

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

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

CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITOR'S
REVIEW REPORT FOR THE INTERIM PERIOD
1 JANUARY - 30 JUNE 2021

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

**REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

To the Board of Directors of SASA Polyester Sanayi A.Ş.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of SASA Polyester Sanayi A.Ş. ("the Company") and its subsidiary (together referred as "the Group") as at 30 June 2021, and the condensed consolidated statement of profit or loss and comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

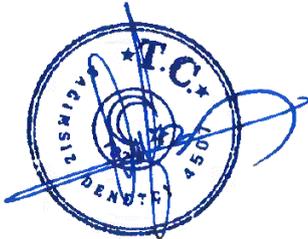
We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, "Review of Interim Condensed Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim condensed consolidated financial information is substantially less in scope than an independent audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review of the interim condensed consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information does not present in accordance with TAS 34, in all material respects.

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

Member of DELOITTE TOUCHE TOHMATSU LIMITED



Osman Arslan, SMMM
Partner
İstanbul, 5 August 2021

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SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 AND 31 DECEMBER 2020

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

		Current Period	Prior Period
		(Reviewed)	(Audited)
	Notes	30 June 2021	31 December 2020
ASSETS			
Current Assets		4,561,366	2,782,309
Cash and Cash Equivalents	3	384,677	428,395
Financial Investments	4	55,914	46,982
Trade Receivables	5	1,502,893	700,339
- Trade Receivables from Third Parties	5	1,294,241	663,151
- Trade Receivables from Related Parties	28	208,652	37,188
Other Receivables	7	8,317	4,208
- Other Receivables from Third Parties	7	8,317	4,208
Inventories	8	2,209,567	1,338,235
Prepaid Expenses	9	8,198	15,457
Other Current Assets	16	391,800	248,693
Non - Current Assets		8,961,240	8,007,886
Other Receivables	7	117	114
Investment Properties	10	84	120
Property, Plant and Equipment	11	6,531,774	5,864,428
Intangible Assets	12	3,248	852
Prepaid Expenses	9	103,275	205,609
Deferred Tax Asset	26	2,322,742	1,936,763
TOTAL ASSETS		13,522,606	10,790,195
LIABILITIES			
Current Liabilities		6,077,489	4,447,945
Short-term Borrowings	4	3,288,289	2,506,765
- Short-term Borrowings	4	2,182,142	1,535,171
- Short-term Portion of Long-term Borrowings	4	1,070,698	947,962
- Lease Liabilities	4	35,449	23,632
Trade Payables	5	1,942,150	1,215,789
- Trade Payables to Third Parties	5	1,942,150	1,215,789
Payables Related to Employee Benefits	6	25,530	21,589
Derivative Instruments		13,304	-
Other Payables	7	6,570	2,315
- Other Payables to Third Parties	7	6,570	2,315
Deferred Income	7	799,933	700,899
Current Tax Liabilities	26	777	-
Short-term Provisions	13	936	588
- Other Short-term Provisions	13	936	588
Non-current Liabilities		3,911,407	3,455,900
Long-term Borrowings	4	3,842,957	3,399,207
- Long-term Borrowings from Third Parties	4	3,743,114	3,313,238
- Lease Liabilities	4	99,843	85,969
Long-term Provisions	15	68,450	56,693
- Long-term Provisions for Employee Benefits	15	68,450	56,693
EQUITY		3,533,710	2,886,350
Share Capital	17	1,120,000	830,000
Adjustments to Share Capital	17	13	13
Repurchased Shares	17	(7,701)	(5,707)
Restricted Reserves Appropriated from Profit	17	213,747	191,559
Accumulated Other Comprehensive Income (Expenses) that will not be Reclassified to Profit or Loss	17	508,483	508,483
- Remeasurement Losses on Defined Benefit Plans	17-25	(4,109)	(4,109)
- Revaluation Gain on Property, Plant and Equipment	17-25	512,592	512,592
Prior Years' Profits	17	1,057,392	1,049,814
Net Profit or Loss for the Period	17	641,776	312,188
TOTAL LIABILITIES AND EQUITY		13,522,606	10,790,195

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2021 AND 2020

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

		(Reviewed) 1 January - 30 June 2021	(Not Reviewed) 1 April - 30 June 2021	(Reviewed) 1 January - 30 June 2020	(Not Reviewed) 1 April - 30 June 2020
	Notes				
Revenue	18	5,258,100	2,725,599	1,863,186	858,497
Cost of Sales (-)	18	(4,022,394)	(2,067,693)	(1,538,558)	(697,236)
GROSS PROFIT		1,235,706	657,906	324,628	161,261
General Administrative Expenses (-)	19	(44,624)	(23,676)	(17,823)	(9,279)
Marketing Expenses (-)	19	(180,983)	(99,965)	(61,274)	(29,210)
Research and Development Expenses (-)	19	(1,669)	(1,434)	(576)	(339)
Other Income from Operating Activities	20	547,606	329,392	234,849	137,626
Other Expenses from Operating Activities (-)	20	(523,730)	(261,929)	(176,791)	(91,452)
OPERATING PROFIT		1,032,306	600,294	303,013	168,607
Income from Investing Activities	22	3,581	582	239	112
Expenses from Investing Activities (-)	22	(1,049)	(678)	(171)	(144)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)		1,034,838	600,198	303,081	168,575
Finance Income	23	219,277	20,452	99,027	56,707
Finance Expenses (-)	24	(997,541)	(354,549)	(578,829)	(269,773)
(LOSS) / PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		256,574	266,101	(176,721)	(44,491)
Tax Income / (Expense) from Continuing Operations (-)		385,202	265,933	375,705	173,393
- Current Tax Expense (-)	26	(777)	(425)	-	84
- Deferred Tax Income	26	95,339	80,815	33,184	29,993
- Deferred Tax Income with Incentive Certificate	26	290,640	185,543	342,521	143,316
PROFIT FOR THE PERIOD		641,776	532,034	198,984	128,902
Other comprehensive income /expense		-	-	-	-
TOTAL COMPREHENSIVE INCOME		641,776	532,034	198,984	128,902
Profit for the Period Attributable to:					
Equity Holders of the Parent		641,776	532,034	198,984	128,902
Non - Controlling Interests		-	-	-	-
Earnings Per Share	27	0.5730	0.4750	0.1777	0.1151
Total Comprehensive Income Attributable to:					
Equity Holders of the Parent		641,776	532,034	198,984	128,902
Non - Controlling Interests		-	-	-	-

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED 30 JUNE 2021 AND 2020

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

					Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Retained Earning			
(Reviewed)	Notes	Share Capital	Adjustments to Share Capital	Repurchase d Shares	Gain on Revaluation of Property, Plant and Equipment	Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Prior years' Profits / (Losses)	Net Profit / (Loss) for the Period	Total Equity
1 January 2020		830,000	13	(2,594)	512,592	(4,109)	191,559	(6,540)	1,064,180	2,585,101
Transfers		-	-	-	-	-	-	1,064,180	(1,064,180)	-
Total Comprehensive Income		-	-	-	-	-	-	34,542	198,984	233,526
Loss on Repurchase										
Transactions on Shares		-	-	(3,113)	-	-	-	(7,826)	-	(10,939)
30 June 2020	17	830,000	13	(5,707)	512,592	(4,109)	191,559	1,084,356	198,984	2,807,688
(Reviewed)										
1 January 2021	17	830,000	13	(5,707)	512,592	(4,109)	191,559	1,049,814	312,188	2,886,350
Transfers		290,000	-	-	-	-	22,188	-	(312,188)	-
Total Comprehensive Income		-	-	-	-	-	-	-	641,776	641,776
Loss on Repurchase										
Transactions on Shares	17	-	-	(1,994)	-	-	-	7,578	-	5,584
30 June 2021	17	1,120,000	13	(7,701)	512,592	(4,109)	213,747	1,057,392	641,776	3,533,710

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED 30 JUNE 2021 AND 2020

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

		Current Period (Reviewed)	Prior Period (Reviewed)
	Notes	1 January- June 2021	1 January- June 2020
Cash Flows From Operating Activities:			
Profit/(Loss) For The Period Before Tax from Continuing Operations		256,574	(176,721)
Adjustments Related to Profit For The Period		1,641,098	448,825
Adjustments Related to Amortization and Depreciation	10,11,12	109,795	40,700
Adjustments Related to Interest Income/Expenses		149,501	62,727
<i>Adjustments Related to Interest Expenses</i>	24	169,030	61,175
<i>Adjustments Related to Interest Income</i>	23	(16,302)	(710)
<i>Unearned Finance Income Related to Forward Sales</i>		(3,227)	2,262
Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment		(2,360)	(82)
<i>- Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment</i>	22	(2,360)	(82)
Adjustments Related to Provisions		14,280	4,451
<i>- Adjustments Related to Provisions for Employee Benefits</i>	15	14,280	4,451
Adjustments Related to General Provisions for Possible Risks	13	348	(120)
Adjustments Related to Derivative Instruments		13,304	3,628
Adjustments Related to Unrealized Foreign Exchange Translation Differences	4	1,356,230	337,521
Changes in Working Capital		(1,025,649)	205,896
Adjustments Related to Increase in Trade Receivables from Third Parties		(805,768)	(91,777)
<i>Increase in Trade Receivables from Third Parties</i>		(634,304)	(146,730)
<i>Decrease/(Increase) in Trade Receivables from Related Parties</i>		(171,464)	54,953
(Increase) / Decrease in Other Receivables Related To Operations		(4,109)	(294)
<i>Increase in Other Receivables</i>		(4,109)	(294)
Adjustments Related to Increase in Inventories		(871,333)	(117,360)
Adjustments Related to Decrease in Prepaid Expenses		7,259	7,831
Adjustments Related to (Increase)/Decrease in Other Current Assets		(143,110)	44,183
Adjustments Related to Increase in Trade Payables to Third Parties		684,182	172,296
Adjustments Related to Increase / Decrease in Other Payables		4,255	(8,622)
Adjustments Related to Increase in Deferred Income		99,034	195,926
Adjustments Related to Increase in Debts for Employee Benefits		3,941	3,713
Cash Flows from Operating Activities:		872,023	478,000
Payments Related to Provisions for Employee Benefits	15	(2,523)	(2,795)
Tax Paid	26	-	(685)
Net Cash Generated from Operating Activities		869,500	474,520
Cash Flows Used in Investing Activities:			
Payments for Purchase of Property, Plant and Equipment and Intangible Assets		(552,827)	(505,028)
<i>Payments for Purchase of Property, Plant and Equipment and Intangible Assets</i>	11-12	(552,827)	(505,028)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		3,837	82
<i>Proceeds from Disposal of Property, Plant and Equipment</i>	11-22	3,837	82
Net Cash Used in Investing Activities		(548,990)	(504,946)
Cash Flows from Financing Activities:			
Proceeds from Borrowings	4	1,156,652	1,219,006
<i>Proceeds from Bank Loans</i>	4	1,156,652	1,219,006
Payments Related to Debt Payments	4	(1,362,218)	(1,032,211)
<i>Cash Outflow on Repayment of Bank Loans</i>	4	(1,343,818)	(1,032,211)
<i>Cash Outflow on Repayment of Finance Lease Liabilities</i>	4	(18,400)	-
Interest Paid	4	(166,032)	(110,871)
Interest Received	23	16,302	710
Cash Outflows from the Company's Acquisition of its Shares and Other Equity Instruments		-	(10,939)
Other Cash Outflows	4	(8,932)	794
Net Cash Used in / Generated from Financing Activities		(364,228)	66,489
NET CHANGE IN CASH AND CASH EQUIVALENTS		(43,718)	36,063
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	428,395	101,348
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	384,677	137,411

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

(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”). 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 30 June 2021, number of employees of the Company is 4,248 (31 December 2020: 4,022).

Subsidiary

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. Sasa and its subsidiary, 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 5 August 2021. General Assembly has the authority to modify the consolidated financial statements.

The Company has continued to evaluate effects of coronavirus outbreak as defined by the World Health Organization (“WHO”) on 11 March 2020 on its operations. The social restrictions applied in Turkey for preventing outbreak spread, started to be removed partially as of 1 June 2020 within normalization process. Liabilities in foreign currency, increased due to economic conditions because of pandemic and foreign exchange differences. Although this issue is not measurable yet, the Company continues to evaluate consequences on financial impact on its generations after balance sheet date.

NOTE 2 - BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of Presentation of Financial Statements and Significant Accounting Policies

The accompanying consolidated 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 consolidated financial statements are prepared based on the Turkish Accounting Standards and / Turkish Financial Reporting Standards (“TAS/IFRS”) and related attachments and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

The Group has prepared its condensed consolidated financial statements for the interim ended 30 June 2021 according to the TAS 34 “Interim Financial Reporting” standard within the scope of CMB’s Communiqué Serial II, No: 14.1 and announcements that account for the Communiqué. Interim condensed consolidated financial statements and notes are presented according to the recommended formats by CMB, and by including necessary information.

Entities are allowed to prepare their interim financial statements as full set or condensed according to the TAS 34 standard. The Group has preferred to prepare condensed financial statements for interim periods. The Group’s interim condensed consolidated financial statements do not include all disclosures and notes that are required for year-end consolidated financial statements and the financial statements must be evaluated together with the Group’s financial statements as of 31 December 2020.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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

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

2.1 Basis of Presentation (cont'd)

Basis of Presentation of Financial Statements and Significant Accounting Policies (cont'd)

The condensed 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 15 April 2019.

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

The consolidated financial statements have been prepared in Turkish Lira on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. The consolidated financial statements have been prepared with all necessary adjustments and reclassifications for the fair presentation as per TAS/TFRS reflected on the legal records that are prepared on historical cost basis.

Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005, No:29 “ Financial reporting in Hyperinflationary Economies” (“IAS / TAS 29”) was not applied.

Comparative Information and Reclassification of Prior Period Financial Statements

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.

Going Concern

The consolidated financial statements are prepared on the going concern basis as the directors are confident in the strength of the Group’s business model and risk exposures and the Group’s ability to maintain sufficient liquidity levels. As of 30 June 2021, due to the economic conditions created by the coronavirus pandemic (Covid-19) and the increase in foreign exchange rates, the Group's short-term liabilities exceed its current assets by TL 1,516,123 thousand (31 December 2020: TL 1,665,636 thousand). The management has assessed 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 will emerge based on expectations regarding the production and sales volume have been effective.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation

As of 30 June 2021 and 31 December 2020, the details of the Company's subsidiaries are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Sasa Dış Ticaret A.Ş.	100%	100%

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation

Changes in Accounting Estimates and Errors

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates used in the preparation of these consolidated financial statements for the year ended 30 June 2021 are consistent with those used in the preparation of financial statements for the year ended 31 December 2020. Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements.

2.2 Offsetting

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

2.3 New and Revised Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2021

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 *Interest Rate Benchmark Reform* — *Phase 2*

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The Group management assessed that the adoption of this amendment does not have any effect on the Group's consolidated financial statements.

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

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

b) New and revised 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 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 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

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.

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

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

b) New and revised TFRSs in issue but not yet effective (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.

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

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

b) New and revised TFRSs in issue but not yet effective (cont'd)

Annual Improvements to TFRS Standards 2018-2020 Cycle (cont'd)

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.

Amendments to TAS 41 *Agriculture*

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early 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 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021*

Public Oversight Accounting and Auditing Standards Authority ("POA") has published *COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to TFRS 16)* 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.

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

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

b) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021 (cont'd)

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

The Group does not have any lease concessions.

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

2.4 Significant Accounting Estimations 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.

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

The Group makes future estimates and assumptions when preparing consolidated financial statements. Accounting estimates give exactly the same results as those that rarely occur. Estimates and assumptions that may cause significant adjustments in the book value of assets and liabilities in the next financial reporting period are as follows:

Net realizable value of inventory

Inventories are stated at the lower of cost and net realizable value. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price costs necessary to make the sale.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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

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

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TFRS purposes and financial statements prepared in accordance with the tax legislation. These differences generally arise from the fact that the tax base amounts of some income and expense items are in different periods in the statutory financial statements and the financial statements prepared in accordance with TFRS. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring (Note 26).

Provision for doubtful receivables

Provisions for doubtful receivables reflect the amounts that the Group management believes will cover the future losses of the existing receivables as of the balance sheet date but have the risk of not being collected under the current economic conditions. While evaluating whether the receivables are impaired, the past performances of the borrowers, their credibility in the market, their performance from the balance sheet date to the date of approval of the financial statements and the re-negotiated conditions are also taken into account. As of the balance sheet date, the relevant provisions are included in Note 5.

Retirement benefit obligations

Retirement benefit obligations' present value is determined through using certain assumptions under actuarial basis. These assumptions are also used in determining severance compensation's net expense and include the discount ratio. Any change in such assumptions affects the value of the registered retirement benefit obligation. All actuarial gains and losses are recognized under the fund of actuarial loss/earnings fund for employee termination benefits under equity. Discount rate is used to calculate for the fulfilment of obligations for severance compensation's present value of estimated future cash outflows (Note: 15).

Provision for legal claims

The Group Management determines the provision amount for the ongoing lawsuits, taking into account the opinions of the Legal Counsel and expert lawyers outside the Group, and it determined the probability of loss of the lawsuits and the liabilities that will arise in case of loss, based on the possible cash outflows based on the management's best estimation. As of the relevant balance sheet date, provisions for lawsuits are included in Note 13.

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

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

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 book 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.

Useful lives of property, plant and equipment

Property, plant and equipment other than land and building are carried at cost less accumulated depreciation and any accumulated impairment losses. 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. 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.

Fair value measurements and valuation processes

Group's land, land improvements and buildings and derivative financial instruments are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company and consulted to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available.

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 takes into account past experiences, current market conditions and future expectations regarding the market.

Fair values of derivative instruments

The Group evaluates derivative financial instruments based on estimated market value estimates as of the reporting date calculated based on exchange rate and interest estimates at the date of realization.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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NOTE 3 - CASH AND CASH EQUIVALENTS

	<u>30 June 2021</u>	<u>31 December 2020</u>
Cash on hand	94	97
Cash on banks	384,583	428,298
-Demand deposits	384,583	78,298
-Time deposit	-	350,000
Total	384,677	428,395

The Group has not any time deposits as of 30 June 2021 (31 December 2019: TL 350,000, interest rate 18.60%, maturity date 4 January 2021).

NOTE 4 - FINANCIAL INSTRUMENTS

Short-term Financial Investments	<u>30 June 2021</u>	<u>31 December 2020</u>
Blocked deposits with maturity longer than 3 months (*)	55,914	46,982
Total	55,914	46,982

(*) The Group has blocked bank deposits with maturity longer than 3 months amounting to TL 55,914 (31 December 2020: TL 46,982) arising from bank loans from Türkiye İhracat Kredi Bankası ("Turk Eximbank") as of 30 June 2021.

Short-term Financial Borrowings

	<u>30 June 2021</u>	<u>31 December 2020</u>
Short - term bank loans	2,182,142	1,535,171
Short - term portion of the long-term financial borrowings	1,070,698	947,962
Financial lease liabilities	35,449	23,632
	3,288,289	2,506,765

Long-term Financial Borrowings

	<u>30 June 2021</u>	<u>31 December 2020</u>
Long - term bank loans	3,743,114	3,313,238
Financial lease liabilities	99,843	85,969
	3,842,957	3,399,207

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FOR THE PERIOD ENDED 30 JUNE 2021**

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NOTE 4 - FINANCIAL INSTRUMENTS(cont'd)

a) Bank loans

Foreign currency denominated bank loans and corresponding interest expense accruals as of 30 June 2021 and 31 December 2020 are as follows:

Principal	30 June 2021			31 December 2020		
	Weighted average effective interest rate (%)	Original amount (*)	TL	Weighted average effective interest rate (%)	Original amount (*)	TL
Original currency						
TL	20.63	-	1,410,590	17.49	-	1,083,201
US Dollar	2.83	47,542	413,418	2.52	69,325	514,351
Euro	2.37	491,920	5,088,174	2.03	453,863	4,137,600
			6,912,182			5,735,152
Interest Accrued						
TL		-	53,660		-	36,669
US Dollar		109	952		51	376
Euro		2,819	29,160		2,652	24,174
			6,995,954			5,796,371

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

The repayment schedule of the Group's financial borrowings is as follows:

	30 June 2021	31 December 2020
Within 1 year	3,252,840	2,483,133
Within 1 - 2 year	897,766	885,532
Within 2 - 3 year	734,647	587,690
Within 3 - 4 year	526,201	490,206
Within 4 - 5 year	422,150	312,463
5 + years	1,162,350	1,037,347
	6,995,954	5,796,371

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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NOTE 4 - FINANCIAL INSTRUMENTS (cont'd)

b) Finance lease liabilities

Finance lease liabilities	Minimum lease payments		Present value of minimum lease payments	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Finance lease payables	145,151	118,571		
Within 12 months	43,744	27,188	35,449	23,632
More than 12 months	101,407	91,383	99,843	85,969
Less: future financial expenses	(9,859)	(8,970)	-	-
Present value of lease liability	<u>135,292</u>	<u>109,601</u>		
Payables due in 12 months (charged to short-term payables)			35,449	23,632
Payables due after 12 months			99,843	85,969
			<u>135,292</u>	<u>109,601</u>

Finance lease is related to the purchase of production equipment with a lease term of 3-4 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 in Euro basis. Average effective contract interest rate is approximately 3.56% annually (31 December 2020: 3.56%).

c) Reconciliation of the liabilities arising from financial activities

Cash and noncash changes regarding the liabilities arising from financing activities of the Group is given below. Liabilities arising from financial activities are the cash flows that is recognized or will be recognized under the cash flows from financing activities at the consolidated statement of cash flow of the Group.

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NOTE 4 - FINANCIAL INSTRUMENTS (cont'd)

c) Reconciliation of the liabilities arising from financial activities (cont'd)

	<u>30 June 2021</u>	<u>31 December 2020</u>
Opening balance	5,905,972	4,329,643
Interest expense	169,030	225,263
Interest paid	(166,032)	(243,406)
Exchange difference	1,356,230	1,011,311
Capitalized borrowing costs (Note 11)	71,612	463,606
Property, plant and equipment acquired by finance lease (Note 11)	-	115,794
Payments for finance lease liabilities	(18,400)	(27,221)
Loans received	1,156,652	2,913,498
Repayments of loans	(1,343,818)	(2,882,516)
Closing balance	7,131,246	5,905,972

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

Trade Receivables

	<u>30 June 2021</u>	<u>31 December 2020</u>
Trade receivables (*)	1,029,089	489,311
Cheques received (**)	265,152	173,840
	1,294,241	663,151
Receivables from related parties (Note 28)	208,652	37,188
	1,502,893	700,339

(*) As of 30 June 2021, trade receivables are discounted by using monthly 1.57% for TL, 0.30% for US Dollar, 0.34% for Euro (As of 31 December 2020: 1.75% for TL, 0.50% for US Dollar, 0.33% for Euro).

(**) Cheques received constitute the cheques obtained from customers and kept in portfolio as a result of trade activities and consist of TL 172,684 with maturities of less than three months (31 December 2020: TL 115,542).

Aging of receivables that are due but not impaired:

Overdue period	<u>30 June 2021</u>	<u>31 December 2020</u>
Up to 1 month	212,246	60,484
1 - 3 months	3,126	9,852
Over 3 months	6,019	4,241
	440,975	74,577

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

Trade Receivables (cont'd)

As of 30 June 2021 and 31 December 2020, due to existence of credit insurance, 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 provision for doubtful receivables made for trade receivables is determined based on past experience of defaulted receivables. The analysis of overdue receivables and provision for doubtful receivables as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Balance at 1 January	-	(681)
Balance at 30 June	-	(681)

Trade Payables

	<u>30 June 2021</u>	<u>31 December 2020</u>
Trade payables (*)	1,942,150	1,215,789
	<u>1,942,150</u>	<u>1,215,789</u>

(*) As of 30 June 2021, trade payables are discounted by using monthly 1.57% for TL, 0.30% for USD, 0.34% for EUR (31 December 2020: 1.75% for TL, 0.50% for USD, 0.33% for EUR).

As of 30 June 2021, average turnover for trade receivables and trade payables are 40 days and 69 days, respectively (31 December 2020: 29 days and 81 days, respectively).

NOTE 6 – PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables Related to Employee Benefits

	<u>30 June 2021</u>	<u>31 December 2020</u>
Due to personnel	14,412	10,264
Social security premiums payable	11,118	11,325
	<u>25,530</u>	<u>21,589</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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NOTE 7 – OTHER RECEIVABLES, PAYABLES AND DEFERRED INCOME

Other Current Receivables

	<u>30 June 2021</u>	<u>31 December 2020</u>
Work and services advances	1,799	2,604
Prepaid taxes and funds	1,366	717
Deposits and guarantees given	262	96
Other receivables	4,890	791
	8,317	4,208

Other Non Current Receivables

	<u>30 June 2021</u>	<u>31 December 2020</u>
Deposits and guarantees given	117	114
	117	114

Other Payables

	<u>30 June 2021</u>	<u>31 December 2020</u>
Taxes and funds payable	6,570	2,315
	6,570	2,315

Deferred Income

	<u>30 June 2021</u>	<u>31 December 2020</u>
Order advances received (*)	799,933	700,899
	799,933	700,899

(*) The Group increased its sales with the fiber plant capitalized in 2019 and the Poy and Textured Yarn Facility and Pet Facility (Bottle Chips-Textile Chips) that were capitalized in 2020. In parallel with this situation, an increase has occurred in the Group's received order advances.

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NOTE 8 – INVENTORIES

	<u>30 June 2021</u>	<u>31 December 2020</u>
Goods in transit (*)	913,283	379,165
Finished goods	596,211	471,454
Raw materials	520,768	386,514
Semi - finished goods	30,004	15,594
Spare parts	13,815	46,739
Other	135,486	38,769
	<u>2,209,567</u>	<u>1,338,235</u>

(*) With the new investments of the Group, the capacity and accordingly the need for raw materials have increased. This amount consists of raw material purchases that are still in transit as of the reporting period.

NOTE 9 - PREPAID EXPENSES

Prepaid Expenses (Short-term)

	<u>30 June 2021</u>	<u>31 December 2020</u>
Other prepaid expenses	7,197	942
Prepaid insurance expenses	1,001	14,515
	<u>8,198</u>	<u>15,457</u>

Prepaid Expenses (Long-term)

	<u>30 June 2021</u>	<u>31 December 2020</u>
Advances given for PPE purchases (*)	103,275	205,609
	<u>103,275</u>	<u>205,609</u>

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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NOTE 10 - INVESTMENT PROPERTIES

The movement of investment properties and related depreciation for the years ended 30 June 2021 and 2020 are as follows:

	1 January 2021	Additions	Disposals	30 June 2021
Cost				
Land	5	-	-	5
Building	3,780	-	-	3,780
Land and land improvements	-	-	-	-
	3,785	-	-	3,785
Accumulated depreciation				
Buildings	3,655	32	-	3,687
Land and land improvements	10	4	-	14
	3,665	36	-	3,701
Net book value	120	-	-	84

As of 30 June 2021, the Group has investment properties with the net book value of TL 84 (31 December 2020: TL 120) leased to the third parties through lease agreements. The Group has generated rent income of TL 172 (31 December 2020: TL 150) throughout the period resulting from these lease agreements (Note 22).

The fair value of the Group's investment properties is determined as TL 5,180. Fair value is determined in accordance with market comparable approach that reflects recent transaction prices for similar properties.

	1 January 2020	Additions	Disposals	30 June 2020
Cost				
Land	19	-	-	19
Building	10,319	-	-	10,319
Land and land improvements	1,256	-	-	1,256
	11,594	-	-	11,594
Accumulated depreciation				
Buildings	7,525	35	-	7,560
Land and land improvements	1,022	17	-	1,039
	8,547	52	-	8,599
Net book value	3,047	-	-	2,995

The income statement accounts related to total depreciation presented in Note 11 as of 30 June 2021 and 2020.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and related accumulated depreciation for the accounting periods ended 30 June 2021 and 2020 is as follows:

	1 January 2021	Additions	Transfers	Disposals	30 June 2021
Cost					
Land	714,261	-	-	(86)	714,175
Land and land improvements	12,186	3,024	-	-	15,210
Buildings	680,379	748	-	-	681,127
Machinery, plant and equipment	4,060,273	10,560	-	(5,800)	4,065,033
Vehicles	11,029	3,122	-	(179)	13,972
Furniture and fixtures	22,710	7,310	-	(34)	29,986
Construction in progress (*)	900,677	753,691	-	-	1,654,368
	6,401,515	778,455	-	(6,099)	7,173,871
Accumulated depreciation					
Land and land improvements	2,441	166	-	-	2,607
Buildings	63,641	12,826	-	-	76,467
Machinery, plant and equipment	458,399	93,749	-	(4,510)	547,638
Vehicles	4,518	1,213	-	(94)	5,637
Furniture and fixtures	8,088	1,678	-	(18)	9,748
	537,087	109,632	-	(4,622)	642,097
Net book value	5,864,428				6,531,774

(*) During the period ended of 30 June 2021, capitalized borrowing costs within construction in progress is amounting to TL 71,612 (31 December 2020: TL 463,606) (Note 4).

Trade payables related to purchases for which no payment has been made yet amount to TL 54,205 (31 December 2020: TL 90,889). Prepaid advance set off for purchase for the six-month period is amounting to TL 102,334 (31 December 2020: TL 46,971).

As of 30 June 2021, there is a mortgage on property, plant and equipment amounting to TL 4,319,320 (31 December 2020: TL 571,440).

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT
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(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

	1 January 2020	Additions	Transfers	Disposals	30 June 2020
Cost					
Land	714,261	-	-	-	714,261
Land and land improvements	7,455	-	-	-	7,455
Buildings	365,677	-	-	-	365,677
Machinery, plant and equipment	1,592,766	4,624	-	(591)	1,596,799
Vehicles	5,765	292	-	-	6,057
Furniture and fixtures	12,125	2,941	-	(11)	15,055
Construction in progress (*)	2,340,116	812,078	-	-	3,152,194
	5,038,165	819,935	-	(602)	5,857,498
Accumulated depreciation					
Land and land improvements	3,064	55	-	-	3,119
Buildings	49,659	6,580	-	-	56,239
Machinery, plant and equipment	346,450	32,529	-	(591)	378,388
Vehicles	3,192	438	-	-	3,630
Furniture and fixtures	6,124	791	-	(11)	6,904
	408,489	40,393	-	(602)	448,280
Net book value	4,629,676				5,409,218

Fair value measurement of the Group's freehold land and buildings

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings were performed on 31 December 2017 by İdeal Gayrimenkul Değerleme ve Danışmanlık A.Ş. which is authorized by Capital Markets Board, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

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

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

Details of the Group's freehold land and information about the fair value hierarchy as at 30 June 2021 are as follows:

	Fair value hierarchy as of reporting date			
	30 June 2021	Level 1	Level 2	Level 3
Land	714,175	-	714,175	-
	714,175	-	714,175	-

There were no transfers between Level 1 and Level 2 during the period.

Income statement accounts related to depreciation and amortization of total (property, plant and equipment, intangible assets, investment property) during the periods ended 30 June 2021 and 2020 are as follows:

	<u>1 January - 30 June 2021</u>	<u>1 January - 30 June 2020</u>
Production cost (Note: 18)	106,216	38,193
General administrative expenses (Note: 19)	1,883	845
Marketing, sales and distribution expenses (Note: 19)	1,513	1,425
Research expenses (Note: 19)	183	237
	109,795	40,700

NOTE 12 – INTANGIBLE ASSETS

The movement of intangible assets and related accumulated amortization for the year ended 30 June 2021 and 2020 is as follows:

	1 January 2021	Additions	30 June 2021
Cost			
Rights	9,547	2,025	11,572
Development costs	8,210	498	8,708
	17,757	2,523	20,280
Accumulated amortization			
Rights	8,695	105	8,800
Development costs	8,210	22	8,232
	16,905	127	17,032
Net book value	852		3,248

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NOTE 12 – INTANGIBLE ASSETS (cont'd)

	1 January 2020	Additions	30 June 2020
Cost			
Rights	8,999	133	9,132
Development costs	7,857	135	7,992
	16,856	268	17,124
Accumulated amortization			
Rights	7,276	102	7,378
Development costs	8,210	153	8,363
	15,486	255	15,741
Net book value	1,370		1,383

The statement of income accounts in which total amortization for the year ended 30 June 2021 and 2020 are recognized, is presented in Note 11.

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**Provision for Restructuring and Demand of Other Receivables**

	30 June 2021	31 December 2020
Provision for restructuring and demand of other receivables (*)	936	588
	936	588

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

	1 January - 30 June 2021	1 January - 30 June 2020
Balance at 1 January	588	585
Provision for the period (Note 19)	348	-
Provision written-off within the period (Note 19)	-	(120)
Balance at 30 June	936	465

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NOTE 14 – COMMITMENTS

Bond Issue Convertible to Share

Within the scope of the authorization given to the Board of Directors by the second paragraph of Article 10, titled "Issuing Various Securities", of our Company's Articles of Association, An application was made to the Capital Markets Board (CMB) on 28 August 2020 for the issuance of Euro-denominated Bonds Convertible to Shares up to a nominal value of EUR 200,000,000 with a maturity of 5 (five) years, to be sold abroad to qualified investors wholly, and the application was approved on 11 February 2021.

Following the approval of the issuance document for the bond issuance, BNP Paribas TEB Investment Partnership and HSBC have been authorized for the issuance to be carried out abroad with or without guarantee, depending on the market conditions.

Following the negotiations with investors residing abroad, negotiations regarding the issuance started on 22 June 2021. The sales contracts with a principal amount of EUR 200,000,000 were completed in June and the net amount related to the sale was transferred to the bank accounts of the Company on 1 July 2021 with the realization of the sale.

The bonds with a maturity of 30 June 2026 (ISIN Code: XS2357838601) were sold in units with a minimum value of EUR 100,000 under the guarantee of Sasa Dış Ticaret A.Ş. Bond interest is fixed at 3.25% annually and interest payments will be made quarterly. The first interest payment date is 30 September 2021.

Bond holders will be able to use their conversion right throughout the maturity period as of 16 July 2021.

Initial Conversion Price is calculated as EUR 3.5629 by adding 27.5% premium, which is the arithmetic average of the weighted average prices over the spot rate on the Exchange Market within the 15-day monitoring period covering the date range of 24 June 2021-14 July 2021, to the Reference Share Price, which is calculated as EUR 2.7944 for 1 lot (TL 1 nominal) share traded on the Exchange Market. In this context, the Conversion Rate calculated for the bond with a nominal value of EUR 100,000 is 28,067.0241 (lot) shares.

Income from bond issuance will be used for refinancing existing debts and financing investments.

In accordance with the obligations accepted during the maturity of the bond, no dividend will be paid unless the total net debt amount is below 300% of EBITDA.

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

NOTE 14 – COMMITMENTS (cont'd)

Commitments based on export incentive certificates

	<u>30 June 2021</u>	<u>31 December 2020</u>
Total amount of export commitment of documents recorded	11,202,963	9,250,363
Total amount of export commitment of documents which are presently fulfilled but closing transactions are not concluded yet	5,484,071	5,480,898
Total amount of open export incentives	5,718,892	3,769,465
Open export incentives	2,699,463	2,671,079
	<u>30 June 2021</u>	<u>31 December 2020</u>
Open Letter of Credits	1,629,828	862,514

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

	<u>30 June 2021</u>				<u>31 December 2020</u>		
	TL Equivalent	TL	US Dollar	Euro	TL Equivalent	TL	Euro
A. CPMs given for Company's own legal entity (*)	5,205,583	1,541,856	30,500	328,564	1,342,726	589,047	113,325
B. CPMs given on behalf of fully consolidated companies	-	-	-	-	13,301	-	2,000
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	-	-	-	-	-	-	-
Total	5,205,583	1,541,856	30,500	328,564	1,356,027	589,047	115,325

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 14 – COMMITMENTS (cont'd)

Collaterals, pledges and mortgages 'CPM' given by the Group (cont'd)

As of 30 June 2021, the percentage of the other CPM's given by the Group to the total equity is 0% (31 December 2020: 0%).

Mortgages and guarantees received at 30 June 2021 and 31 December 2020 are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Letter of guarantees received	128,606	55,646
Cheques and notes of guarantees received	-	3,656
	128,606	59,302

NOTE 15 - PROVISIONS FOR EMPLOYEE BENEFITS

Provisions for long-term employee benefits

	<u>30 June 2021</u>	<u>31 December 2020</u>
Provision for employment termination benefits	59,145	50,417
Unused vacation provision	9,305	6,276
	68,450	56,693

Unused Vacation Provision

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 unused vacation allowances as of 30 June 2021 and 2020 are as follows:

	<u>1 January - 30 June</u> <u>2021</u>	<u>1 January - 30 June</u> <u>2020</u>
Balance at 1 January	6,276	5,377
Provision for the period	3,095	381
Provision released	(66)	(1,520)
Balance at 30 June	9,305	4,238

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

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.

The amount payable consist of one gross wage for each year of service limited to maximum termination indemnity for non-union employees and 47 days gross wage for each year of service limited to maximum termination indemnity for union employees from the business field of chemistry. Same payment is done for days remaining from 1 year on pro-rata basis.

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>30 June 2021</u>	<u>30 June 2020</u>
Discount rate (%)	4.75	4.75
Retention rate to estimate probability of retirement (%)	98	98

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

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 8.28 (1 January 2020: TL 6.73), which is expected to be effective from 1 July 2021, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

Movements of provision for employment termination benefits:

	<u>1 January - 30 June</u> <u>2021</u>	<u>1 January - 30 June</u> <u>2020</u>
Balance at 1 January	50,417	43,084
Charge for the period	11,251	5,590
Payment within the period	(2,523)	(2,795)
Balance at 30 June	59,145	45,879

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NOTE 16 - OTHER ASSETS AND LIABILITIES

Other Current Assets

	<u>30 June 2021</u>	<u>31 December 2020</u>
Deferred VAT(*)	203,888	158,929
VAT return receivables from export and domestic market sales (**)	187,912	89,764
	391,800	248,693

(*) TL 18,448 of the relevant amount is related to the the POY investment and Pet Facility activated in 2020 and the return is started to be received. The remaining part is related to stock purchases and will be returned in 2021.

(**) As of 30 June 2021, the Group has completed VAT receivable application process for amounting to TL 67,908 and as of report issue date, amounting to TL 31,891 VAT receivable has been collected (31 December 2020: TL 11,013).

NOTE 17 - EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each Kr 1 nominal value of 1,120,000,000,000 shares (31 December 2020: 83,000,000,000). The shareholders and shareholding structure of the Group as of 30 June 2021 and 31 December 2020 are as follows:

	<u>30 June 2021</u>		<u>31 December 2020</u>	
	Share amount	Share percentage	Share amount	Share percentage
Erdemoğlu Holding A.Ş.	703,403	62.80	521,272	62.80
Merinos Halı San. ve Tic. A.Ş.	162,400	14.50	120,350	14.50
Dinarsu İmalat ve Ticaret T.A.Ş.	84,000	7.50	62,250	7.50
Other	170,197	15.20	126,128	15.20
Share capital	1,120,000	100	830,000	100
Adjustments to share capital (*)	13		13	
Total capital	1,120,013		830,013	

(*) Adjustment to share capital represents the difference between offset off amount of adjusted share capital amount of the Group and accumulated loss, and share capital amount before adjustments.

The Group's paid-in capital has been increased by TL 290,000 by transfer from retained earnings.

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NOTE 17 – EQUITY (cont'd)

Shareholders' equity items of Group as at 30 June 2021 and 31 December 2020 prepared in accordance with the Communiqué No: XI-29 are as follows:

	<u>30 June 2021</u>	<u>30 June 2021</u>
Share Capital	1,120,000	830,000
Adjustments to Share Capital	13	13
Repurchased Shares (*)	(7,701)	(5,707)
Restricted Reserves Appropriated from Profit	213,747	191,559
Prior Years' Profits	1,057,392	1,049,814
Loss on Remeasurement of Defined Benefit Plans	(4,109)	(4,109)
Gain on Revaluation of Property, Plant and Equipment	512,592	512,592
Net Profit for the Period	641,776	312,188
Total Share Capital	3,533,710	2,886,350

(*) Between 24 November 2017 and 29 November 2017, the Group has repurchased a total of 1,593,884 shares within a price range of TL 6.40 - TL 6.69 with the total transaction amounting exactly to TL 10,532,055, on 23 May 2019, a total of 1,000,000 shares within a price range of TL 5.07 – TL 5.29 (TL-Full) with the total transaction amounting to TL 5,155,926. As at 11 March 2020, the Group has repurchased a total of 1,500,000 shares within a price range of TL 6,80 - TL 7,00 (TL-Exact) with the total transaction amounting exactly to 10,341,940 (TL –Full). The total share of the Group repurchased has reached a nominal value of TL 4,093,884. In addition, as part of the costless share distribution transactions completed on 17 May 2018, 3 May 2019 and 29 April 2021, it has acquired a total of 3,607,245 new shares. Thus, as of the report date, the total share of the Group in Sasa Polyester Sanayi A.Ş. reached a nominal value of TL 7,701,129 and a ratio of 0.6876%.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the Group’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital.

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

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

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NOTE 17 – EQUITY (cont'd)

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 International Financial Reporting Standards.

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

Dividend Distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board’s Communiqué on Dividends II-19.1 which is effective from 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 in 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 profit for the period remaining after deducting the prior years' losses in the legal records of the Group is TL 629,364 (31 December 2020: TL 308,947).

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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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NOTE 18 - REVENUE AND COST OF SALES

Sales Income

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Polyester Fiber	1,840,956	963,589	989,133	477,526
Domestic	1,335,472	677,730	786,367	385,253
Foreign	505,484	285,859	202,766	92,273
Polyester Chips	1,826,795	971,872	570,516	236,204
Domestic	1,175,784	640,455	302,331	136,471
Foreign	651,011	331,417	268,185	99,733
Polyester Yarn	783,186	395,582	219,237	110,434
Domestic	783,186	395,582	219,237	110,434
Poy-Texturized	744,525	366,366	33,628	9,049
Domestic	744,525	366,366	33,628	9,049
Commercial Commodity	-	-	41,525	21,138
Domestic	-	-	41,525	21,138
Other	62,638	28,190	9,147	4,146
Domestic	9,665	-	9,147	4,146
Foreign	52,973	28,190	-	-
Revenue	5,258,100	2,725,599	1,863,186	858,497

Cost of Sales

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Raw materials expense	3,472,187	1,945,013	1,247,799	624,636
Energy expenses	228,343	123,325	108,433	59,960
Labour expenses	186,003	102,005	58,865	32,256
Depreciation and amortization expenses (Note 11)	103,267	51,203	34,565	17,552
Spare parts and maintenance expenses	42,839	24,319	15,810	8,596
Insurance expenses	9,043	4,560	4,257	2,291
Usage of semi-finished goods	(6,204)	(2,118)	(479)	698
Other expenses	60,025	41,555	23,391	12,099
Production Cost for the Period	4,095,503	2,289,862	1,492,641	758,088
Usage of intermediate goods and finished goods	(103,596)	(242,008)	(11,197)	(88,903)
Cost of trade goods sold	-	-	38,559	19,583
Cost of waste goods sold	18,800	11,538	8,142	3,691
Other idle period expense	8,738	6,328	6,785	3,290
Depreciation and amortization of idle period (Note 11)	2,949	1,973	3,628	1,487
Cost of Goods Sold During the Period	4,022,394	2,067,693	1,538,558	697,236

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NOTE 19 – MARKETING, GENERAL ADMINISTRATIVE AND RESEARCH & DEVELOPMENT EXPENSES**General Administrative Expenses**

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Personnel expenses	21,519	11,362	9,176	4859
Consultancy expenses	7,356	4,498	2,343	1162
Supplies, repair and maintenance expenses	3,272	1,435	413	255
Insurance expenses	2,908	1,656	1,855	960
Severance and notice pay	2,897	2,616	584	437
Depreciation and amortization expenses (Note 11)	1,883	980	845	446
Assisted services expenses	1,658	632	379	332
Energy expenses	331	130	261	109
Restructuring expense provision (Note 13)	348	-	(120)	(120)
Other expenses	2,452	367	2,087	839
	44,624	23,676	17,823	9,279

Marketing Expenses

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Export and freight expenses	152,423	86,436	45,925	21,342
Personnel expenses	15,126	7,961	5,512	3,020
Taxes and duties expenses	5,595	1,879	5,019	2,649
Insurance expenses	1,857	934	1,096	713
Depreciation and amortization expenses (Note 11)	1,513	767	1,425	660
Rent expenses	369	183	96	43
Energy expenses	251	249	5	1
Other expenses	3,849	1,556	2,196	782
	180,983	99,965	61,274	29,210

Research and Development Expenses

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Personnel expenses	1,409	1,341	155	132
Depreciation and amortization expenses (Note 11)	183	65	237	117
Other expenses	77	28	184	90
	1,669	1,434	576	339

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2021**

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

NOTE 20 – OTHER INCOME / EXPENSE FROM OPERATING ACTIVITIES**Other Operating Income**

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Foreign exchange income from trade receivables/payables	475,733	276,783	195,422	120,169
Interest support from incentive	17,918	15,982	-	-
Miscellaneous sales income	15,189	4,915	14,587	3,270
Income from sale of raw materials	6,665	3,347	452	-
Late interest income related to receivables	-	-	1,174	333
Other income	32,101	28,365	23,214	13,854
	547,606	329,392	234,849	137,626

Other Operating Expense

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Foreign exchange expense from trade receivables/payables	497,937	252,180	152,584	86,773
Cost of raw materials sales	6,151	2,881	381	-
Taxes and duties paid	6,054	3,606	2,510	2,118
Cost of miscellaneous sales	5,797	3,010	11,833	1,469
Provision for unused vacation	3,029	1,515	381	313
Other expenses	4,762	(1,263)	9,102	779
	523,730	261,929	176,791	91,452

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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

NOT 21 – EXPENSES BY NATURE

	1 January- 30 June 2021	1 January- 30 June 2020
Direct raw materials expense	3,472,187	1,247,799
Usage of finished goods and WIP in the period	(103,596)	(11,197)
Energy expenses	228,925	108,699
Personnel expenses	224,057	73,708
Export and freight costs	152,423	45,925
Depreciation and amortization expenses (Note 11)	109,795	40,700
Spare parts and maintenance expenses	42,839	15,810
Cost of waste goods sold	18,800	8,142
Insurance expenses	13,808	7,208
Other idle period expense	8,738	6,785
Consultancy expenses	7,356	2,343
Taxes and funds	5,595	5,019
Spare parts and maintenance expenses	3,272	413
Severance and notice pay	2,897	584
Auxiliary service expenses	1,658	379
Rental expenses	369	96
Cost of trade goods sold	-	38,559
Restructuring expense provision	348	(120)
Usage of semi-finished goods	(6,204)	(479)
Other expenses	66,403	27,858
	4,249,670	1,618,231

NOTE 22 – INCOME / EXPENSE FROM INVESTING OPERATIONS

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Gain on sales of property, plant and equipment (*)	3,409	582	89	37
Loss on sales of property, plant and equipment (*)	(1,049)	(678)	(171)	(144)
Rent income (Note 10)	172	86	150	75
	2,532	(96)	68	(32)

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

NOTE 23 - FINANCE INCOME

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Foreign exchange income	202,975	17,801	98,317	56,590
Interest income	16,302	2,651	710	117
	219,277	20,452	99,027	56,707

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 24 - FINANCE EXPENSES

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Foreign exchange expenses	795,744	244,274	499,443	229,712
Interest expenses	169,030	89,587	61,175	33,201
Commission expenses	32,767	20,688	18,211	6,860
	997,541	354,549	578,829	269,773

NOT 25 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	30 June 2021	31 December 2020
Revaluation fund of property, plant and equipment	512,592	512,592
Gain on remeasurement of defined benefit plans	(4,109)	(4,109)
	508,483	508,483

Revaluation fund of property, plant and equipment

	1 January- 30 June 2021	1 January- 30 June 2020
Opening balance	512,592	512,592
Closing balance	512,592	512,592

Gain on remeasurement of defined benefit plan

	1 January- 30 June 2021	1 January- 30 June 2020
Opening balance	(4,109)	(4,109)
Closing balance	(4,109)	(4,109)

NOTE 26 - TAX ASSETS AND LIABILITIES

Deferred Taxes

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Accounting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for International Financial Reporting Standards and tax purposes. Tax rate used in the calculation of deferred tax assets and liabilities was %25 over temporary timing differences expected to be reversed in 2021, and %20 over temporary timing differences expected to be reversed in 2022 and the following years (2020: %22).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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

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

Deferred Taxes (cont'd)

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 30 June 2021 and 31 December 2020 using the enacted tax rates are as follows:

	Cumulative temporary difference		Deferred tax asset / (liabilities)	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net difference between recorded value of property, plant and equipment and intangible assets and tax value	1,109,355	667,028	221,871	133,406
Adjustment to exchange difference of investment advance given	27,885	11,863	5,577	2,373
Revaluation differences of plant, property and equipment	(569,546)	(569,546)	(56,955)	(56,955)
Investment incentives deduction to be used (*)	2,110,654	1,820,014	2,110,654	1,820,014
Provision for employment termination benefits	59,145	50,418	11,829	10,084
Valuation differences of inventories	32,308	(892)	8,077	(178)
Adjustment of unrealized sales	24,180	12,459	6,045	2,492
Provision for unused vacation	9,305	6,276	2,326	1,255
Provision for litigation	936	588	234	118
Provision for export expense	10,296	6,350	2,574	1,270
Adjustment for not accrued financial income	(12,026)	(8,782)	(3,007)	(1,756)
Adjustment for not accrued financial expenses	8,799	8,225	2,200	1,645
Adjustment for exchange difference	45,268	65,268	11,317	13,054
Raw material cost adjustment	-	49,704	-	9,941
Deferred tax assets			2,374,627	1,995,652
Deferred tax liabilities			(51,885)	(58,889)
Deferred tax assets			2,322,742	1,936,763

(*) Disclosed in 'Government Grants and Incentives'.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT
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NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)**Deferred Taxes (cont'd)****Reconciliation of tax provision**

	30 June 2021	31 December 2020
Sasa Polyester San. A.Ş.	2,314,123	1,722,982
Sasa Dış Ticaret A.Ş.	8,619	2,278
	2,322,742	1,725,260

Movement table of deferred taxes is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Balance at 1 January	1,936,763	1,349,555
Deferred tax income for the period	95,339	33,184
Deferred tax income for incentive certificate	458,364	342,521
Deferred tax asset used within incentive certificate	(167,724)	-
Balance at 30 June	2,322,742	1,725,260

Reconciliation of tax provision

	1 January - 30 June 2021	1 January - 30 June 2020
Profit/(Loss) before tax from activities	256,574	(176,721)
Income tax rate: 25% (2020: 22%)	(64,144)	38,879
Tax effects		
- Non-deductible expenses	(10,577)	227
- Effect of reduced corporate tax application	458,364	342,521
- Effect of tax rate change from 22% to 25%	9,318	-
- Other adjustments	(7,759)	(5,922)
Tax expense recognised in the income statement	385,202	375,705

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

(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 investment incentives utilized.

The effective tax rate in 2021 is 25% (2020: 22%) for the Group.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated December 5, 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.

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 and thus does not incur withholding tax.

The Group makes advance tax calculations at the rate of 25% on its quarterly financial income and declares on 17th day of the second month after period and pays until the evening of 17 April.

The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated over corporate tax declaration. If advance tax amount that is paid remains in spite of the deduction, this amount can be returned in cash or offset to any other financial debt.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to tax office which they relate. However, tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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

Corporate Tax (cont'd)

Total taxes income for 30 June 2021 and 2020 have been reconciled to the current year tax income as follows:

	1 January- 30 June 2021	1 January- 30 June 2020
Current period tax expense	(777)	-
Deferred tax income	385,979	375,705
Total tax income	385,202	375,705
	30 June 2021	30 June 2020
Corporate tax payable	777	-
Provision for current tax	777	-

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

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 30.04.2018 dated Council of Ministers and published on the 23.06.2018 dated Official Gazette. The investment amount related to the incentive is TL 2,906,596 (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).

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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

Corporate Tax (cont'd)

Government Grants and Incentives (cont'd)

As a result of the incentive certificate application of Sasa Polyester Sanayi A.Ş., one of the Group companies, made to the Ministry of Industry and Technology, General Directorate of Incentive Implementation and Foreign Capital, it received an investment incentive certificate on PTA and Polymer Chips Production Facilities Investment on 4 January 2021.

The investment amount subject to the incentive is TL 11,271,788, and the incentive elements that will be imposed related to the incentive are as follows.

- Custom Duty Exemption,
- VAT Exemption
- VAT Return,
- Corporate Tax Reduction (tax reduction rate: 100%, investment contribution rate: 104%, 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 30 June 2021, the Group has TL 2,110,654 tax deduction right to be used in the following periods (2020: TL 1,820,014).

NOTE 27 - EARNINGS PER SHARE

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Net profit	641,776	532,034	198,984	128,902
<i>Weighted average number of shares:</i>				
Weighted average number of ordinary Earnings per share with a nominal value of 1 TL (full TL)	112,000,000,000	112,000,000,000	112,000,000,000	112,000,000,000
	0.5730	0.4750	0.1777	0.1151

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT
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NOTE 28 - RELATED PARTY DISCLOSURES**a) Trade receivables from related parties:**

	30 June 2021	31 December 2020
Merinos Halı San. Tic. A.Ş.	175,122	37,163
Özerdem Mensucat San. Tic. A.Ş.	28,179	-
Zeki Mensucat Sanayi ve Tic. A.Ş.	3,388	-
Dinarsu İmalat ve Ticaret T.A.Ş.	1,963	25
	208,652	37,188

b) Sales to related parties:

	1 December - 30 June 2021	1 April - 30 June 2021	1 December - 30 June 2020	1 April - 30 June 2020
	Product	Product	Product	Product
Merinos Halı San. Tic. A.Ş.	144,690	74,757	43,359	13,920
Özerdem Mensucat San. Tic. A.Ş.	133,276	67,345	70,103	37,196
Zeki Mensucat Sanayi ve Tic. A.Ş.	86,955	43,610	29,834	10,537
Dinarsu İmalat ve Ticaret T.A.Ş.	3,223	1,800	-	-
	368,144	187,512	143,296	61,653

c) Purchases from related parties:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
	Product	Product	Product	Product
Erdemoğlu Holding A.Ş.(*)	913	913	-	-
Merinos Halı San. Tic. A.Ş.	652	500	32	1
Özerdem Mensucat San. Tic. A.Ş.	-	-	1,075	-
	1,565	1,413	1,107	1

(*) It is the service invoice fee prepared by Erdemoğlu Holding A.Ş. within the scope of expense sharing.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

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NOTE 28 - RELATED PARTY DISCLOSURES (cont'd)

d) Interest income from related parties:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Merinos Halı San. Tic. A.Ş.	2,825	2,022	428	-
Dinarsu İmalat ve Ticaret T.A.Ş.	618	618	48	-
	3,443	2,640	476	-

e) Financial foreign exchange income from related parties:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Merinos Halı San. Tic. A.Ş.	5,659	5,621	5,188	4,814
Zeki Mensucat San. Tic. A.Ş.	573	432	299	289
Özerdem Mensucat San. Tic. A.Ş.	345	345	2,960	2,792
Dinarsu İmalat ve Ticaret T.A.Ş.	184	184	-	-
	6,761	6,582	8,447	7,895

f) Remuneration of the Board of Directors and key management personnel amounts

As of 30 June 2021 and 2020, remuneration of the Board of Directors and key management personnel amounts are as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Short-term benefits provided to key management	3,224	1,598	1,716	1,054
	3,224	1,598	1,716	1,054

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including market risk, (currency risk, interest rate risk), credit risk, liquidity risk and funding risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

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

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NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

a) Financial Risk Management (cont'd)

Foreign exchange risk management

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

Assets and liabilities denominated in foreign currencies at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		
	TL Equivalent	USD	EURO
Trade receivables	1,297,060	104,841	37,483
Monetary financial assets (including cash and banks)	591,369	49,762	15,440
Other	129,299	5,473	7,922
Current assets	2,017,728	160,076	60,845
Total assets	2,017,728	160,076	60,845
Trade payables (including other payables)	1,619,610	165,612	17,632
Financial liabilities	2,181,603	47,542	171,326
Other	878,726	96,585	3,907
Short-term liabilities	4,679,939	309,739	192,865
Financial liabilities	3,464,799	-	335,577
Long-term liabilities	3,464,799	-	335,577
Total liabilities	8,144,738	309,739	528,442
Net foreign currency asset position	(6,127,010)	(149,663)	(467,597)
Derivative contracts net foreign currency position	(13,304)	-	(1,459)
Net foreign currency position	(6,140,314)	(149,663)	(469,056)
	30 June 2020		
	TL Equivalent	USD	EURO
Trade receivables	653,764	53,925	27,826
Monetary financial assets (including cash and banks)	107,158	8,577	4,774
Other	120,005	8,952	5,878
Current assets	880,927	71,454	38,478
Total assets	880,927	71,454	38,478
Trade payables (including other payables)	1,000,759	114,298	16,754
Financial liabilities	1,833,017	67,865	145,836
Other	34,838	239	3,627
Short-term liabilities	2,868,614	182,402	166,217
Financial liabilities	2,929,452	1,511	320,109
Long-term liabilities	2,929,452	1,511	320,109
Total liabilities	5,798,066	183,913	486,326
Net foreign currency asset position	(4,917,139)	(112,459)	(447,848)
Net foreign currency position	(4,917,139)	(112,459)	(447,848)

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**NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(cont'd)****a) Financial Risk Management (cont'd)***Foreign exchange risk management (cont'd)*Foreign currency sensitivity analysis

As of 30 June 2021;	Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
10% change in US Dollar/TL parity:		
US Dollar net asset	(129,912)	129,912
US Dollar net hedged amount	-	-
US Dollar Net Effect	(129,912)	129,912
10% change in EUR/TL parity:		
EUR net asset	(484,295)	482,789
EUR net hedged amount	-	-
EUR Net Effect	(484,295)	482,789
Total	(614,207)	612,701

As of 30 June 2020;	Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
10% change in US Dollar/TL parity:		
US Dollar net asset	(83,438)	83,438
US Dollar net hedged amount	-	-
US Dollar Net Effect	(83,438)	83,438
10% change in EUR/TL parity:		
EUR net asset	(408,276)	408,276
EUR net hedged amount	-	-
EUR Net Effect	(408,276)	408,276
Total	(491,714)	491,714

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NOTE 30 - EVENTS AFTER THE BALANCE SHEET DATE

The net amount related to the issuance of the Company's Convertible Bonds, all of which will be sold to qualified investors, with a nominal value of Euro 200,000,000 (Two hundred million Euros) and with a maturity of 5 (five) years in Euros abroad, was transferred to the Company accounts on 1 July 2021.

As a result of the SASA share purchase transactions made by Merinos Halı San. ve Tic. A.Ş. and Dinarsu İmalat ve Ticaret T.A.Ş., parents of the Company, between 5 July 2021 and 8 July 2021, the shareholding structure of the Company has been as follows:

Shareholder Title	Shareholding (%)	Share Amount (Full TL)
Erdemoğlu Holding A.Ş.	62.80	703,402,931.26
Merinos Halı Sanayi ve Ticaret A.Ş.	14.73	164,924,989.13
Dinarsu İmalat ve Ticaret T.A.Ş.	7.81	87,449,994.38
Other	14.66	164,222,085.23
Total	100	1,120,000,000.00