

###### Currency Used

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

###### Preparation of Financial Statements in Hyperinflationary Economies

POA made an announcement on 20 January 2022 regarding the application of TAS 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") for entities adopting Turkish Financial Reporting Standards ("TFRS") for the year ended 31 December 2022. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 for the year ended 31 December 2022. As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. As a result, no inflation adjustment was made to the accompanying consolidated financial statements as of 31 December 2022 in accordance with TAS 29.

###### Going Concern

The consolidated financial statements are prepared on the going concern basis, with the assumption that the Group will benefit from its assets and fulfill its obligations in the next year and in the natural course of its activities. As at 31 December 2022, the Group's current liabilities exceed its current assets by TL 11,981,834 in the consolidated statement of financial position. The Group management foresees the continuity of operational profitability. The management has assessed that this amount in the light of current conditions and expected forecasts and have concluded that this is not indicative of a material uncertainty which would cast significant doubt on the Group's ability to continue as a going concern. While reaching this conclusion, agreements that the management has reached as a result of negotiations with the banks, the Group's EBITDA performance and cash generation, as well as the introduction of new investments, and the cash flow estimates that emerged based on expectations regarding the production and sales volume have been effective.

The Group's liquidity management safeguards the Group's ability to meet its payment obligations at any time. For this purpose, liquidity planning provides information about all cash flows arising from operating and financial activities within the planning framework. In order to meet its financial and operational activities and capital expenditures, the Group has restructured the repayment schedules of its loans to long term by obtaining financing amounting to TL 3,983,045 with a 10-year maturity on 26 January 2023 and TL 300,000 with a 10-year maturity on 13 February 2023. In addition to these, the Group has obtained financing amounting to TL 570,000 and TL 300,000 with a 7 year maturity in February 2023. The remaining financial requirements are met through the use of additional appropriate instruments for the liquidity method such as new bank loans, transfer of existing credit facilities and guarantees provided by shareholders.

For the reasons stated above, the going concern assumption is appropriate for the Group.

###### Basis of Consolidation

As at 31 December 2022 and 2021, the details of the Company's subsidiaries are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Sasa Dış Ticaret A.Ş.	100%	100%
Sasa Uluslararası Finansal Yatırım A.Ş.	100%	-

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

##### 2.1 Basis of Presentation (cont'd)

###### Basis of Consolidation (cont'd)

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

- has power over the investee/asset;
- is exposed, or has rights, to variable returns from its involvement with the investee/asset; and has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary commences when the Company obtains control over the subsidiary and ends when the Company loses control. The income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of acquisition to the date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to conform to the Group's accounting policies and all intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between Group entities are eliminated on consolidation.

##### 2.2 Offsetting

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

##### 2.3 New and Amended Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the financial statements for the year ended 31 December 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2022.

###### a) Amendments that are mandatorily effective from 2022

Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.3 New and Amended Turkish Financial Reporting Standards (cont'd)**

###### **a) Amendments that are mandatorily effective from 2022 (cont'd)**

###### ***Amendments to TFRS 3 Reference to the Conceptual Framework***

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

###### ***Amendments to TAS 16 Property, Plant and Equipment - Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

###### ***Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract***

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

##### **Annual Improvements to TFRS Standards 2018-2020 Cycle**

###### **Amendments to TFRS 1 First time adoption of Turkish Financial Reporting Standards**

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

###### **Amendments to TFRS 9 Financial Instruments**

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

##### 2.3 New and Amended Turkish Financial Reporting Standards (cont'd)

###### a) Amendments that are mandatorily effective from 2022 (cont'd)

###### **Amendments to TFRS 16 COVID-19 Related Rent Concessions**

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Group management has evaluated that these amendments and comments, which are effective from 2022, do not have any impact on the consolidated financial statements of the Group.

###### b) New and amended TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Definition of Accounting Estimates</i>
Amendments to TAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 – Comparative Information</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</i>

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.3 New and Amended Turkish Financial Reporting Standards (cont'd)**

###### **b) New and amended TFRSs in issue but not yet effective (cont'd)**

###### ***TFRS 17 Insurance Contracts***

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 2023.

###### ***Amendments to TAS 1 Classification of Liabilities as Current or Non-Current***

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

###### ***Amendments to TFRS 4 Extension of the Temporary Exemption from Applying TFRS 9***

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 *Insurance Contracts* from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

###### ***Amendments to TAS 1 Disclosure of Accounting Policies***

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

###### ***Amendments to TAS 8 Definition of Accounting Estimates***

With this amendment, the definition of “a change in accounting estimates” has been replaced with the definition of “an accounting estimate”, sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.3 New and Amended Turkish Financial Reporting Standards (cont'd)**

###### **b) New and amended TFRSs in issue but not yet effective (cont'd)**

###### ***Amendments to TAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

###### ***Amendments to TFRS 17 Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 – Comparative Information***

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Changes will be applied when TFRS 17 is first applied.

###### ***Amendments to TFRS 16 Lease Liability in a Sale and Leaseback***

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

###### ***Amendments to TAS 1 Non-current Liabilities with Covenants***

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.4 Changes in the Accounting Policies and Errors**

The accounting policy changes arising from the first-time application of a new standard are applied retrospectively or prospectively in accordance with the transitional provisions, if any. The changes that take place of any transitional provision, significant changes made optional in accounting policies or determined accounting errors are applied retrospectively by restating prior period financial statements. If changes in accounting estimates are related to only one period, they are applied both in the current period when the amendment is made and for the future periods, both in the current period and in the future. The accounting estimates used in the preparation of these consolidated financial statements for the year ended 31 December 2022 are consistent with those used in the preparation of financial statements for the year ended 31 December 2021.

##### **2.4.1 Comparative Information and Reclassification of Prior Period Financial Statements**

The consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

##### **2.5 Critical Decisions and Assumptions made by the Group in Applying Accounting Policies**

###### **2.5.1 Deferred tax**

The Group recognizes deferred tax on the temporary differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements. The Group has deferred tax assets amounting to TL 14,347,435 that can be deducted from future profits. The partially or fully recoverable amount of deferred tax assets has been estimated under current circumstances. During the assessment, future profit projections and the expiry dates of tax assets are taken into consideration. As a result of the assessments made, it has been concluded that these assets, which have indefinite useful lives, will be recoverable in the foreseeable future. (Note 26)

###### **2.5.2 Liabilities for employee benefits**

The Group makes various actuarial assumptions such as discount rate, inflation rate, rate of increase in real wages, and the possibility of withdrawal by itself in the calculation of liabilities related to employee benefits. Details of the provisions for employee benefits are disclosed in Note 15.

###### **2.5.3 Impairment on assets**

The Group Management applies an impairment test in each reporting period in case of situations or events indicating that it is not possible to recover the carrying value for the assets subject to depreciation and amortization. For assessment of impairment, assets are grouped at the lowest level with separate identifiable cash flows (cash generating units). As a result of the impairment studies carried out by the Group Management, no further impairment is expected in the accompanying financial statements, other than the provision for impairment of non-financial assets as of the reporting date.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.5 Critical Decisions and Assumptions made by the Group in Applying Accounting Policies (cont'd)**

###### **2.5.4 Impairment on financial assets**

While evaluating the impairment of financial assets, the management makes assumptions such as default risk and expected credit loss ratio regarding the related assets. While making these assumptions and judgments as of each reporting period, the Group considers past experiences, current market conditions and future expectations regarding the market.

###### **2.5.5 Calculation of Loss Provision**

In measuring expected loss provisions, the Company uses reasonable and supportable forward-looking information based on assumptions about different future economic conditions and how they will affect each other.

Loss given default is an estimate of the loss given default. It is based on the difference between the contractual cash flows and the receivables that the lender expects to collect, taking into account cash flows arising from collateral and credit enhancements.

##### **2.6 Summary of Significant Accounting Policies**

###### **2.6.1 Revenue**

The revenue consists of the sales of fiber, textile chips, poy, pet resin, yarn and other by-products sold directly to the end user in the domestic and foreign markets.

Revenue is measured based on the consideration specified in a sales order with a customer. The Group recognises revenue when it transfers control of a product to a customer.

The Group recognizes revenue in its financial statements in line with the following basic principles:

- a) Identify the sales order(s) with customer
- b) Identify the performance obligations in sales orders
- c) Determine the transaction price
- d) Allocate the sales order transaction price to performance obligations based on the delivery buckets of the products
- e) Recognition of revenue when each performance obligation is realized

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.6 Summary of Significant Accounting Policies (cont'd)**

###### **2.6.1 Revenue (cont'd)**

The Group accounts for a sales orders with a customer that is within the scope of this Standard only when all of the following criteria are met:

- a) The parties to the sales orders have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- b) The Group can identify each party's rights regarding the goods or services to be transferred,
- c) The Group can identify the payment terms for the goods or services to be transferred,
- d) The sales orders have commercial substance,
- e) It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In assessing whether a consideration is likely to be collectible, an entity considers only the customer's ability and intent to pay the consideration on time.

###### Dividend, interest and rental income

Interest income is accrued using the effective interest method which brings the remaining principal amount and expected future cash flows to the net book value of the related deposit during the expected life of the deposit. The Group's interest income from time deposit investments are accounted under finance income, and interest income from forward sales arising from trade receivables is recognized in revenue. Rental income from real estate is accounted for using the straight-line method throughout the relevant lease.

###### **2.6.2 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 based on weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

###### **2.6.3 Property, Plant and Equipment**

###### Revaluation Method

Lands held in use for production or delivery of goods or services or for administrative purposes are stated at their revalued amounts. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

##### 2.6 Summary of Significant Accounting Policies (cont'd)

##### 2.6.3 Property, Plant and Equipment (cont'd)

###### Revaluation Method (cont'd)

On the subsequent sale or retirement of a revalued lands the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Unless the asset is derecognised, no transfer is made from the revaluation fund to retained earnings.

###### Cost Method

Property, plant and equipment, except lands, are presented at cost less accumulated depreciation and accumulated impairment losses.

The estimated useful lives of these assets are as follows:

	YEARS
Land improvements	5-25
Buildings	18-25
Machinery, plant and equipment	5-25
Motor vehicles	3-5
Furniture and fixtures	4-25

Properties in the course of construction for administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs are capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Leased assets are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

##### 2.6 Summary of Significant Accounting Policies (cont'd)

###### 2.6.4 Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

	YEARS
Software	5-25
Development costs	5

###### Internally-generated intangible assets – research and development expenditure

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

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

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

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

###### Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (10 years).

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.6 Summary of Significant Accounting Policies (cont'd)**

###### **2.6.4 Intangible Assets (cont'd)**

###### Computer software (cont'd)

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as non-current assets are amortized over their estimated useful lives.

###### Derecognition of intangible assets

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

###### **2.6.5 Leases**

###### The Group as Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a leased machinery and equipment and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the depreciation of these lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes appropriate changes to related the right-of-use asset):

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

##### 2.6 Summary of Significant Accounting Policies (cont'd)

###### 2.6.6 Borrowing Costs

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

When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Financial investment income obtained by using a part of the investment loan, which has not yet been spent, temporarily in financial investments is offset from the borrowing costs suitable for capitalization. The amount of borrowing costs capitalized during the current period is given in the Note 11.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

###### 2.6.7 Financial Instruments

Financial instruments are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised at fair value through profit or loss.

###### *Financial Assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows, at subsequent recognition, it is measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. The Group reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

###### Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

##### 2.6 Summary of Significant Accounting Policies (cont'd)

##### 2.6.7 Financial Instruments (cont'd)

###### *Financial Assets (cont'd)*

###### Classification of financial assets (cont'd)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

###### (i) Amortised cost and effective interest method

Interest income for the financial assets shown over the amortized cost is calculated using the effective interest method. The effective method of interest is to calculate the amortized cost of a borrowing agent and distribute interest income to the relevant period. This income is calculated by applying the effective interest rate to the gross book value of the financial asset except the following:

- (a) Financial assets with a low credit value when purchased or created. For such financial assets, the business applies the effective interest rate corrected by credit to the redeemed cost of the financial asset for the first time since being taken to financial statements.
- (b) Financial assets that are not a financial asset with a credit impairment when purchased or created, but subsequently become a credit-impairment financial asset. For such financial assets, the business applies the effective interest rate to the redeemed cost of the asset during subsequent reporting periods.

Interest income, redeemed costs in subsequent posting, and fair value change are accounted for by using the effective interest method for borrowing vehicles projected to other comprehensive income. Interest income is accounted for in profit or loss and is shown in the "Finance income – Interest income" item (Note 23).

###### (ii) Financial assets at FVTOCI

The financial assets ((i) – (iii)), which do not meet the criteria of measurement by reflecting on the redeemed costs or the other comprehensive income of the fair value change, are measured by the profit or loss of the fair value exchange. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy).

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

##### 2.6 Summary of Significant Accounting Policies (cont'd)

##### 2.6.7 Financial Instruments (cont'd)

###### *Financial Assets (cont'd)*

###### (iii) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each period and all changes in fair value are recognised in profit or loss, unless the financial assets are designated as hedging instruments.

###### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Especially,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income.

###### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on borrowing instruments, lease receivables, trade receivables, assets arising from contracts with customers and expected credit losses from investments to financial guaranty contract that are measured at amortised cost or at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables, contract assets and *lease receivables* that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets. For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

##### 2.6 Summary of Significant Accounting Policies (cont'd)

##### 2.6.7 Financial Instruments (cont'd)

###### *Financial Assets (cont'd)*

###### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows (all cash-deficiencies) that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate (or credit-based adjusted effective interest rate for financial assets with credit-value impairment when purchased or incurred).

###### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

###### *Financial Liabilities*

On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised at initial carrying value.

A financial liability is subsequently classified at amortized cost except:

- a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.
- b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Group continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.6 Summary of Significant Accounting Policies (cont'd)**

##### **2.6.7 Financial Instruments (cont'd)**

###### ***Financial Liabilities (cont'd)***

- c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

###### **Convertible bonds**

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and is recognised and included under shareholders' equity.

An entity may not reclassify any financial liability.

###### **Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

###### **Derivative Financial Instruments**

In order to keep the risks associated with foreign exchange and interest rates under control, the Group uses various derivative financial instruments, including foreign exchange forward contracts, options and interest rate swap contracts. Detailed information on derivative financial instruments is given in Note 29 and Note 31.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.6 Summary of Significant Accounting Policies (cont'd)**

##### **2.6.8 The Effects of Foreign Exchange Rate Changes**

###### Foreign Currency Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

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

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

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

##### **2.6.9 Earnings Per Share**

Earnings per share stated in the consolidated statement of profit or loss are calculated by dividing net profit by the weighted average number of shares outstanding during the year.

Companies in Turkey can increase their capital through “bonus shares” that they distribute to their shareholders from retained earnings. Such "bonus shares" distributions are treated as issued shares in earnings per share calculations. Accordingly, the weighted average number of shares used in these calculations has been calculated by taking into account the retrospective effects of the aforementioned share distributions.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.6 Summary of Significant Accounting Policies (cont'd)**

###### **2.6.10 Events After the Reporting Period**

Subsequent events include all events that take place between the balance sheet date and the date of authorization for the release of the balance sheet, although the events occurred after the announcements related to the profit or even after the public disclosure of other selective financial information. In the case that events occur requiring an adjustment, the Group adjusts the amounts recognized in its financial statements to reflect the adjustments after the balance sheet date.

###### **2.6.11 Provisions, Contingent Assets and Liabilities**

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

###### **2.6.12 Related Parties**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

- 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 reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the reporting entity 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 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.
  - (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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.6 Summary of Significant Accounting Policies (cont'd)**

###### **2.6.12 Related Parties (cont'd)**

- (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).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

###### **2.6.13 Government Incentives and Aids**

A government grant is not recognized in the financial statements without reasonable assurance that the entity will meet the conditions for obtaining the grant and that the grant will be received.

Government grants are systematically recognized in profit or loss during the periods in which the costs intended to be covered by these incentives are recognized as an expense. Government incentives, which are a financing tool, should be associated with the statement of financial position as unearned income and systematically reflected in profit or loss over the economic life of the relevant assets, instead of being recognized in profit or loss to clarify the expenditure item they finance.

Government grants given to cover previously incurred expenses or losses or to provide emergency financing support to the business without incurring any future costs are recognized in profit or loss in the period they become collectible.

Within the scope of the Law No. 5746 on Supporting Research, Development and Design Activities of the Group; the Group has the R&D center certificate given by the Ministry of Industry and Technology of the Republic of Turkey, and has been entitled to benefit from the incentives and exemptions granted to R&D centers in accordance with the provisions of the Law No. 5746.

With regard to research and development projects (“R&D”), provided that the aforementioned projects meet certain criteria, the Group agrees to the R&D no. 98/10 of the Scientific and Technical Research Council of Turkey (“TÜBİTAK”) and the Para-Credit and Coordination Board. Within the scope of the Communiqué on GE Assistance, it can benefit from R&D assistance, subject to the evaluation of TÜBİTAK Technology and Innovation Support Programs Directorate (“TEYDEB”).

As a result of the incentive certificate application made by the Group to the Republic of Turkey Ministry of Economy, General Directorate of Incentive Implementation and Foreign Capital, the incentive application for Polymer Production Facilities Investment was included in the scope of granting Project Based State Aid to Investments, which was put into effect by the decision of the Council of Ministers, was approved by the Council of Ministers on 30 April 2018 and published in the Official Gazette of the Republic of Turkey dated 23 June 2018 (Note 26). In addition, as a result of the application made by the Group, an incentive certificate was obtained for PTA and Polymer Chips Production Facilities Investment on 4 January 2021.

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.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.6 Summary of Significant Accounting Policies (cont'd)**

###### **2.6.14 Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation and are initially recognised at cost plus transaction costs. After initial recognition, investment properties are measured at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are recognised in the statement of profit or loss in the period in which they arise. The estimated useful lives of investment properties are 18-40 years for buildings and 15-25 years for land improvements. The useful life estimation for the buildings within investment properties is between 18-40 years, for the land improvements is between 15-25 years.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Group accounts for such property in accordance with the policy stated under "Property, Plant and Equipment" up to the date of change in use.

###### **2.6.15 Taxation**

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

###### Current tax

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

###### Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. 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.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.6 Summary of Significant Accounting Policies (cont'd)**

###### **2.6.15 Taxation (cont'd)**

###### Deferred tax (cont'd)

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.

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 end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are 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 period

Tax is included in the statement of profit or loss, unless it is related to a transaction recognized directly in equity. Otherwise, the tax is recognized in equity together with the related transaction.

###### **2.6.16 Employee Benefits**

###### Termination benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TMS 19 (Revised) Employee Benefits ("TMS 19").

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

###### **2.6.17 Statement of Cash Flows**

In the statement of cash flows, cash flows are classified according to operating, investment and financing activities.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

##### 2.6 Summary of Significant Accounting Policies (cont'd)

##### 2.6.18 Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which the dividend is decided.

##### 2.6.19 Segment Reporting

Considering the nature of products and production processes, the type of products and services, and the methods used to distribute their products and services, segments are combined into a single operating segment with one similar economic characteristic.

Detailed information for sales revenue of the Group is provided in Note 18. In 2022, 14% of sales revenue of the Group is generated from one third party customer (2021: 13%).

#### NOTE 3 – CASH AND CASH EQUIVALENTS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash	17	122
Cash at banks	803,094	2,170,274
-Demand deposit	481,258	930,677
-Time deposit	321,836	1,239,597
	<b>803,111</b>	<b>2,170,396</b>

As of 31 December 2022, the details of the Group's time deposits are as follows. (31 December 2021: USD 93,000,000, maturity date 3 January 2022, interest rate 0.75%)

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>31 December 2022</u>
Turkish Lira	21.00	2 January 2023	250,000
US Dollar (*)	1.75	2 January 2023	2,200
Euro (*)	0.75	2 January 2023	1,540

(\*) Amounts are expressed in EUR 1,000 and USD 1,000.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 4 – FINANCIAL INSTRUMENTS

<b>Short-Term Financial Investments</b>	<b><u>31 December 2022</u></b>	<b><u>31 December 2021</u></b>
Currency hedged deposit balances (*)	55,239	-
Blocked deposits with maturity longer than 3 months (**)	-	3,132
<b>Total</b>	<b>55,239</b>	<b>3,132</b>

(\*) As of 31 December 2022, the Group has TL 55,239 foreign currency protected deposit balance within the scope of the Communiqué on Supporting Translation to Turkish Lira Deposit and Participation Accounts. (31 December 2021: None.) Details of the Group's currency hedged deposits as at 31 December 2022 is as follows.

<b><u>Currency</u></b>	<b><u>Interest Rate (%)</u></b>	<b><u>Maturity</u></b>	<b><u>31 December 2022</u></b>
Turkish Lira	17.00	3 January 2023	55,239

(\*\*) As of 31 December 2022, the Group does not have any blocked deposits with a maturity longer than 3 months (31 December 2021: TL 3,132).

#### Financial Borrowings

<b>Short-term Financial Borrowings</b>	<b><u>31 December 2022</u></b>	<b><u>31 December 2021</u></b>
Short-term bank loans	11,159,070	1,716,033
Short-term portion of the long-term borrowings	5,378,292	1,438,203
Lease liabilities	72,250	52,754
	<b>16,609,612</b>	<b>3,206,990</b>

#### Long-term Financial Borrowings

	<b><u>31 December 2022</u></b>	<b><u>31 December 2021</u></b>
Long-term bank loans	7,640,623	5,850,176
Convertible bonds issued	1,815,345	2,822,264
Lease liabilities	85,905	119,442
	<b>9,541,873</b>	<b>8,791,882</b>
	<b>26,151,485</b>	<b>11,998,872</b>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 4 – FINANCIAL INSTRUMENTS (cont'd)

##### Financial Borrowings (cont'd)

##### a) Bank loans

As of 31 December 2022 and 31 December 2021, bank loans and interest accruals related to these loans are as follows:

Principal Original currency	31 December 2022			31 December 2021		
	weighted average effective interest rate (%)	Original amount (*)	TL	Weighted average effective interest rate (%)	Original amount (*)	TL
TL	18.53	-	11,461,256	25.04	-	1,637,557
US Dollar	5.38	36,451	681,572	2.54	24,960	333,294
Euro	5.20	572,164	11,426,572	2.90	459,497	6,944,794
			<b>23,569,400</b>			<b>8,915,645</b>
<b>Interest Accrued</b>						
TL		-	497,515		-	50,209
US Dollar		488	9,150		28	378
Euro		5,103	101,920		2,526	38,180
			<b>24,177,985</b>			<b>9,004,412</b>

(\*) Amounts are expressed in EUR 1,000 and USD 1,000.

The repayment schedule of the bank loans as follows:

	31 December 2022	31 December 2021
Within 1 year	16,537,362	3,154,236
Within 1–2 year	1,608,128	1,316,022
Within 2 - 3 year	1,367,668	1,115,876
Within 3 - 4 year	1,296,255	882,300
Within 4 - 5 year	751,166	831,406
5 + years	2,617,405	1,704,572
	<b>24,177,985</b>	<b>9,004,412</b>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 4 – FINANCIAL INSTRUMENTS (cont'd)

##### Financial Borrowings (cont'd)

##### b) Lease liabilities

Distribution of lease liabilities	<u>31 December 2022</u>	<u>31 December 2021</u>
Short-term	72,250	52,754
Long-term	85,905	119,442
	<b>158,155</b>	<b>172,196</b>

Maturity distribution:	<u>31 December 2022</u>	<u>31 December 2021</u>
Within 1 year	72,250	52,754
Within 1–2 years	71,785	52,863
Within 2-3 years	14,120	52,763
Within 3-4 years	-	13,816
	<b>158,155</b>	<b>172,196</b>

Leases are related to the purchase of production equipment with a lease term of 4-5 years. The Group's liabilities regarding financial leasing are secured by the ownership right of the lessor on the leased asset. On the contract date, interest rates for financial leasing transactions are fixed for the entire lease period. Average effective contract interest rate is approximately 4.02% annually (2021: 3.56%). Lease contracts currency is Euro.

##### c) Convertible Bonds

The issuance of Convertible Bonds with a nominal value of EUR 200,000,000 (EUR 200,000,000) with a maturity of 5 (five) years in EUR to be sold to qualified investors abroad has been completed as of 30 June 2021 and the net amount of the transaction has been transferred to the company accounts on 1 July 2021.

Bonds due 30 June 2026 (ISIN Code: XS235783838601) were sold in units of minimum EUR 100,000 under the guarantee of Sasa Dış Ticaret A.Ş. Bond interest is determined as 3.25% per annum fixed in addition to the transaction commission fee and interest payments are made quarterly.

Initial Conversion Price determined as EUR 3.5629 with respect of adding 27.5% Premium on reference share price calculated as EUR 2.7944 for 1 lot (1 TL nominal) share traded on the stock Exchange (The arithmetic average of the weighted average prices realized on the Exchange over the spot exchange rate during the 15-day monitoring period covering the date range from 24 June 2021 to 14 July 2021). In this context, the Conversion Rate calculated for the bond with a nominal value of EUR 100,000 is 28,067.0241 (lot) shares. Within the scope of the bonus issue completed on 9 May 2022, the conversion price was updated as EUR 1.7814 and the conversion rate was updated as 56,135.6237 shares (lot).

Proceeds from the issuance of convertible bond are used for refinancing of existing borrowings and financing the long-term investments.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 4 – FINANCIAL INSTRUMENTS (cont'd)

##### Financial Borrowings (cont'd)

##### c) Convertible Bonds (cont'd)

Currency type	31 December 2022			31 December 2021		
	Interest rate (%)	Currency amount (*)	TL	Interest rate (%)	Currency amount (*)	TL
Euro	3.25	81,160	1,815,345	3.25	186,653	2,822,264
			<b>1,815,345</b>			<b>2,822,264</b>

(\*) The amount is expressed as EUR 1,000.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds will be allocated to the conversion option and recognised in shareholders' equity.

As of the reporting period, EUR 110,700,000 nominal amount of the bonds with a nominal amount of EUR 200,000,000 issued on 22 June 2021 has been amortized by converting into shares in accordance with the demand of the investors holding the bonds.

	31 December 2022	31 December 2021
The nominal value of the convertible bond on the day of issue	2,061,480	2,061,480
Equity component of convertible bond on the day of issue	(83,902)	(83,902)
The liability component of the convertible bond on the day of issue	2,822,264	1,977,578
Unrealized foreign exchange difference	1,077,107	895,468
Bonds converted into shares	(2,085,114)	-
Interest accruals (*)	224,622	57,029
Interest payments	(223,534)	(107,811)
Liability component of convertible bond as of 31 December	<b>1,815,345</b>	<b>2,822,264</b>

(\*) Interest expense is calculated by applying the effective interest rate of 5% for the liability component of the bond. In addition, interest paid on convertible bonds is also recognised as an expense in the current period.

From the issue date of the convertible bond until 31 December 2022, the Group has made coupon interest payments amounting to EUR 7,812,188 and conversion related interest payments amounting to EUR 21,127,438.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 4 – FINANCIAL INSTRUMENTS (cont'd)

##### Financial Borrowings (cont'd)

##### d) Reconciliation of the liabilities arising from financial activities

Cash and non-cash changes in the Group's liabilities arising from financing activities are presented in the table below. Liabilities from financing activities are cash flows that have been or will be reclassified to cash flows from financing activities in the Group's consolidated statement of cash flows.

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Opening balance</b>	<b>11,998,872</b>	<b>5,905,972</b>
Interest expense	1,918,217	445,091
Interest paid	(1,598,005)	(495,175)
Foreign exchange difference	2,488,688	2,356,735
Capitalized borrowing costs (Note 11)	1,333,104	139,478
Payments for lease liabilities	(66,957)	(40,682)
Loans received	19,282,308	5,785,572
Repayments of loans	(7,119,628)	(4,075,697)
Cash Inflows from Issued Convertible Bonds	-	2,061,480
Cash Outflows from Issued Convertible Bonds	(2,085,114)	-
Commission Expenses	111,296	29,854
Commission Paid	(111,296)	(29,854)
Reclassification of cash inflows from convertible bond to equity (Note 17)	-	(83,902)
<b>Closing balance</b>	<b>26,151,485</b>	<b>11,998,872</b>

#### NOTE 5 - TRADE RECEIVABLES AND PAYABLES

##### Trade Receivables

	<u>31 December 2022</u>	<u>31 December 2021</u>
Trade receivables (*)	2,882,427	1,612,795
Notes received (**)	738,339	602,008
Provision for doubtful receivables	(6,158)	(1,402)
	<b>3,614,608</b>	<b>2,213,401</b>
Receivables from related parties (Note 28)	-	4,990
	<b>3,614,608</b>	<b>2,218,391</b>

(\*) As of 31 December 2022, trade receivables are discounted by using monthly 1.75% for TL, 1.17% for US Dollar, 0.75% for Euro (As of 31 December 2021: 2.09% for TL, 0.21% for US Dollar, 0.25% for Euro).

(\*\*) Notes received constitute the notes obtained from customers and kept in portfolio as a result of trade activities and consist of TL 521,867 with maturities of less than three months (31 December 2021: TL 320,335).

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 5 - TRADE RECEIVABLES AND PAYABLES (cont'd)

##### Trade Receivables (cont'd)

Aging of receivables that are due but not impaired.

<b>Overdue period</b>	<b><u>31 December 2022</u></b>	<b><u>31 December 2021</u></b>
Up to 1 month	347,982	183,498
1 - 3 months	29,571	22,685
Over 3 months	-	3,906
	<b><u>377,553</u></b>	<b><u>210,089</u></b>

As of 31 December 2022 and 31 December 2021, due to existence of direct debiting system, bank guarantee, mortgage and customer cheques, the Group has not allocated any provision in the consolidated financial statements relation to trade receivables that were past due but not impaired.

The analysis of overdue receivables and provision for doubtful receivables as follows:

<b>Overdue Period</b>	<b><u>31 December 2022</u></b>	<b><u>31 December 2021</u></b>
Over 6 months	6,158	1,402
	<b><u>6,158</u></b>	<b><u>1,402</u></b>

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 6 months past due because historical experience has indicated that these receivables are generally not recoverable.

	<b><u>1 January - 31 December 2022</u></b>	<b><u>1 January - 31 December 2021</u></b>
<b>Balance at 1 January</b>	(1,402)	-
Provision for the period (Note 19)	(6,158)	(1,402)
Provision written-off during the period (Note 19)	1,402	-
<b>Balance 31 December</b>	<b><u>(6,158)</u></b>	<b><u>(1,402)</u></b>

##### Trade Payables

	<b><u>31 December 2022</u></b>	<b><u>31 December 2021</u></b>
Trade payables (*)	7,507,950	3,958,781
	<b><u>7,507,950</u></b>	<b><u>3,958,781</u></b>

(\*) As of 31 December 2022, trade payables are discounted by using monthly 1.75% for TL, 1.17% for USD, 0.75% for EUR (31 December 2021: 2.09% for TL, 0.21% for USD, 0.25% for EUR). As of 31 December 2022, average turnover for trade receivables and trade payables are 49 days and 79 days, respectively (31 December 2021: 54 days and 66 days).

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 6 – PAYABLES RELATED TO EMPLOYEE BENEFITS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Social security premiums payable	52,667	13,369
Due to personnel	31,810	12,884
	<u>84,477</u>	<u>26,253</u>

#### NOTE 7 – OTHER RECEIVABLES, PAYABLES AND DEFERRED INCOME

##### Other Current Receivables

	<u>31 December 2022</u>	<u>31 December 2021</u>
Deposits and guarantees given	249	317
Other receivables(*)	5,579	7,960
	<u>5,828</u>	<u>8,277</u>

(\*) Other receivables consist of interest income, prepaid taxes and funds, business and service advances.

##### Other Payables

	<u>31 December 2022</u>	<u>31 December 2021</u>
Taxes, duties and charges payable	25,161	50,267
	<u>25,161</u>	<u>50,267</u>

##### Deferred Income

	<u>31 December 2022</u>	<u>31 December 2021</u>
Order advances received	1,844,462	1,406,609
Order advances received from related parties (Note 28)	256,706	453,851
	<u>2,101,168</u>	<u>1,860,460</u>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 8 – INVENTORIES

	<u>31 December 2022</u>	<u>31 December 2021</u>
Raw materials and supplies	3,237,111	1,215,899
Finished goods	2,148,233	648,064
Goods in transit (*)	3,062,090	1,841,843
Spare parts	141,122	78,912
Working in progress	60,560	36,445
Other inventories	107,918	82,087
	<b>8,757,034</b>	<b>3,903,250</b>

(\*) This amount consists of raw material purchases that are in transit as of the reporting period.

#### NOTE 9 - PREPAID EXPENSES

##### Prepaid Expenses (Short-term)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Prepaid insurance expenses	84,139	29,722
Other prepaid expenses	2,339	1,428
	<b>86,478</b>	<b>31,150</b>

##### Prepaid Expenses (Long-term)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Given advances for fixed asset purchases (*)	1,764,327	692,437
	<b>1,764,327</b>	<b>692,437</b>

(\*) The balance consists of the advance payments made by the Group for the fixed assets purchases related to its investments.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 10 - INVESTMENT PROPERTIES

The movement of investment properties and related depreciation for the years ended 31 December 2022 and 2021 are as follows:

	1 January 2022	Additions	Transfers (*)	31 December 2022
<b>Cost:</b>				
Land	5	-	(5)	-
Buildings	3,780	-	(3,780)	-
	<b>3,785</b>	-	<b>(3,785)</b>	-
<b>Accumulated depreciation</b>				
Buildings	3,740	32	(3,772)	-
	<b>3,740</b>	<b>32</b>	<b>(3,772)</b>	-
<b>Net book value</b>	<b>45</b>			-

(\*) Sasa, one of the Group companies, has started to use its real estates with a net book value of TL 13 in its own production activities after the expiry of the lease agreements. Therefore, these properties have been transferred from investment property to property, plant and equipment.

	1 January 2021	Additions	Transfers (*)	31 December 2021
<b>Cost:</b>				
Land	5	-	-	5
Buildings	3,780	-	-	3,780
	<b>3,785</b>	-	-	<b>3,785</b>
<b>Accumulated depreciation</b>				
Buildings	3,665	75	-	3,740
	<b>3,665</b>	<b>75</b>	-	<b>3,740</b>
<b>Net book value</b>	<b>120</b>		-	<b>45</b>

The income statement related accounts for total depreciation expense incurred for the accounting periods ended on 31 December 2022 and 2021 are associated are given in Note 11.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and related accumulated depreciation for the accounting periods ended 31 December 2022 and 2021 is as follows:

	1 January 2022	Additions	Transfers	Disposals	31 December 2022
<b>Cost</b>					
Land	1,657,008	2,160,624	5	-	3,817,637
Land improvements	20,001	1,735	8	-	21,744
Buildings	750,461	4,963	223	(2,864)	752,783
Machinery, plant and equipment	5,032,039	138,751	6,806	(6,966)	5,170,630
Vehicles	16,524	9,690	1,113	(1,671)	25,656
Furniture and fixtures	38,414	43,105	-	(1,256)	80,263
Construction in progress (*)	1,961,335	11,256,673	(8,142)	-	13,209,866
	<b>9,475,782</b>	<b>13,615,541</b>	<b>13</b>	<b>(12,757)</b>	<b>23,078,579</b>
<b>Accumulated depreciation</b>					
Land improvements	3,031	799	-	-	3,830
Buildings	92,101	28,603	-	(2,758)	117,946
Machinery, plant and equipment	660,585	278,811	-	(6,735)	932,661
Vehicles	7,035	4,191	-	(633)	10,593
Furniture and fixtures	11,787	8,295	-	(293)	19,789
	<b>774,539</b>	<b>320,699</b>	<b>-</b>	<b>(10,419)</b>	<b>1,084,819</b>
<b>Net book value</b>	<b>8,701,243</b>				<b>21,993,760</b>

(\*) During the period ended 31 December 2022, capitalized borrowing costs for construction in progress is amounting to TL 1,333,104 (31 December 2021: TL 139,478) (Note 4). As of 31 December 2022, the Group has mortgage on property, plant and equipment amounting to TL 6,441,824 (31 December 2021: TL 5,653,332) (Note 14).

**SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (cont'd)**

	<b>1 January 2021</b>	<b>Additions</b>	<b>Transfers</b>	<b>Revaluation</b>	<b>Disposals</b>	<b>31 December 2021</b>
<b>Cost</b>						
Land	714,261	198,566	-	744,267	(86)	1,657,008
Land improvements	12,186	4,979	2,836	-	-	20,001
Buildings	680,379	3,158	66,924	-	-	750,461
Machinery, plant and equipment	4,060,273	21,760	956,207	-	(6,201)	5,032,039
Vehicles	11,029	4,017	1,657	-	(179)	16,524
Furniture and fixtures	22,710	10,802	4,958	-	(56)	38,414
Construction in progress	900,677	2,093,240	(1,032,582)	-	-	1,961,335
	<b>6,401,515</b>	<b>2,336,522</b>	<b>-</b>	<b>744,267</b>	<b>(6,522)</b>	<b>9,475,782</b>
<b>Accumulated depreciation</b>						
Land improvements	2,441	590	-	-	-	3,031
Buildings	63,641	28,460	-	-	-	92,101
Machinery, plant and equipment	458,399	206,882	-	-	(4,696)	660,585
Vehicles	4,518	2,611	-	-	(94)	7,035
Furniture and fixtures	8,088	3,724	-	-	(25)	11,787
	<b>537,087</b>	<b>242,267</b>	<b>-</b>	<b>-</b>	<b>(4,815)</b>	<b>774,539</b>
<b>Net book value</b>	<b>5,864,428</b>					<b>8,701,243</b>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

##### Fair value measurement of the Group's freehold lands

The freehold lands owned by the Group are stated at their revalued amount as of balance sheet date. The fair value of the lands owned by the Group was determined by İdeal Gayrimenkul Değerleme ve Danışmanlık A.Ş., a valuation company independent from the Group, as of 31 December 2021. İdeal Gayrimenkul Değerleme ve Danışmanlık A.Ş is authorized by the CMB and provides real estate valuation services in accordance with the capital market legislation and has sufficient experience and qualifications in measuring the fair value of real estates in the relevant regions. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

Details of the Group's freehold lands and information about the fair value hierarchy as of 31 December 2022 are as follows:

	Fair value level as of the reporting date			
	31 December 2022	Level 1	Level 2	Level 3
Land	3,817,637	-	-	3,817,637
	<b>3,817,637</b>	-	-	<b>3,817,637</b>

There were no transfers between levels during the period.

Movement of lands which is revalued in level 3 is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	1,657,008	714,261
Additions	2,160,629	198,566
Disposals	-	(86)
Fair value increase	-	744,267
- Recognized in equity	-	744,267
<b>Closing balance</b>	<b>3,817,637</b>	<b>1,657,008</b>

If lands were recognized at their historical cost, carrying amount would be as follows:

	31 December 2022	31 December 2021
Lands	2,503,824	343,195
	<b>2,503,824</b>	<b>343,195</b>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

Income statement accounts related to depreciation and amortization of total (property, plant and equipment, intangible assets, investment property) during the periods ended 31 December 2022 and 2021 are as follows:

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Production cost (Note 18)	314,256	235,344
General administrative expenses (Note 19)	7,436	4,162
Marketing, sale and distribution expenses (Note 19)	4,263	3,514
Research expenses (Note 19)	339	394
	<b>326,294</b>	<b>243,414</b>

#### NOTE 12 – INTANGIBLE ASSETS

The movement of intangible assets and related accumulated amortization for the periods ended 31 December 2022 and 2021 is as follows:

	<b>1 January 2022</b>	<b>Additions</b>	<b>31 December 2022</b>
<b>Cost</b>			
Software	13,620	9,212	22,832
Development costs	8,210	-	8,210
	<b>21,830</b>	<b>9,212</b>	<b>31,042</b>
<b>Accumulated amortization</b>			
Software	9,767	5,563	15,330
Development costs	8,210	-	8,210
	<b>17,977</b>	<b>5,563</b>	<b>23,540</b>
<b>Net book value</b>	<b>3,853</b>		<b>7,502</b>
	<b>1 January 2021</b>	<b>Additions</b>	<b>31 December 2021</b>
<b>Cost</b>			
Software	9,547	4,073	13,620
Development costs	8,210	-	8,210
	<b>17,757</b>	<b>4,073</b>	<b>21,830</b>
<b>Accumulated amortization</b>			
Software	8,695	1,072	9,767
Development costs	8,210	-	8,210
	<b>16,905</b>	<b>1,072</b>	<b>17,977</b>
<b>Net book value</b>	<b>852</b>		<b>3,853</b>

The income statement accounts related to the total amortization for the accounting periods ending on 31 December 2022 and 2021 are given in Note 11.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Provision for Litigation

	<u>31 December 2022</u>	<u>31 December 2021</u>
Provision for litigation (*)	2,489	1,460
	<u>2,489</u>	<u>1,460</u>

(\*) The related expense provision includes the probable expenses related to the lawsuits filed against the Group by the employees whose employment contracts have been terminated due to the changes in the work organisation and the lawsuits filed against the Group for reinstatement and other receivable lawsuits. These lawsuits have not been finalised as of the report date and are still pending before the labour courts.

As of 31 December 2022 and 2021, the movement tables of the provision for litigation are as follows:

	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
<b>Balance at 1 January</b>	<b>1,460</b>	<b>588</b>
Provision for the period (Note 19)	1,139	882
Provision written-off within the period (Note 19)	(110)	(10)
<b>Balance at 31 December</b>	<b>2,489</b>	<b>1,460</b>

#### NOTE 14 – COMMITMENTS

As of 31 December 2022 and 31 December 2021, the total of commitments not included in the liabilities:

##### Commitments based on export incentive certificates

	<u>31 December 2022</u>	<u>31 December 2021</u>
Total amount of export commitment of certificates	40,265,329	18,817,838
Total amount of export commitment of documents which are presently fulfilled but closing transactions are not concluded yet	14,880,442	6,066,520
Total amount of registered open export incentives	25,384,887	12,751,318
Other open export incentives	16,519,572	6,248,382
	<u>31 December 2022</u>	<u>31 December 2021</u>
Open Letter of Credits	5,767,442	3,581,796

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 14 – COMMITMENTS (cont'd)

##### Collaterals, pledges and mortgages (CPM) given by the Group

	31 December 2022				31 December 2021			
	TL Equivalent	TL	US Dollar	Euro	TL Equivalent	TL	US Dollar	Euro
A. CPMs given for Company's own legal entity (*)	9,751,664	3,735,936	-	301,226	6,796,332	1,676,389	19,300	321,706
B. CPMs given on behalf of fully consolidated companies	-	-	-	-	-	-	-	-
C. CPMs given in the normal course of business activities on behalf of third parties	-	-	-	-	-	-	-	-
D. Total amount of other CPMs								
- Total amount of CPMs given on behalf of the parent	-	-	-	-	-	-	-	-
- Total amount of CPMs given to 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	-	-	-	-	-	-	-	-
<b>Total CPM</b>	<b>9,751,664</b>	<b>3,735,936</b>	<b>-</b>	<b>301,226</b>	<b>6,796,332</b>	<b>1,676,389</b>	<b>19,300</b>	<b>321,706</b>

(\*) The amounts are expressed in EUR 1,000 and US Dollar 1,000.

Collaterals mainly consist of guarantees given to suppliers in relation to bank loans used for investments and purchases made in relation to investments. In addition, there is a pledge of machinery amounting to TL 6,441,824 (31 December 2021: TL 5,653,332).

As of 31 December 2022, the percentage of the other CPM's given by the Group to the total equity is 0% (31 December 2021: 0%).

Guarantees received as of 31 December 2022 and 31 December 2021 are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Letters of guarantee received	1,474,495	395,758
	<b>1,474,495</b>	<b>395,758</b>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 15 - PROVISIONS FOR EMPLOYEE BENEFITS

##### Provisions for long-term employee benefits

	<u>31 December 2022</u>	<u>31 December 2021</u>
Provision for employment termination benefit	150,305	77,228
Accumulated provision for unused vacation	17,957	10,697
	<b>168,262</b>	<b>87,925</b>

##### Accumulated provision for unused vacation

The Group grants paid annual leave to its employees on condition that they have worked for at least one year from the day they start to work, including the trial period.

Movements of accumulated provision for unused vacation as of 31 December 2022 and 2021 are as follows:

	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
<b>Balance at 1 January</b>	<b>10,697</b>	<b>6,276</b>
Provision for the period	13,791	4,512
Provision released during the period	(6,531)	(91)
<b>Balance at 31 December</b>	<b>17,957</b>	<b>10,697</b>

##### 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 due to retirement, is called up for military service, whose employment is terminated without due cause excluding 25/2 article of labor law, who has fulfilled all requirements other than necessary age limit for retirement pension-pay according to the Social Security Institution, women who ends their employment in one year due to marriage or to lawful heirs of employees who dies. As of 8 September 1999, related labor law was changed and retirement requirements made gradual.

As at 31 December 2022, the maximum amount payable consists of TL 15 per month for each year of service (31 December 2022 December 2021: TL 8) is subject to the ceiling.

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. Turkish Financial Reporting Standards require actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	<u>31 December 2022</u>	<u>31 December 2021</u>
Discount rate (%)	3.50	4.75
Retention rate to estimate probability of retirement (%)	98	98

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 15 - PROVISIONS FOR EMPLOYEE BENEFITS (cont'd)

##### Provision for Employment Termination Benefits (cont'd)

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 19.98 (1 January 2022: TL 10.84), which is expected to be effective from 1 January 2023, has been taken into consideration in calculating the provision for employment termination benefits of the Group:

	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
<b>Balance at 1 January</b>	<b>77,228</b>	<b>50,417</b>
Provision recognised during the period	97,257	32,555
Payment within the period	(24,180)	(5,744)
<b>Balance at 31 December</b>	<b>150,305</b>	<b>77,228</b>

#### NOTE 16 - OTHER ASSETS AND LIABILITIES

##### **Other Current Assets**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Deferred VAT (*)	574,733	332,338
VAT return receivables from export and domestic market sales (**)	451,992	313,404
	<b>1,026,725</b>	<b>645,742</b>

(\*) TL 119,008 of the relevant amount is related to the construction works of the PTA Facility, the construction of which was started in 2021, and will be completed in 2023. The remaining part is related to continuous investments and stock purchases and will be net off in 2023.

(\*\*) As of 31 December 2022, the Group has completed the application process for TL 192,153 of the VAT receivable amounting to TL 451,992 and as of the report publication date, TL 127,808 of the refund application has been collected (31 December 2021: TL 161,373).

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 17 - EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each Kr 1 nominal value of 226,363,300,000 shares (31 December 2021: 112,000,000,000). The shareholders and shareholding structure of the Group as of 31 December 2022 and 31 December 2021 are as follows:

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	Share amount	Share percentage	Share amount	Share percentage
Erdemoğlu Holding A.Ş.	1,404,292	62.04	703,403	62.80
Merinos Halı San. ve Tic. A.Ş.	305,126	13.48	164,925	14.73
Dinarsu İmalat ve Ticaret T.A.Ş.	174,088	7.69	87,450	7.81
Other	380,127	16.79	164,222	14.66
<b>Share Capital</b>	<b>2,263,633</b>	<b>100</b>	<b>1,120,000</b>	<b>100</b>
Adjustments to share capital (*)	13		13	
<b>Total Capital</b>	<b>2,263,646</b>		<b>1,120,013</b>	

(\*) Capital adjustment differences represent the difference between the inflation-adjusted total amount of the Group's capital after deducting the prior year's losses and the Group's capital amount before the inflation adjustment.

Shareholders' equity items of Group as of 31 December 2022 and 31 December 2021 prepared in accordance with the Communiqué No: XI-29 are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Share Capital (*)	2,263,633	1,120,000
Adjustments to Share Capital	13	13
Repurchased Shares (**)	-	(14,993)
Restricted Reserves Appropriated from Profit	213,747	213,747
Other Reserves (Note 4)	83,902	83,902
Share Premiums	777,134	-
Prior Years' Profits	1,314,827	884,200
Loss on Remeasurement of Defined Benefit Plans	(4,109)	(4,109)
Gain on Revaluation of Property, Plant and Equipment	1,182,432	1,182,432
Net Profit for the Period	10,589,574	697,435
<b>Total Equity</b>	<b>16,421,153</b>	<b>4,162,627</b>

(\*) The nominal amount of the Group's shares increased by TL 1,120,000 as a result of the bonus issue decision taken at the General Assembly meeting dated 31 March 2022.

(\*\*) All of the repurchased shares of Sasa Polyester Sanayi A.Ş., one of the Group companies, were used in the redemption of the bonds with a nominal amount of EUR 110,700,000 of the bonds with a nominal amount of EUR 200,000,000 issued on 22 June 2021 by converting them into shares in 2022. The nominal value of the treasury shares used in the conversion is TL 38,452,895.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 17 – EQUITY (cont'd)**

##### **Restricted Reserves Appropriated from Profit**

The restricted reserves appropriated from profit 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 Appropriated from Profit” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences (such as differences arising from inflation adjustments) shall be disclosed as follows:

- If the difference is arising due to the inflation adjustment of “Paid-in capital” and not yet been transferred to capital should be classified under the “Inflation adjustment to share capital”;
- If the difference is due to the inflation adjustment of “Restricted reserves appropriated from profit” and “Share premium” and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under “Prior years’ profits / losses”. Other equity items are presented at amounts that are valued under Turkish Accounting Standards.

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

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 17 – EQUITY (cont'd)**

##### **Other Reserves**

The amount shown for other equity reserves is the value of the conversion rights relating to the convertible notes with 3.25% interest rate, details of which are shown in note 4 (c).

##### **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 1 February 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 on 24 March 2014.

Dividends shall be distributed to all existing shares equally, as soon as possible, regardless of their issuance and acquisition dates. In addition to the aforementioned, dividends shall be distributed to the shareholders on the date determined by the General Assembly following the approval of the General Assembly within the specified legal periods. Distribution of advance dividends to the shareholders is also possible by the decision of the Board of Directors, if the General Assembly authorizes, in accordance with the Group's Articles of Association.

##### *Resources that can be Subject to Profit Distribution:*

As of the reporting date, the Group's profit for the period in its legal records is TL 3,095,544 (31 December 2021: TL 1,361,801)

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.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 18 - REVENUE AND COST OF SALES

The Group derives its revenue from the transfer of goods and services at a point in time in the following major product lines. The amount that will be recognized in the future from the remaining performance obligation of the Group is amounting to TL 2,101,168 (31 December 2021: TL 1,860,460) (Note 7). The Group expects to recognize this revenue in its financial statements within one year.

	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Polyester Chips (SPC)	11,537,138	5,337,690
<i>Domestic</i>	7,304,847	3,491,087
<i>Foreign</i>	4,232,291	1,846,603
Polyester Fiber	9,923,117	4,804,534
<i>Domestic</i>	6,332,467	3,286,287
<i>Foreign</i>	3,590,650	1,518,247
Polyester Yarn (Filament)	5,084,307	2,238,347
<i>Domestic</i>	5,060,055	2,230,914
<i>Foreign</i>	24,252	7,433
Poy-Texturized (Filament)	4,002,586	2,128,373
<i>Domestic</i>	3,993,523	2,128,334
<i>Foreign</i>	9,063	39
DMT (SPC)	418,817	120,094
<i>Domestic</i>	108	201
<i>Foreign</i>	418,709	119,893
Other	94,213	15,915
<i>Domestic</i>	90,771	1,888
<i>Foreign</i>	3,442	14,027
<b>Revenue</b>	<b>31,060,178</b>	<b>14,644,953</b>

#### Cost of Sales

	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Raw materials expense	20,976,833	9,277,042
Energy expenses	2,690,656	645,888
Labour expenses	840,088	400,107
Depreciation and amortization expenses (Note 11)	304,783	228,815
Spare parts and maintenance expenses	227,836	96,914
Insurance expenses	47,767	21,314
Usage of semi-finished goods	(24,115)	(20,850)
Other expenses	555,152	184,376
<b>Production Cost for the Period</b>	<b>25,619,000</b>	<b>10,833,606</b>
Usage of WIP and finished goods	(1,567,844)	37,350
Cost of waste goods sold	88,167	45,837
Other idle period expense	46,433	19,114
Depreciation and amortization of idle period (Note 11)	9,473	6,529
<b>Cost of Goods Sold During the Period</b>	<b>24,195,229</b>	<b>10,942,436</b>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 19 – MARKETING, GENERAL ADMINISTRATIVE AND RESEARCH & DEVELOPMENT EXPENSES**

##### **General Administrative Expenses**

	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Personnel expenses	92,886	44,694
Consultancy expenses	39,337	34,887
Severance and notice pay	37,980	7,833
Supplies, repair and maintenance expenses	16,321	6,355
Insurance expenses	13,244	6,563
Depreciation and amortization expenses (Note 11)	7,436	4,162
Assisted services expenses	6,801	2,982
Doubtful receivable provision expense (Note 5)	6,158	1,402
Energy expenses	2,276	761
Lawsuit provision (Note 13)	1,139	882
Provisions released (Note 5-13)	(1,512)	(10)
Other expenses	3,364	2,659
	<b>225,430</b>	<b>113,170</b>

##### **Marketing Expenses**

	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Export and freight expenses	891,684	411,501
Personnel expenses	60,666	31,650
Taxes and duties expenses	37,952	5,986
Insurance expenses	12,619	5,504
Depreciation and amortization expenses (Note 11)	4,263	3,514
Other expenses	40,866	11,712
	<b>1,048,050</b>	<b>469,867</b>

##### **Research and Development Expenses**

	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Labour and personnel expenses	9,430	7,801
Depreciation and amortization expenses (Note 11)	339	394
Other expenses	660	351
	<b>10,429</b>	<b>8,546</b>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 20 – OTHER INCOME / EXPENSE FROM OPERATING ACTIVITIES

##### Other Operating Income

	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>
Foreign exchange gains on trade receivables/payables	2,486,328	2,456,365
Miscellaneous sales income	209,778	53,807
Income from sale of raw materials	63,044	43,686
Interest income from incentive	13,656	32,077
Other income (*)	379,305	19,597
	<u>3,152,111</u>	<u>2,605,532</u>

(\*) Other income consists of spare parts sales income, compensation income and income from return invoices.

##### Other Operating Expenses

	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>
Foreign exchange losses on trade receivables/payables	2,961,150	3,074,149
Raw materials sales costs	59,239	38,082
Cost of miscellaneous sales	18,492	10,944
Taxes, duties and charges	16,339	14,542
Other expenses	37,998	38,736
	<u>3,093,218</u>	<u>3,176,453</u>

#### NOTE 21 – EXPENSES BY NATURE

	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>
Direct raw materials expense	20,976,833	9,277,042
Energy expenses	2,692,932	646,649
Personnel expenses	1,003,070	484,252
Export and freight costs	891,684	411,501
Depreciation and amortization expenses (Note 10-11-12)	326,294	243,414
Spare parts and maintenance expenses	227,836	96,914
Cost of waste goods sold	88,167	45,837
Insurance expenses	73,630	33,381
Consultancy expenses	39,337	34,887
Other idle period expense	46,433	19,114
Taxes, duties and charges	37,952	5,986
Severance and notice pay	37,980	7,833
Spare parts and maintenance expenses	16,321	6,355
Auxiliary service expenses	6,801	2,982
Provision for doubtful receivables (Note 5)	6,158	1,402
Lawsuit provisions	1,139	882
Usage of semi-finished goods	(24,115)	(20,850)
Use of finished goods in the period	(1,567,844)	37,350
Other expenses	598,530	199,088
	<u>25,479,138</u>	<u>11,534,019</u>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 22 – INCOME / (EXPENSES) FROM INVESTING ACTIVITIES

	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>
Gain on sales of property, plant and equipment (*)	4,350	3,871
Interest income from currency hedged deposits	4,250	-
Loss on sales of property, plant and equipment (*)	(466)	(1,132)
Rent income	198	344
	<u>8,332</u>	<u>3,083</u>

(\*) Includes the sale of various machinery and equipment which are idle in the Group.

#### NOTE 23 - FINANCE INCOME

	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>
Foreign exchange income	1,109,544	1,165,282
Interest income	17,395	20,567
Fair value difference of derivative financial instruments	-	3,668
	<u>1,126,939</u>	<u>1,189,517</u>

#### NOTE 24 - FINANCE EXPENSES

	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>
Foreign exchange expenses	4,232,007	4,389,715
Interest expenses	1,693,595	388,062
Commission expenses	111,296	29,854
Interest expenses of convertible bonds (Note 4)	224,622	57,029
Guarantee letter and bank charges	459,083	55,943
	<u>6,720,603</u>	<u>4,920,603</u>

#### NOTE 25 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Revaluation fund of property, plant and equipment	1,182,432	1,182,432
Gain on remeasurement of defined benefit plans	(4,109)	(4,109)
	<u>1,178,323</u>	<u>1,178,323</u>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 26 - TAX ASSETS AND LIABILITIES

##### Deferred Taxes

The Group calculates its deferred income tax assets and liabilities by taking into account the effects of temporary differences that arise as a result of different evaluations in the financial statements prepared in accordance with the Turkish Accounting Standards and the financial statements prepared in accordance with the Turkish Commercial Code and tax laws. These differences usually result in the recognition of revenue and expenses in different reporting periods for Turkish Financial Reporting Standards and tax purposes. Tax rate used in the calculation of deferred tax assets and liabilities was 20%.

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as of 31 December 2022 and 31 December 2021 using the enacted tax rates are as follows:

	Cumulative temporary difference		Deferred tax asset / (liabilities)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Net difference between recorded value of property, plant and equipment and intangible assets and tax value	4,633,872	2,692,297	926,774	538,458
Revaluation differences of plant, property and equipment	(1,313,813)	(1,313,813)	(131,381)	(131,381)
Investment incentives deduction to be used (*)	13,378,910	3,271,149	13,378,910	3,271,149
Provision for employment termination benefits	150,305	77,228	30,061	15,446
Valuation differences of inventories	114,417	235,636	22,883	51,839
Adjustment of periodicity of sales	52,878	31,793	10,576	6,994
Provision for unused vacation	17,957	10,697	3,591	2,353
Provision for litigation	2,489	1,460	498	321
Provision for doubtful receivables	6,158	1,402	1,232	308
Provision for export expense	11,399	14,310	2,280	3,148
Adjustment for not accrued financial income	(70,665)	(27,251)	(14,133)	(5,995)
Adjustment for not accrued financial expenses	65,611	21,291	13,122	4,684
Adjustments to the valuation of derivative financial instruments	-	(3,668)	-	(807)
Adjustments for foreign currency exchange difference	523,245	352,361	104,649	67,852
Adjustments for convertible bonds	(14,020)	(59,535)	(2,804)	(11,907)
Other adjustments	5,885	-	1,177	-
Deferred tax assets			14,495,753	3,962,552
Deferred tax liabilities			(148,318)	(150,090)
<b>Deferred tax asset, net</b>			<b>14,347,435</b>	<b>3,812,462</b>

(\*) The related amount is explained in the section of government incentives and grants.

**SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

**NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)****Deferred Taxes (cont'd)****Table of deferred tax movement**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Sasa Polyester San. A.Ş.	14,328,421	3,802,320
Sasa Dış Ticaret A.Ş.	19,014	10,142
	<b>14,347,435</b>	<b>3,812,462</b>

Movement table of deferred tax is as follows:

	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
<b>Balance at 1 January</b>	<b>3,812,462</b>	<b>1,936,763</b>
Deferred tax income for the period	427,212	498,991
Deferred tax income from incentive certificate	10,107,761	1,451,135
Deferred tax expense recognized in equity	-	(74,427)
<b>Balance at 31 December</b>	<b>14,347,435</b>	<b>3,812,462</b>

**Reconciliation of tax provision**

	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
Profit before tax from operating activities	54,601	(1,187,990)
Income tax rate: 22% (2021: 25%)	(12,012)	296,998
Tax effects:		
- Non-deductible expenses	(129,609)	(89,137)
- Effects of reduced corporate tax application	10,107,761	1,451,135
- Exemption used within the scope of the incentive certificate	763,697	401,184
- Other adjustments and tax rate change effect	(194,864)	(174,755)
<b>Tax income recognised in the income statement</b>	<b>10,534,973</b>	<b>1,885,425</b>

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)**

##### **Corporate Tax**

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and other incentives (prior year's losses if any and investment incentives used if preferred) utilized.

The effective tax rate in 2022 is 22% (2021: 25%) for the Group.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

Pursuant to the temporary article added to the Corporate Tax Law with the 11th article of the Law no. 7316 published in the Official Gazette dated 22 April 2021 and numbered 31462, the corporate tax rate for the corporate earnings for the 2021 taxation period has been determined as 25%, and the corporate tax rate for the corporate earnings for the 2022 taxation period has been determined as 23%. With the amendment added to Article 32 of the Corporate Tax Law, these rates will be applied with a discount of 1 point to the earnings from production activities and earnings from exports.

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 Income Tax Law temporary article).

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.

The Group is required to pay advance corporation tax quarterly. Advance tax is declared (including the Income Tax Law No. 5615, which entered into force on 4 April 2007, and the Law on Amending some Laws, and the declarations to be submitted for March 2007) by the 14th of the second month following each calendar quarter end and payable by the 17th.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)

##### Corporate Tax (cont'd)

The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year. If the amount of temporary tax paid remains despite the deduction, this amount can be refunded in cash or set off against any other financial liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 30th 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 tax income for the periods ended 31 December 2022 and 2021 are as follows:

	<b><u>1 January- 31 December 2022</u></b>	<b><u>1 January- 31 December 2021</u></b>
Current period tax expense	-	(64,701)
Deferred tax income	427,212	1,950,126
Deferred tax assets utilised within the scope of incentive certificate	10,107,761	-
<b>Total tax income</b>	<b>10,534,973</b>	<b>1,885,425</b>

	<b><u>31 December 2022</u></b>	<b><u>31 December 2021</u></b>
Corporate tax payable	-	64,701
Prepaid taxes and funds	-	(17,183)
<b>Provision for current tax</b>	<b>-</b>	<b>47,518</b>

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and other incentives (prior year's losses if any and investment incentives used if preferred) utilized.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)

##### Corporate Tax (cont'd)

###### *Government Grants and Incentives*

As a result of, a Company of the Group, Sasa Polyester Sanayi A.Ş.'s application to Ministry of Economy General Directorate of Incentive Practices and Foreign Capital for incentive certificate, the incentive application related to the Polymer Production Facility Investment is included in the Project-Based Government Incentives for Investments that is enacted with the resolution of the Council of Ministers, and it is approved by the 30 April 2018 dated Council of Ministers and published on the 23 June 2018 dated Official Gazette. The investment amount related to the incentive is TL 2,906,598 (thousand), and the incentives for the investment are as follows:

- Corporate Tax Reduction (tax reduction rate: 100%, investment contribution rate: 104%, available rate of the investment contribution amount for the investment period: 100%),
- VAT Exemption,
- Custom Duty Exemption,
- VAT Return,
- Employer's National Insurance Contribution (10 years without a minimum amount limit),
- Income Tax Withholding Contribution (10 years),
- Qualified Personnel Contribution (maximum TL 10,000),
- Interest and/or Dividend Contribution (maximum 10 years as of loan usage date providing not exceeding TL 105,000),
- Energy Contribution (50% of energy consumption up to 10 years from the startup date providing not exceeding TL 300,000).

As a result of, a Company of the Group, Sasa Polyester Sanayi A.Ş.'s application to Ministry of Economy General Directorate of Incentive Practices and Foreign Capital for incentive certificate, on 4 January 2021, it received an investment incentive certificate for PTA and Polymer Chips Production Facilities Investment.

The investment amount related to the incentive is TL 20,885,002 (31 December 2021: TL 10,874,829), and the incentives for the investment are as follows:

- Custom Duty Exemption,
- VAT Exemption,
- VAT Return,
- Corporate Tax Reduction (tax reduction rate: 100%, investment contribution rate: 85%, available rate of the investment contribution amount for the investment period: 100%),
- Employer's National Insurance Contribution (10 years without a minimum amount limit),
- Income Tax Withholding Contribution (10 years),
- Qualified Personnel Contribution (maximum TL 30,000),
- Energy Contribution (50% of energy consumption up to 10 years from the startup date providing not exceeding TL 50,000).

As of 31 December 2022, the Group has booked deferred tax asset tax amounting to TL 13,378,910 to be used in the following periods (2021: TL 3,271,149).

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)

##### Corporate Tax (cont'd)

##### *Government Grants and Incentives (cont'd)*

The Group recognizes deferred tax assets and liabilities for temporary differences arising from differences between its statutory taxable financial statements and its financial statements prepared in accordance with TFRS. These differences usually arise from the fact that the taxable amounts of some income and expense items are included in the statutory financial statements and the financial statements prepared in accordance with TFRS in different periods. The Group will be able to deduct from future profits TL 14,347,435 of deferred tax assets available. The partial or full recoverable amount of deferred tax assets was recognized in the financial statements under the current conditions.

During the evaluation, future profit projections and other tax assets' expiry dates, as well as tax planning strategies that may be used when necessary, were considered. The following assumptions were used when calculating the recoverable value of a deferred tax asset as of 31 December 2022:

- There is no time limit on this incentive.
- Consolidated tax profit projections prepared by management is considered. The Company's growth assumptions are taking into account of revenue growth in 2024-2025 in which investments are scheduled to be completed.
- In the prepared profit projections, the long-term inflation expectation is 12.5%. 2023 exchange rate expectation is 22.35% and the long-term exchange rate increase expectation is used in the range of 10% - 12% (in USD terms).
- Possible tax planning strategies have been considered.

As a result of the evaluations made according to the existing analyzes, no impairment was found in terms of the recoverability of the deferred tax asset.

#### NOTE 27 - EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit by the weighted average number of shares outstanding during the year. Companies in Turkey can increase their capital through "bonus shares" that they distribute to their shareholders from retained earnings. Such "bonus shares" distributions are treated as issued shares in earnings per share calculations. Accordingly, the weighted average number of shares used in these calculations has been calculated by taking into account the retrospective effects of the aforementioned share distributions. As of 31 December 2022, the Company is not presenting the diluted earnings per share since the convertible debt is antidilutive.

	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Net profit	10,589,574	697,435
<i>Weighted average number of shares:</i>		
Weighted average number of ordinary shares	2,243,395,667	2,240,000,000
Earnings per share with a nominal value of 1 TL (full TL)	4.7203	0.3114

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 28 - RELATED PARTY DISCLOSURES

##### a) Trade receivables from related parties:

Trade receivables from related parties are comprised of trade receivables for fiber, yarn and poy sales.

	<u>31 December 2022</u>	<u>31 December 2021</u>
Dinarsu İmalat ve Ticaret T.A.Ş.	-	4,990
	<hr/>	<hr/>
	-	4,990

##### b) Deferred income from related parties:

Deferred income from related parties are comprised of from taken order advances received for fiber, yarn and poy future sales orders of the Group.

	<u>31 December 2022</u>	<u>31 December 2021</u>
Merinos Halı San. Tic. A.Ş.	124,647	161,506
Özerdem Mensucat San. Tic. A.Ş.	112,193	276,436
Zeki Mensucat Sanayi ve Tic. A.Ş.	13,230	15,909
Dinarsu İmalat Tic. A.Ş.	6,636	-
	<hr/>	<hr/>
	256,706	453,851

##### c) Sales to related parties:

The Group sells fiber, yarn and poy to its related parties.

	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
	<b>Product</b>	<b>Product</b>
Merinos Halı San. Tic. A.Ş.	746,469	369,048
Özerdem Mensucat San. Tic. A.Ş.	712,150	346,299
Zeki Mensucat Sanayi ve Tic. A.Ş.	660,362	257,167
Dinarsu İmalat ve Ticaret T.A.Ş.	65,740	8,024
	<hr/>	<hr/>
	3,886,212	980,538

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 28 - RELATED PARTY DISCLOSURES (cont'd)

##### d) Purchases from related parties:

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
	<b>Product</b>	<b>Product</b>
Merinos Halı San. Tic. A.Ş.	278,287	815
Dinarsu İmalat ve Ticaret T.A.Ş.	44,456	-
Erdemoğlu Holding A.Ş.	3,471	2,413
Ozerdem Mensucat San. Tic. A.Ş.	49	-
	<b>326,263</b>	<b>3,228</b>

##### e) Foreign exchange and late interest charge from related parties:

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Merinos Halı San. Tic. A.Ş.	23,152	21,039
Zeki Mensucat San. Tic. A.Ş.	8,503	2,413
Dinarsu İmalat ve Ticaret T.A.Ş.	1,995	802
Özerdem Mensucat San. Tic. A.Ş.	1	781
	<b>33,651</b>	<b>25,035</b>

##### f) Remuneration to the Board of Directors and key management personnel;

For the year ended 31 December 2022 and 2021, remuneration of the Board of Directors and key management personnel amounts are as follows:

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Short-term benefits provided to key management	13,642	6,810
	<b>13,642</b>	<b>6,810</b>

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 29 – DERIVATIVE INSTRUMENTS

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Derivative financial assets</b>		
Presentation of derivative instruments at fair value:		
<i>Option</i>	-	3,479
<i>Swap</i>	-	189
	<u>-</u>	<u>3,668</u>

#### **Classification of derivative instruments**

Derivative instruments that are held for speculative purposes and that do not meet hedge accounting requirements are classified as “traded” and the fair value changes of these instruments are recognized in profit or loss. Assets related to derivative instruments that are expected to close within 12 months following the balance sheet date are presented as current assets and liabilities are presented as current liabilities.

#### **Fair value measurement of derivative instruments**

Information about the methods and assumptions used in determining the fair value of derivatives is disclosed in Note 30. Amounts recognised in profit or loss During the year, the following amounts have been recognised in profit or loss in relation to forward foreign currency purchase/sale contracts:

	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
Foreign exchange gains presented in finance income	-	3,668

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 4, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group's objectives when managing capital are to maintain the Group's ability to continue to operate in order to provide returns for shareholders, benefits for other shareholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or reorganize its capital structure, the Group determines the amount of dividend payable to shareholders, can issue new shares and sell assets to reduce borrowing.

As of 31 December 2022 and 2021, the debt-to-equity ratio calculated by dividing net debt, calculated by deducting cash and cash equivalents and short-term financial investments from financial liabilities, by total capital is as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial Borrowings (Note 4)	26,151,485	11,998,872
Less: Cash and Cash Equivalents and Financial Investments (Note 3-4)	<u>(858,350)</u>	<u>(2,173,528)</u>
Net Debt	25,293,135	9,825,344
Total Equity	16,421,153	4,162,627
Total Capital	41,714,288	13,987,971
Net Debt/Total Capital Ratio	61%	70%

##### b) Financial Risk Management

###### *Financial risk factors*

The Group is exposed to various financial risks due to its activities. These risks are market risk (currency risk, interest rate risk), credit risk, liquidity risk and funding risk. The Group's wholesale risk management program focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Group's financial performance.

Financial Risk management is carried out by the Group's Finance Unit, within the framework of policies approved by the Management, excluding receivables. The Finance department establishes close cooperation with the other units of the Group and ensures that financial risks are identified, evaluated and protected from risk.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

##### **b) Financial Risk Management (cont'd)**

###### ***b.1) Credit risk management***

Credit risk consists of cash and cash equivalents, bank deposits and customers exposed to credit risk due to uncollectible receivables.

##### **Receivables**

The Group implements Credit Control procedure approved by the Board of Directors 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 SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Management (cont'd)

##### *b.1) Credit risk management (cont'd)*

##### Receivables (cont'd)

31 December 2022	Receivables			Bank Deposits	Derivative Instruments
	Trade Receivables		Other Receivables		
	Related Party	Third Party	Third Party		
Maximum credit risk as of reporting date	-	3,614,608	5,828	803,094	-
Secured portion of the maximum credit risk by guarantees (*)	-	3,563,489	-	-	-
Net book value of financial assets that are neither past due nor impaired	-	3,237,055	5,828	803,094	-
Net book value of financial assets whose conditions have been renegotiated otherwise would be deemed to be overdue or impaired	-	-	-	-	-
Net book value of financial assets that are past due but not impaired net book value of assets	-	377,553	-	-	-
The part under guarantee with collateral etc.	-	326,434	-	-	-
Net book value of the assets impaired	-	-	-	-	-
- Overdue (gross carrying amount)	-	6,158	-	-	-
- Impairment	-	(6,158)	-	-	-

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Management (cont'd)

##### *b.1) Credit risk management (cont'd)*

##### Receivables (cont'd)

	Receivables			Bank Deposits	Derivative Instruments
	Trade Receivables		Other Receivables		
	Related Party	Third Party	Third Party		
<b>31 December 2021</b>					
Maximum credit risk as of reporting date	4,990	2,213,401	8,277	2,170,274	3,668
Secured portion of the maximum credit risk by guarantees (*)	-	2,162,282	-	-	-
Net book value of financial assets that are neither past due nor impaired	4,990	2,003,312	8,277	2,170,274	3,668
Net book value of financial assets whose conditions have been renegotiated otherwise would be deemed to be overdue or impaired	-	-	-	-	-
Net book value of financial assets that are past due but not impaired net book value of assets	-	210,089	-	-	-
The part under guarantee with collateral etc.	-	158,970	-	-	-
Net book value of the assets impaired	-	-	-	-	-
- Overdue (gross carrying amount)	-	1,402	-	-	-
- Impairment	-	(1,402)	-	-	-

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Management (cont'd)

###### *b.1) Credit risk management (cont'd)*

##### Receivables (cont'd)

Trade receivables	<u>31 December 2022</u>	<u>31 December 2021</u>
1 - 30 days past due	347,982	183,498
1 - 3 months past due	29,571	22,685
3 - 12 months past due	-	3,906
<b>Total</b>	<b>377,553</b>	<b>210,089</b>
Portion under guarantee with collaterals, mortgages and other financial instruments (*)	326,434	158,970

(\*) The mentioned guarantees consist of direct debiting system, bank guarantee and mortgages.

###### *b.2) Liquidity risk management*

##### *Liquidity risk*

Prudent liquidity risk management consists of providing sufficient cash and securities, enabling funding through adequate credit facilities, and the ability to close short positions. Due to the dynamic nature of the business environment, the Group has sought flexibility in funding by keeping credit lines available.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and its derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The liquidity analysis for its derivative financial instruments has been drawn up based on the undiscounted net cash inflows/outflows on the derivative instrument that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Management (cont'd)

##### *b.2) Liquidity risk management (cont'd)*

##### *Liquidity risk (cont'd)*

*As of 31 December 2022*

##### **Contractual maturities**

<b>Non-derivative Financial Liabilities</b>						
	<b>Book value</b>	<b>Total cash outflows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank loans	24,177,985	27,145,123	1,167,381	15,605,335	7,364,509	3,007,899
Financial lease obligations	158,155	164,783	19,177	57,583	88,023	-
Debt instruments issued	1,815,345	1,835,660	5,079	15,236	1,815,345	-
Trade payables	7,438,908	7,438,908	7,420,925	17,983	-	-

##### **Expected maturities**

	<b>Book value</b>	<b>Total cash outflows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Trade payables	69,042	69,042	69,042	-	-	-
Other payables	25,161	25,161	25,161	-	-	-

**SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

**NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(cont'd)****b) Financial Risk Management (cont'd)***b.2) Liquidity risk management (cont'd)**Liquidity risk (cont'd)*

As of 31 December 2021

**Contractual maturities**

<b>Non-derivative Financial Liabilities</b>						
	<b>Book value</b>	<b>Total cash outflows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank loans	9,000,412	10,029,592	1,071,617	2,497,506	4,663,633	1,796,836
Financial lease obligations	172,196	182,827	13,735	41,998	127,094	-
Debt instruments issued	2,822,264	3,471,138	24,560	75,045	3,371,533	-
Trade payables	129,583	129,583	129,583	-	-	-

**Expected maturities**

	<b>Book value</b>	<b>Total cash outflows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Trade payables	3,829,198	4,044,792	3,842,988	201,804	-	-
Other payables	50,267	50,267	50,267	-	-	-

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

##### **b) Financial Risk Management (cont'd)**

###### ***b.3) Market risk management***

The Group's operations are primarily exposed to financial risks related to changes in foreign exchange rates and interest rates, as detailed below. In order to control the risks associated with foreign exchange and interest rates, the Group uses various derivative financial instruments, including:

1. Forward foreign exchange purchase/sale contracts used to hedge foreign exchange risk arising from foreign currency debts

Market risks are also evaluated with sensitivity analyzes and stress scenarios.

There has been no change in the market risk that the Group is exposed to in the current year, or in the management and measurement methods of the risks it is exposed to, compared to the previous year.

###### ***b.3.1) Foreign exchange risk management***

The Group is subject to foreign exchange risk due to foreign currency denominated liabilities and assets' conversion to Turkish Lira. Foreign exchange risk is traced through regular analysis of foreign currency position and minimized mostly with foreign currency sales.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 30 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Management (cont'd)

##### *b.3) Market risk management (cont'd)*

##### *b.3.1) Foreign currency risk management (cont'd)*

Assets and liabilities denominated in foreign currencies as of 31 December 2022 and 2021 are as follows:

	<b>31 December 2022</b>		
	<b>TL Equivalent</b>	<b>US Dollar</b>	<b>Euro</b>
Trade receivables	2,905,579	84,628	66,375
Monetary financial assets (including cash, bank accounts)	139,977	3,745	3,509
Other	1,168,974	17,804	41,940
<b>Total assets</b>	<b>4,214,530</b>	<b>106,177</b>	<b>111,824</b>
Trade payables (including other payables)	6,816,344	252,593	105,006
Financial liabilities	3,073,269	5,493	149,013
Other	2,238,620	84,077	33,435
<b>Current liabilities</b>	<b>12,128,233</b>	<b>342,163</b>	<b>287,454</b>
Financial liabilities	11,054,134	30,958	525,474
<b>Non-current liabilities</b>	<b>11,054,134</b>	<b>30,958</b>	<b>525,474</b>
<b>Total liabilities</b>	<b>23,182,367</b>	<b>373,121</b>	<b>812,928</b>
<b>Foreign currency position</b>	<b>(18,967,837)</b>	<b>(266,944)</b>	<b>(701,104)</b>
<b>Net foreign currency position</b>	<b>(18,967,837)</b>	<b>(266,944)</b>	<b>(701,104)</b>

	<b>31 December 2021</b>		
	<b>TL Equivalent</b>	<b>US Dollar</b>	<b>Euro</b>
Trade receivables	1,443,518	101,295	6,188
Monetary financial assets (including cash, bank accounts)	1,897,198	130,164	10,754
Other	971,667	36,388	32,257
<b>Total assets</b>	<b>4,312,383</b>	<b>267,847</b>	<b>49,199</b>
Trade payables (including other payables)	3,726,001	245,312	30,241
Financial liabilities	1,810,329	23,844	98,929
Other	72,160	1,416	3,532
<b>Current liabilities</b>	<b>5,608,490</b>	<b>270,572</b>	<b>132,702</b>
Financial liabilities	8,481,316	1,144	561,161
<b>Non-current liabilities</b>	<b>8,481,316</b>	<b>1,144</b>	<b>561,161</b>
<b>Total liabilities</b>	<b>14,089,806</b>	<b>271,716</b>	<b>693,863</b>
<b>Net foreign currency position</b>	<b>(9,777,423)</b>	<b>(3,869)</b>	<b>(644,664)</b>
Net foreign currency position of derivative contracts	3,668	15	237
<b>Net foreign currency position</b>	<b>(9,773,755)</b>	<b>(3,854)</b>	<b>(644,427)</b>

(\*) Within the scope of investment in progress, USD 254,930,716 (2021: USD 14,059,579) in 2022. USD 1,601,248,358 (2021: USD 1,001,532,715) equivalents imports and USD 491,677,690 (2021: USD 395,775,090) export amount.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 30- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Management (cont'd)

##### *b.3) Market risk management (cont'd)*

##### *b.3.1) Foreign currency risk management (cont'd)*

##### Foreign currency sensitivity

As of 31 December 2022;	<u>Profit / (Loss)</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
20% change in USD against TL:		
USD net asset	(998,280)	998,280
Part of hedged from the USD risk	-	-
<b>USD net effect</b>	<b>(998,280)</b>	<b>998,280</b>
20% change in EUR against TL:		
EUR net asset	(2,795,288)	2,795,288
Part of hedged from the EUR risk	-	-
<b>EUR net effect</b>	<b>(2,795,288)</b>	<b>2,795,288</b>
<b>Total</b>	<b>(3,793,568)</b>	<b>3,793,568</b>

As of 31 December 2021;	<u>Profit / (Loss)</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
10% change in USD against TL:		
USD net asset	(5,137)	5,137
Part of hedged from the USD risk	-	-
<b>USD net effect</b>	<b>(5,137)</b>	<b>5,137</b>
10% change in EUR against TL:		
EUR net asset	(972,228)	972,228
Part of hedged from the EUR risk	-	-
<b>EUR net effect</b>	<b>(972,239)</b>	<b>972,239</b>
<b>Total</b>	<b>(977,376)</b>	<b>977,376</b>

**SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

**NOTE 30- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**b) Financial Risk Management (cont'd)**

*b.3) Market risk management (cont'd)*

*b.3.1) Foreign currency risk management (cont'd)*

Forward foreign exchange purchase/sale contracts

The Group makes forward foreign currency contracts for foreign Exchange rate fluctuations. The table below gives the details of forward foreign currency purchase/sale contracts that have not been matured as of the report date.

	Average rate		Nominal amount: Foreign currency		Nominal amount: Turkish Lira		Carrying values (liabilities)/assets of hedging instruments	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	TL	TL	FC	FC	TL	TL	TL	TL
Hedging instruments - open contracts:								
US dollar purchase less than 3 months	-	13.30	-	1,000	-	13,300	-	189
TL Purchase / EUR Sell 3 to 6 months	-	11.70	-	15,319	-	179,232	-	3,479
							-	3,668

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 30- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Management (cont'd)

##### *b.3) Market risk management (cont'd)*

##### *b.3.2) Interest rate and risk management*

The Group is exposed to interest rate risk due to the impact of changes in interest rates on interest bearing assets and liabilities. The Group considers its cash assets, which it holds and does not use, as time deposits. Apart from these, their income and cash flows from operations are largely independent of changes in market interest rates.

In order to minimize the interest rate risk, the Group carries out efforts to borrow at the most favorable rates.

##### Interest Position Table

	31 December 2022	31 December 2021
<b>Fixed interest rate instruments</b>		
<i>Principal</i>	10,985,483	5,923,155
<i>Interest</i>	339,707	50,491
<b>Fixed financial liabilities total</b>	<b>11,325,190</b>	<b>5,973,646</b>
	31 December 2022	31 December 2021
<b>Variable rate financial instruments</b>		
<i>Principal</i>	14,570,521	5,986,594
<i>Interest</i>	269,207	38,632
<b>Variable financial liabilities total</b>	<b>14,839,728</b>	<b>6,025,226</b>

If the interest rate in TL currency was 10% higher/lower at 31 December 2022 and all other variables remained constant, profit before tax and non-controlling interest would have been lower/higher by TL 86,773 (31 December 2021: TL 19,487).

##### *Funding risk*

The funding risk of current and prospective debt requirements is managed by maintaining the availability of sufficient number of high-quality lenders.

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 31 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

	Financial assets / liabilities amortized cost	Financial instruments at FVTPL	Carrying value	Note
<b>31 December 2022</b>				
<u>Financial assets</u>				
Cash and cash equivalents	803,111	-	803,111	3
Financial investments	-	55,239	55,239	4
Trade receivables	3,614,608	-	3,614,608	5
Other financial assets	1,032,651	-	1,032,651	7-16
<u>Financial liabilities</u>				
Financial borrowings	26,151,485	-	26,151,485	4
Trade payables	7,507,950	-	7,507,950	5
Other payables	25,161	-	25,161	7
<b>31 December 2021</b>				
<u>Financial assets</u>				
Cash and cash equivalents	2,170,396	-	2,170,396	3
Trade receivables	2,213,401	-	2,213,401	5
Receivables from related parties	4,990	-	4,990	28
Other financial assets	654,136	-	654,136	7-16
Derivative financial instruments	-	3,668	3,668	29
<u>Financial liabilities</u>				
Financial borrowings	11,998,872	-	11,998,872	4
Trade payables	3,958,781	-	3,958,781	5
Other payables	50,267	-	50,267	7

## SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### NOTE 32 – FEES RELATED TO SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

	<u>31 December 2022</u>	<u>31 December 2021</u>
Audit fee for the reporting period	1,160	294
Audit fee for bond issue	2,483	-
Fee for other assurance services	70	60
	<u>3,713</u>	<u>354</u>

#### NOTE 33 - EVENTS AFTER THE BALANCE SHEET DATE

EUR 69,400,000 nominal amount of the Convertible Bonds with a nominal amount of EUR 200,000,000 issued on 22 June 2021 was redeemed in January 2023 by converting into shares in line with the requests of the bondholder investors submitted in November and December 2022. The shares with a nominal value of TL 38,958,121 issued against the bonds with a nominal amount of EUR 69,400,000, which were converted into shares, were covered by the SASA shares issued in return for the contingent and allocated increase of the Company's issued capital from TL 2,263,633 to TL 2,302,591.

The increase of the issued capital of the Company from TL 2,263,633 to TL 2,302,591, which was approved by the Capital Markets Board with its decision dated 29 December 2022 and numbered 77/1869, was registered by Adana Trade Registry Office on 20 January 2023 and announced in the Turkish Trade Registry Gazette dated 20 January 2023 and numbered 10752.

The Group has signed license, technical service and guarantee agreements with Honeywell UOP for the establishment of Propylene (PDH plant) Production Plant with a capacity of 1,000,000 tonnes/year, which is planned to be completed in the first half of 2026 in Yumurtalık investment area allocated to the company, with an expected contribution to turnover of USD 1.2 Billion under current conditions and an investment cost of USD 1.5 Billion.

The Group's application to the Capital Markets Board for the issuance of Euro denominated convertible bonds with a nominal value of EUR 500,000,000 (five hundred million Euro) with a maturity of 5 (five) years to be sold to qualified investors abroad was approved on 26 January 2023.

Although Sasa has not experienced any damage to its production units or any adverse events that caused disruption in production and shipment after the earthquakes and aftershocks that occurred first in Kahramanmaraş and then in Hatay on 6 February 2023 and 20 February 2023, respectively, in order to ensure the safety of the DMT (dimethyl terephthalate) production line and thus to continue the supply in line with the principle of sustainability, it was decided to cease the production at the DMT line for 1 month starting from 22 February 2023 in order to examine the DMT (dimethyl terephthalate) production line in detail and to carry out maintenance and/or changes, if necessary, in the most appropriate way at the points deemed necessary.

The Law numbered 7438 on Social Security and General Health Insurance and the Law on the Amendment of the Decree Law numbered 375, which includes the regulation on the Retirement Age Victims (EYT), entered into force after being published in the Official Gazette No. 32121, dated 3 March 2023. Although this issue is considered as a non-adjusting event after the reporting period within the scope of TAS 10 Events After the Reporting Period, studies on measuring the impact on the operations and financial position of the Group are still in progress.

## **SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

#### **NOTE 33 - EVENTS AFTER THE BALANCE SHEET DATE (cont'd)**

In order to meet its financial and operational activities and investment expenditures, the Group has provided financing amounting to TL 3,983,045 with 10-year maturity on 26 January 2023, TL 300,000 with 10-year maturity on 13 February 2023 and in addition to these, the Group has provided financing amounting to TL 570,000 and TL 300,000 with 7-year maturity in February 2023.