

**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
THE INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE INTERIM PERIOD
1 JANUARY - 30 JUNE 2022

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

**REVIEW REPORT ON
THE 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 2022, 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. The 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.

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

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



Koray Oztürk, SMMM
Partner

İstanbul, 8 August 2022

INDEX	PAGE
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	5-46
NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP	5
NOTE 2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	5-11
NOTE 3 CASH AND CASH EQUIVALENTS	11-12
NOTE 4 FINANCIAL INSTRUMENTS	12-16
NOTE 5 TRADE RECEIVABLES AND PAYABLES	16-17
NOTE 6 PAYABLES RELATED TO EMPLOYEE BENEFITS	18
NOTE 7 OTHER RECEIVABLES, PAYABLES AND DEFERRED INCOME	18
NOTE 8 INVENTORIES	19
NOTE 9 PREPAID EXPENSES	19
NOTE 10 INVESTMENT PROPERTIES	20
NOTE 11 PROPERTY, PLANT AND EQUIPMENT	21-25
NOTE 12 INTANGIBLE ASSETS	25
NOTE 13 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	26
NOTE 14 COMMITMENTS	26-27
NOTE 15 PROVISIONS FOR EMPLOYEE BENEFITS	28-29
NOTE 16 OTHER ASSETS AND LIABILITIES	29
NOTE 17 EQUITY	30-32
NOTE 18 REVENUE AND COST OF SALES	33
NOTE 19 MARKETING, GENERAL ADMINISTRATIVE AND RESEARCH & DEVELOPMENT EXPENSES	34
NOTE 20 OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES	35
NOTE 21 EXPENSES BY NATURE	35
NOTE 22 INCOME / EXPENSES FROM INVESTING ACTIVITIES	36
NOTE 23 FINANCE INCOME	36
NOTE 24 FINANCE EXPENSES	36
NOTE 25 ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS	36
NOTE 26 TAX ASSETS AND LIABILITIES	37-41
NOTE 27 EARNINGS PER SHARE	41
NOTE 28 RELATED PARTY DISCLOSURES	42-43
NOTE 29 DERIVATIVE INSTRUMENTS	43
NOTE 30 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS	44-46
NOTE 31 FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDIT FIRM	46
NOTE 32 EVENTS AFTER THE BALANCE SHEET DATE	46

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 AND 31 DECEMBER 2021

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

		Current Period	Prior Period
	Notes	(Reviewed) 30 June 2022	(Audited) 31 December 2021
ASSETS			
Current Assets		12,750,055	8,984,006
Cash and Cash Equivalents	3	679,252	2,170,396
Financial Investments	4	13,010	3,132
Trade Receivables	5	2,911,979	2,218,391
- Trade Receivables from Third Parties	5	2,911,979	2,213,401
- Trade Receivables from Related Parties	28	-	4,990
Other Receivables	7	20,783	791
- Other Receivables from Third Parties	7	20,783	791
Inventories	8	8,064,692	3,903,250
Derivative Instruments	29	-	3,668
Prepaid Expenses	9	5,172	31,150
Other Current Assets	16	1,055,167	653,228
Non - Current Assets		21,129,425	13,210,157
Other Receivables	7	100	117
Investment Properties	10	-	45
Property, Plant and Equipment	11	11,908,720	8,701,243
Intangible Assets	12	4,169	3,853
Prepaid Expenses	9	1,525,962	692,437
Deferred Tax Asset	26	7,690,474	3,812,462
TOTAL ASSETS		33,879,480	22,194,163
LIABILITIES			
Current Liabilities		13,039,573	9,151,729
Short-term Borrowings	4	8,131,817	3,206,990
- Bank Loans	4	5,883,477	1,716,033
- Short-term Portion of Long-term Borrowings	4	2,186,523	1,438,203
- Lease Liabilities	4	61,817	52,754
Trade Payables	5	3,383,696	3,958,781
- Trade Payables to Third Parties	5	3,383,696	3,958,781
Payables Related to Employee Benefits	6	48,130	26,253
Other Payables	7	56,686	50,267
- Other Payables to Third Parties	7	56,686	50,267
Deferred Income	7	1,417,325	1,860,460
- Deferred Income from Third Parties	7	1,084,977	1,406,609
- Deferred Income from Related Parties	28	332,348	453,851
Current Tax Liabilities	26	-	47,518
Short-term Provisions	13	1,919	1,460
- Other Short-term Provisions	13	1,919	1,460
Non-Current Liabilities		11,381,816	8,879,807
Long-term Borrowings	4	11,244,089	8,791,882
- Bank Loans	4	7,864,844	5,850,176
- Convertible bonds	4	3,272,761	2,822,264
- Lease Liabilities	4	106,484	119,442
Long-term Provisions	15	137,727	87,925
- Long-term Provisions for Employee Benefits	15	137,727	87,925
EQUITY		9,458,091	4,162,627
Share Capital	17	2,240,000	1,120,000
Adjustments to Share Capital	17	13	13
Repurchased Shares	17	(31,447)	(14,993)
Restricted Reserves Appropriated from Profit	17	213,747	213,747
Other Reserves	17	83,902	83,902
Accumulated Other Comprehensive Income (Expenses) that will not be Reclassified to Profit or Loss	17	1,178,323	1,178,323
- Remeasurement Losses on Defined Benefit Plans	17	(4,109)	(4,109)
- Revaluation Gain on Property, Plant and Equipment	17	1,182,432	1,182,432
Prior Years' Profits	17	193,897	884,200
Net Profit for the Period	17	5,579,656	697,435
TOTAL LIABILITIES AND EQUITY		33,879,480	22,194,163

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 2022 AND 2021

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

		(Reviewed)	(Not Reviewed)	(Reviewed)	(Not Reviewed)
		1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
	Notes				
Revenue	18	15,629,053	8,520,914	5,258,100	2,725,599
Cost of Sales (-)	18	(11,247,904)	(6,361,376)	(4,022,394)	(2,067,693)
GROSS PROFIT		4,381,149	2,159,538	1,235,706	657,906
General Administrative Expenses (-)	19	(114,299)	(60,622)	(44,624)	(23,676)
Marketing Expenses (-)	19	(528,508)	(292,729)	(180,983)	(99,965)
Research and Development Expenses (-)	19	(964)	(741)	(1,669)	(1,434)
Other Income from Operating Activities	20	3,909,303	561,035	547,606	329,392
Other Expenses from Operating Activities (-)	20	(4,273,856)	(673,006)	(523,730)	(261,929)
OPERATING PROFIT		3,372,825	1,693,475	1,032,306	600,294
Income from Investing Activities	22	1,438	366	3,581	582
Expenses from Investing Activities (-)	22	(452)	(130)	(1,049)	(678)
OPERATING PROFIT BEFORE FINANCE EXPENSES		3,373,811	1,693,711	1,034,838	600,198
Financing Income	23	1,115,848	600,982	219,277	20,452
Financial Expenses (-)	24	(2,788,015)	(1,414,036)	(997,541)	(354,549)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		1,701,644	880,657	256,574	266,101
Tax Income from Continuing Operations (-)		3,878,012	2,366,481	385,202	265,933
- Current Tax Expense (-)	26	-	-	(777)	(425)
- Deferred Tax Income	26	203,965	138,439	95,339	80,815
- Deferred Tax Income with Incentive Certificate	26	3,674,047	2,228,042	290,640	185,543
PROFIT FOR THE PERIOD		5,579,656	3,247,138	641,776	532,034
TOTAL COMPREHENSIVE INCOME		5,579,656	3,247,138	641,776	532,034
Profit for the Period Attributable to:					
Equity Holders of the Parent		5,579,656	3,247,138	641,776	532,034
Non - Controlling Interests		-	-	-	-
Earnings Per Share	27	2.4909	1.4496	0.2865	0.2375
Total Comprehensive Income Attributable to:					
Equity Holders of the Parent		5,579,656	3,247,138	641,776	532,034
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 2022 AND 2021

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

Reviewed	Notes	Share Capital	Adjustments to Share Capital	Other Reserves	Repurchased Shares	Gain on Revaluation of Property, Plant and Equipment	Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Prior years' Profits / (Losses)	Net Profit for the Period	Total Equity
1 January 2021		830,000	13	-	(5,707)	512,592	(4,109)	191,559	1,049,814	312,188	2,886,350
Transfers from Accumulated Profit		290,000	-	-	-	-	-	22,188	-	(312,188)	-
Total Comprehensive Income		-	-	-	-	-	-	-	-	641,776	641,776
Effect of Share Repurchase Transactions	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
Reviewed											
1 January 2022	17	1,120,000	13	83,902	(14,993)	1,182,432	(4,109)	213,747	884,200	697,435	4,162,627
Transfers from Accumulated Profit	17	1,120,000	-	-	-	-	-	-	(422,565)	(697,435)	-
Total Comprehensive Income		-	-	-	-	-	-	-	-	5,579,656	5,579,656
Effect of Share Repurchase Transactions	17	-	-	-	(16,454)	-	-	-	(267,738)	-	(284,192)
30 June 2022	17	2,240,000	13	83,902	(31,447)	1,182,432	(4,109)	213,747	193,897	5,579,656	9,458,091

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 2022 AND 2021

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

		Current Period (Reviewed)	Prior Period (Reviewed)
	Notes	1 January- 30 June 2022	1 January- 30 June 2021
Cash Flows From Operating Activities:			
Profit/(Loss) For The Period Before Tax from Continuing Operations		1,701,644	256,574
Adjustments Related to Net Profit For The Period		2,228,971	1,641,098
Adjustments Related to Amortization and Depreciation Expenses	10,11,12	145,235	109,795
Adjustments Related to Interest Income/Expenses		622,319	149,501
<i>Adjustments Related to Interest Expenses</i>	24	614,732	169,030
<i>Adjustments Related to Interest Income</i>	23	(13,133)	(16,302)
<i>Unearned Finance Income Related to Forward Sales</i>		20,720	(3,227)
Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment		(860)	(2,360)
<i>Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment</i>	22	(860)	(2,360)
Adjustments Related to Provisions		61,488	14,280
<i>Adjustments Related to Provisions for Employee Benefits</i>	15	61,488	14,280
Adjustments Related to Free Provisions for Legal Cases	13	459	348
Adjustments Related to Derivative Instruments	29	3,668	13,304
Adjustments for Impairment / (Reversal)		3,601	-
<i>Adjustments for Impairment / (Reversal) of Receivables</i>	5	3,601	-
Adjustments Related to Unrealized Foreign Exchange Translation Differences	4	1,393,061	1,356,230
Changes in Working Capital		(8,015,610)	(1,025,649)
Adjustments Related to Increase in Trade Receivables from Third Parties		(761,418)	(805,768)
<i>Increase in Trade Receivables from Third Parties</i>		(766,408)	(634,304)
<i>Decrease/(Increase) in Trade Receivables from Related Parties</i>		4,990	(171,464)
Increase in Other Receivables Related To Operations		(12,506)	(4,109)
<i>Increase in Other Receivables</i>		(12,506)	(4,109)
Adjustments Related to Increase in Inventories		(4,161,442)	(871,333)
Adjustments Related to Increase/(Decrease) in Prepaid Expenses		(1,641,072)	7,259
Adjustments Related to Increase in Other Current Assets		(409,408)	(143,110)
Adjustments Related to (Decrease)/Increase in Trade Payables to Third Parties		(614,938)	684,182
Adjustments Related to Increase in Other Payables		6,432	4,255
Adjustments Related to (Decrease)/Increase in Deferred Income		(443,135)	99,034
Adjustments Related to Increase in Payables for Employee Benefits		21,877	3,941
Cash Flows from Operating Activities:		(4,084,995)	872,023
Payments Related to Provisions for Employee Benefits	15	(11,686)	(2,523)
Tax Paid	26	(47,518)	-
Net Cash (Used in)/Generated from Operating Activities		(4,144,199)	869,500
Cash Flows Used in Investing Activities:			
Payments for Purchase of Property, Plant and Equipment and Intangible Assets		(2,151,079)	(552,827)
<i>Payments for Purchase of Property, Plant and Equipment and Intangible Assets</i>	11-12	(2,151,079)	(552,827)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		2,902	3,837
<i>Proceeds from Disposal of Property, Plant and Equipment</i>	11-22	2,902	3,837
Interest Received	23	13,133	16,302
Net Cash Used in Investing Activities		(2,135,044)	(532,688)
Cash Flows from Financing Activities:			
Proceeds from Borrowings	4	9,025,167	1,156,652
<i>Proceeds from Bank Loans</i>	4	9,025,167	1,156,652
Payments Related to Debt Payments	4	(3,416,172)	(1,362,218)
<i>Cash Outflow on Repayment of Bank Loans</i>	4	(3,384,976)	(1,343,818)
<i>Cash Outflow on Repayment of Finance Lease Liabilities</i>	4	(31,196)	(18,400)
Interest Paid	4	(526,826)	(166,032)
Cash Outflows for Repurchased Shares	17	(284,192)	-
Other Cash Outflows	4	(9,878)	(8,932)
Net Cash Generated from / Used in Financing Activities		4,788,099	(380,530)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(1,491,144)	(43,718)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	2,170,396	428,395
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	679,252	384,677

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 STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE GROUP

Sasa Polyester Sanayi A.Ş. (“the Company”) was incorporated on 8 November 1966 in Adana and 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:

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

As of 30 June 2022, number of employees of the Company is 4,792 (31 December 2021: 4,477).

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 the Consolidated Financial Statements

The Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 8 August 2022. The General Assembly has the authority to modify the consolidated financial statements.

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

2.1 Basis of Presentation

Compliance to TFRS

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 condensed consolidated financial statements are prepared based on the Turkish Financial Reporting Standards (“TFRS”) 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 2022 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 2021.

In addition, 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.

The condensed consolidated financial statements are prepared on the historical cost basis, except for the revaluation of land and derivative financial instruments. The determination of historical cost is generally based on the fair value of the amount paid for the assets.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

(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)

Currency Used

The financial statements of each entity of the Group are presented in the currency of the main economic environment in which they operate. The financial position and operating results of each entity are expressed in TL, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

Restatement of financial statements during periods of hyperinflation

In accordance with the CMB's decision dated 17 March 2005 and numbered 11/367, for companies operating in Turkey and preparing financial statements in accordance with Turkish Financial Reporting Standards, the application of inflation accounting has been terminated as of 1 January 2005. Accordingly, as of 1 January 2005, the Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") has not been applied.

As per the announcement published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") on 20 January 2022, since the cumulative change in the general purchasing power of the last three years has been 74.41% according to the Consumer Price Index ("CPI") rates, it has been stated that entities applying the Turkish Financial Reporting Standards ("TFRS") are not required to make any restatements in their financial statements for 2021 within the scope of TAS 29 "Financial Reporting in High Inflation Economies".

POA made an announcement on 20 January 2022 regarding the application of TAS 29, "Financial Reporting in Hyperinflationary Economies" (IAS 29 Financial Reporting in Hyperinflationary Economies) for entities adopting Turkish Financial Reporting Standards ("TFRS") for the year ended 31 December 2021. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 - Financial Reporting in Hyperinflationary Economies for the year ended 31 December 2021. As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. As a result, no inflation adjustment was made to the accompanying consolidated financial statements dated 30 June 2022 in accordance with TAS 29.

Comparative Information and Reclassification of Prior Period Financial Statements

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

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 2022, 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 289,518 thousand basically because of the effect of the loan covenants disclosed. The management has assessed that this amount in the light of current conditions and expected forecasts and have concluded that this is not indicative of a material uncertainty which would cast significant doubt on the Group's ability to continue as a going concern. While reaching this conclusion, agreements that the management has reached as a result of negotiations with the banks, the Group's EBITDA performance and cash generation, as well as the introduction of new investments, and the cash flow estimates that 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 STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

(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 2022 and 2021, the details of the Company's subsidiaries are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</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, accounting policies have been adjusted in the financial statements of subsidiaries in order to match the accounting policies followed by the Group, and all intragroup assets and liabilities, equity, income and expenses and cash flows from transactions between Group companies are eliminated on consolidation.

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 STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

(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)

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 2022 are consistent with those used in the preparation of financial statements for the year ended 31 December 2021. 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 2022

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

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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 4	<i>Extension of the Temporary Exemption from Applying TFRS 9(*)</i>
Amendments to TAS 1	<i>Disclosure of Accounting Policies (*)</i>
Amendments to TAS 8	<i>Definition of Accounting Estimates (*)</i>
Amendments to TAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (*)</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17) (*)</i>

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

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

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

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

Amendments to TAS 1 *Disclosure of Accounting Policies*

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

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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

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

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

Amendments to TAS 8 Definition of Accounting Estimates

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

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

Amendments to TAS 12 Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

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

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

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. The significant estimates used during the preparation of the consolidated financial statements for the period ended 30 June 2022 are consistent with the estimates used during the preparation of the consolidated financial statements for the period ended 31 December 2021.

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

2.5.1 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 and other tax assets expiring (Note 26).

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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)

2.5.2 Payables related to employee benefits

The Group makes various actuarial assumptions, such as the discount rate, inflation rate, real salary increase rate, and the possibility of leaving voluntarily, while calculating its obligations regarding employee benefits. Details on provisions for employee benefits are provided in Note 15.

2.5.3 Impairment on assets

The Group Management applies an impairment test in each reporting period in case of situations or events indicating that it is not possible to recover the 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.

2.5.4 Impairment on financial assets

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

2.5.5 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 (Note 29).

NOTE 3 - CASH AND CASH EQUIVALENTS

	<u>30 June 2022</u>	<u>31 December 2021</u>
Cash on hand	295	122
Cash on banks	678,957	2,170,274
-Demand deposits	523,280	930,677
-Time deposit	155,677	1,239,597
	<u>679,252</u>	<u>2,170,396</u>

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 3 - CASH AND CASH EQUIVALENTS (cont'd)

The details of the Group's time deposit as of 30 June 2022 are as follows. (31 December 2021: USD 93,000 (TL 1,206,908), maturity date 3 January 2022, interest rate 0.75%)

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>30 June 2022</u>
US Dollar (*)	1.00	1 July 2022	1,600
US Dollar (*)	4.10	4 July 2022	100
Turkish Lira	21.00	25 July 2022	94,570
Turkish Lira	14.00	1 July 2022	26,000
Turkish Lira	17.00	25 July 2022	6,782

(*) Amounts are expressed as USD 1,000.

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>31 December 2021</u>
US Dollar (*)	0.75	3 January 2022	93,000

NOTE 4 - FINANCIAL INSTRUMENTS

<u>Short-term Financial Investments</u>	<u>30 June 2022</u>	<u>31 December 2021</u>
Blocked deposits with maturity longer than 3 months (*)	13,010	3,132
Total	13,010	3,132

(*) The Group has blocked bank deposits with maturity longer than 3 months amounting to TL 13,010 (31 December 2021: TL 3,132) arising from bank loans from Türkiye İhracat Kredi Bankası ("Turk Eximbank") as of 30 June 2022.

<u>Short-term Financial Borrowings</u>	<u>30 June 2022</u>	<u>31 December 2021</u>
Short-term bank loans	5,883,477	1,716,033
Short-term portion of the long-term financial borrowings	2,186,523	1,438,203
Financial lease liabilities	61,817	52,754
	8,131,817	3,206,990

<u>Long-term Financial Borrowings</u>	<u>30 June 2022</u>	<u>31 December 2021</u>
Long-term bank loans	7,864,844	5,850,176
Convertible bonds	3,272,761	2,822,264
Financial lease liabilities	106,484	119,442
	11,244,089	8,791,882
	19,375,906	11,998,872

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

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

NOTE 4 - FINANCIAL INSTRUMENTS (cont'd)**a) Bank loans**

Foreign currency denominated bank loans and corresponding interest expense accruals as of 30 June 2022 and 31 December 2021 are as follows:

Principal	30 June 2022			31 December 2021		
	Weighted average effective interest rate (%)	Original amount (*)	TL	Weighted average effective interest rate (%)	Original amount (*)	TL
TL	25.50	-	5,897,011	25.04	-	1,637,557
US Dollar	2.40	34,795	580,774	2.54	24,960	333,294
Euro	3.28	529,851	9,220,149	2.90	459,497	6,944,794
			15,697,934			8,915,645
Interest Accrued						
TL		-	176,031		-	50,209
US Dollar		242	4,040		28	378
Euro		3,266	56,839		2,526	38,180
			15,934,844			9,004,412

(*) 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 2022	31 December 2021
Within 1 year	8,070,000	3,154,236
Within 1 - 2 year	1,934,306	1,316,022
Within 2 - 3 year	1,435,405	1,115,876
Within 3 - 4 year	1,283,938	882,300
Within 4 - 5 year	1,246,835	831,406
5 + years	1,964,360	1,704,572
	15,934,844	9,004,412

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 4 - FINANCIAL INSTRUMENTS (cont'd)

b) Lease liabilities

Distribution of lease liabilities	<u>30 June 2022</u>	<u>31 December 2021</u>
Short-term	61,817	52,754
Long-term	106,484	119,442
	168,301	172,196

Repayment schedule:	<u>30 June 2022</u>	<u>31 December 2021</u>
To be paid within 1 year	61,817	52,754
To be paid within 1-2 years	63,868	52,863
To be paid within 2-3 years	42,616	52,763
To be paid within 3-4 years	-	13,816
	168,301	172,196

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

c) Convertible bonds

The net amount related to the issuance of the Company's Convertible Bonds, all of which were 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.

These bonds with the maturity of 30 June 2026 (ISIN Code: XS2357838601), were sold in units with a minimum value of Euros 100,000 under the guarantee of Sasa Dış Ticaret A.Ş. Bond interest has been determined as a fixed annual rate of 3.25% with additional transaction commission and interest payments will be made quarterly.

Initial Conversion Price is determined as EUR 3,5629 by adding a premium of 27.5% to the Reference Share Price calculated as EUR 2,7944 for 1 lot (TL 1 nominal) of shares traded on the Exchange over the arithmetic average of the weighted average prices realized on the Exchange over the spot exchange rate within the 15-day monitoring period covering the date of 24 June 2021-14 July 2021. Within this scope, the Conversion Rate calculated for the bond with a nominal value of EUR 100,000 is 28,067,0241 (lot) shares.

Within the scope of the free capital increase completed on 9 May 2022, the conversion price was updated as EUR 1.7814 and the conversion rate as 56,135,6237 units (lots).

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 4 - FINANCIAL INSTRUMENTS (cont'd)

c) Convertible bonds (cont'd)

Currency	30 June 2022			31 December 2021		
	interest rate (%)	Currency amount (*)	TL	interest rate (%)	Currency amount (*)	TL
Euro	3.25	188,075	3,272,761	3.25	186,653	2,822,264
			3,272,761			2,822,264

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

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

As of 30 June 2022 the carrying amount of the convertible bonds liability is as below:

	2022	2021
Opening balance of liability component as of 1 January 2022	2,822,264	1,977,578
Interest accruals (*)	74,486	57,029
Interest payments (Note 24)	(52,729)	(107,811)
Portion converted into shares (**)	(14,118)	-
Unrealized exchange rate difference	442,858	895,468
Liability component of convertible bond as of 30 June 2022	3,272,761	2,822,264

(*) Interest expense is calculated by applying the effective interest rate of 5% to the liability component of the convertible bond.

(**) With nominal value of EUR 800,000 convertible bonds which are part of issued on 22 June 2021 amounting to EUR 200,000,000 nominal value, were converted into shares and redeemed upon the request of the investors. Shares with TL 392,947 nominal value are covered from the repurchased shares held by the Group.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 4 - FINANCIAL INSTRUMENTS (cont'd)

d) Reconciliation of the liabilities arising from financial activities

Cash and non-cash 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.

	<u>30 June 2022</u>	<u>30 June 2021</u>
Opening balance	11,998,872	5,905,972
Interest expense	614,732	169,030
Interest paid	(526,286)	(166,032)
Foreign exchange difference	1,393,061	1,356,230
Capitalized borrowing costs (Note 11)	370,434	71,612
Payments for finance lease liabilities	(31,196)	(18,400)
Loans received	9,025,167	1,156,652
Repayments of loans	(3,384,976)	(1,343,818)
Reclassification of cash inflows from convertible bond to equity	(83,902)	-
Closing balance	19,375,906	7,131,246

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

Trade Receivables

	<u>30 June 2022</u>	<u>31 December 2021</u>
Trade receivables (*)	2,218,091	1,612,795
Notes received (**)	698,891	602,008
Provision for doubtful receivables	(5,003)	(1,402)
	2,911,979	2,213,401
Receivables from related parties (Note 28)	-	4,990
	2,911,979	2,218,391

(*) As of 30 June 2022, trade receivables are discounted by using monthly 2.67% for TL, 1.00% for US Dollar, 0.83% for Euro (As of 31 December 2021: 2.09% for TL, 0.21% for US Dollar, 0.25% for Euro).

(**) Notes received constitute the notes obtained from customers and kept in portfolio as a result of trade activities and consist of TL 445,141 with maturities of less than three months (31 December 2021: TL 320,335).

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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

Trade Receivables (cont'd)

Aging of receivables that are due but not impaired:

Overdue period	<u>30 June 2022</u>	<u>31 December 2021</u>
Up to 1 month	334,640	183,498
1 - 3 months	10,554	22,685
Over 3 months	20,306	3,906
	365,500	210,089

As of 30 June 2022 and 31 December 2021, due to existence of direct debiting system, bank guarantee, mortgage and customer cheques, the Group has not allocated any provision in the consolidated financial statements relation to trade receivables that were past due but not impaired.

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

Overdue period	<u>30 June 2022</u>	<u>31 December 2021</u>
Over 6 months	5,003	1,402
	5,003	1,402

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

	<u>1 January - 30 June 2022</u>	<u>1 January - 30 June 2021</u>
Balance at 1 January	(1,402)	-
Provision during the period (Note 19)	(3,601)	-
Balance at 30 June	(5,003)	-

Trade Payables

	<u>30 June 2022</u>	<u>31 December 2021</u>
Trade Payables (*)	3,383,696	3,958,781
	3,383,696	3,958,781

(*) As of 30 June 2022, trade payables are discounted by using monthly 2.67% for TL, 1.00% for USD, 0.83% for EUR (31 December 2021: 2.09% for TL, 0.21% for USD, 0.25% for EUR).

As of 30 June 2022, average turnover for trade receivables and trade payables are 48 days and 40 days, respectively (31 December 2021: 54 days and 66 days, respectively).

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

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

NOTE 6 – PAYABLES RELATED TO EMPLOYEE BENEFITS**Payables Related to Employee Benefits**

	<u>30 June 2022</u>	<u>31 December 2021</u>
Due to personnel	25,654	12,884
Social security premiums payable	22,476	13,369
	<u>48,130</u>	<u>26,253</u>

NOTE 7 – OTHER RECEIVABLES, PAYABLES AND DEFERRED INCOME**Other Current Receivables**

	<u>30 June 2022</u>	<u>31 December 2021</u>
Interest income provision	9,024	-
Deposits and guarantees given	5,317	317
Other receivables	6,442	474
	<u>20,783</u>	<u>791</u>

Other Non-Current Receivables

	<u>30 June 2022</u>	<u>31 December 2021</u>
Deposits and guarantees given	100	117
	<u>100</u>	<u>117</u>

Other Payables

	<u>30 June 2022</u>	<u>31 December 2021</u>
Taxes and funds payable	56,686	50,267
	<u>56,686</u>	<u>50,267</u>

Deferred Income

	<u>30 June 2022</u>	<u>31 December 2021</u>
Order advances received from third parties	1,084,977	1,406,609
Order advances received from related parties (Note 28)	332,348	453,851
	<u>1,417,325</u>	<u>1,860,460</u>

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 8 – INVENTORIES

	<u>30 June 2022</u>	<u>31 December 2021</u>
Raw materials	3,586,693	1,215,899
Work in progress	86,964	36,445
Finished goods	1,484,276	648,064
Spare parts	108,575	78,912
Goods in transit (*)	2,668,773	1,841,843
Other	129,411	82,087
	<u>8,064,692</u>	<u>3,903,250</u>

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

NOTE 9 - PREPAID EXPENSES

Prepaid Expenses (Short-Term)

	<u>30 June 2022</u>	<u>31 December 2021</u>
Prepaid insurance expenses	2,856	29,722
Other prepaid expenses	2,316	1,428
	<u>5,172</u>	<u>31,150</u>

Prepaid Expenses (Long-Term)

	<u>30 June 2022</u>	<u>31 December 2021</u>
Advances given for PPE purchases (*)	1,525,962	692,437
	<u>1,525,962</u>	<u>692,437</u>

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 10 - INVESTMENT PROPERTIES

The movement of investment properties and related depreciation for the periods ended 30 June 2022 and 2021 are as follows:

	1 January 2022	Additions	Transfers (*)	30 June 2022
Cost				
Land	5	-	(5)	-
Building	3,780	-	(3,780)	-
	3,785	-	-	-
Accumulated depreciation				
Buildings	3,740	32	(3,772)	-
	3,740	32	(3,772)	-
Net book value	45			-

(*) Due to the expiration of the lease agreement for the investment properties owned by the Group with a net book value of TL 13 as of 30 June 2022. Therefore, the relevant investment properties has been transferred from investment properties to property, plant and equipment.

	1 January 2021	Additions	Transfers (*)	30 June 2021
Cost				
Land	5	-	-	5
Building	3,780	-	-	3,780
	3,785	-	-	3,785
Accumulated depreciation				
Building	3,665	36	-	3,701
	3,665	36	-	3,701
Net book value	120		-	84

The income statement related accounts for total depreciation expense incurred for the accounting periods ended on 30 June 2022 and 2021 are associated are given in Note 11.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and related accumulated depreciation for the accounting periods ended 30 June 2022 and 2021 is as follows:

	1 January 2022	Additions	Transfers	Disposals	30 June 2022
Cost					
Land	1,657,008	-	5	-	1,657,013
Land and land improvements	20,001	1,735	831	-	22,567
Buildings	750,461	200	5,665	-	756,326
Machinery, plant and equipment	5,032,039	64,485	-	(2,600)	5,093,924
Vehicles	16,524	6,205	1,113	(1,573)	22,269
Furniture and fixtures	38,414	16,484	-	(1,238)	53,660
Construction in progress (*)	1,961,335	3,258,046	(1,113)	-	5,218,268
	9,475,782	3,347,155	6,501	(5,411)	12,824,027
Accumulated depreciation					
Land and land improvements	3,031	378	686	-	4,095
Buildings	92,101	14,252	5,591	-	111,944
Machinery, plant and equipment	660,585	118,306	-	(2,526)	776,365
Vehicles	7,035	1,650	-	(553)	8,132
Furniture and fixtures	11,787	3,274	-	(290)	14,771
	774,539	137,860	6,277	(3,369)	915,307
Net book value	8,701,243				11,908,720

(*) During the period ended on 30 June 2022, the capitalized borrowing cost for construction in progress is amounting to TL 370,434 (31 December 2021: TL 139,478) (Note 4). The prepaid advance amount given for fixed asset purchases for the six-months period is TL 833,525 (31 December 2021: TL 486,828). As of 30 June 2022, the Group has machinery mortgages on property, plant and equipment amounting to TL 5,722,392 (31 December 2021: TL 5,653,332) (Note 14).

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

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

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

	1 January 2021	Additions	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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

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

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

The movements of leased machinery and equipment and related accumulated depreciation included in property plant and equipment for the periods ended 30 June 2022 and 2021 are as follows:

	1 January 2022	Additions	30 June 2022
Cost			
Right-of-use assets - machinery and equipment	115,794	-	115,794
	115,794	-	115,794
Accumulated depreciation			
Right-of-use assets - machinery and equipment	2,664	20,225	22,889
	2,664	20,225	22,889
Net book value	113,130		92,905
	1 January 2021	Additions	30 June 2021
Cost			
Right-of-use assets - machinery and equipment	17,757	2,523	20,280
	17,757	2,523	20,280
Accumulated depreciation			
Right-of-use assets - machinery and equipment	16,905	127	17,032
	16,905		17,032
Net book value	852		3,248

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (cont'd)**Fair value measurement of the Group's freehold land and buildings**

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

Details of the Group's freehold lands and information about the fair value hierarchy as of 30 June 2022 are as follows:

	Fair value hierarchy as of reporting date			
	30 June 2022	Level 1	Level 2	Level 3
Land	1,657,013	-	-	1,657,013
	1,657,013	-	-	1,657,013

There were no transfers between levels during the period.

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

	1 January - 30 June 2022	1 January - 30 June 2021
Opening balance	1,657,008	714,261
Additions	5	-
Closing balance	1,657,013	714,261

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

	30 June 2022	30 June 2021
Land	343,195	144,629
	343,195	144,629

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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

Income statement accounts related to depreciation and amortization of total (property, plant and equipment, intangible assets, investment property) during the periods ended 30 June 2022 and 2021 are as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Production cost (Note: 18)	140,249	106,216
General administrative expenses (Note: 19)	2,728	1,883
Marketing, selling and distribution expenses (Note: 19)	2,072	1,513
Research expenses (Note: 19)	186	183
	145,235	109,795

NOTE 12 – INTANGIBLE ASSETS

The movement of intangible assets and related accumulated amortization for the year ended 30 June 2022 and 2021 is as follows:

	1 January 2022	Additions	30 June 2022
Cost			
Rights	13,620	1,382	15,002
Development costs	8,210	-	8,210
	21,830	1,382	23,212

Accumulated amortization

Rights	9,767	1,066	10,833
Development costs	8,210	-	8,210
	17,977	1,066	19,043

Net book value	3,853		4,169
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	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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The statement of income accounts in which total amortization for the year ended 30 June 2022 and 2021 are recognized, is presented in Note 11.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for Restructuring and Demand of Other Receivables

	<u>30 June 2022</u>	<u>31 December 2021</u>
Provision for restructuring and demand of other receivables (*)	1,919	1,460
	1,919	1,460

(*) 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.

As of 30 June 2022 and 2021, the movement tables of the provision for expenses related to restructuring and other receivable requests are as follows:

	<u>1 January - 30 June 2022</u>	<u>1 January - 30 June 2021</u>
Balance at 1 January	1,460	588
Provision written-off within the period (Note 19)	459	348
Balance at 30 June	1,919	936

NOTE 14 – COMMITMENTS

As of 30 June 2022 and 31 December 2021, the total of commitments not included in the liabilities:

Commitments based on export incentive certificates

	<u>30 June 2022</u>	<u>31 December 2021</u>
Total amount of export commitment of documents recorded	30,288,823	18,817,838
Total amount of export commitment of documents which are presently fulfilled but closing transactions are not concluded yet	10,651,066	6,066,520
Total amount of open export incentives	19,637,757	12,751,318
Open export incentives	13,221,513	6,248,382
	30 June 2022	31 December 2021
Open Letter of Credits	4,448,410	3,581,796

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 14 – COMMITMENTS (cont'd)

Collaterals, pledges and mortgages ('GPM') given by the Group

	30 June 2022				31 December 2021			
	TL Equivalent	TL	US Dollar	Euro	TL Equivalent	TL	US Dollar	Euro
A. GPMs given for Company's own legal entity (*)	7,347,240	1,270,151	-	349,230	6,796,332	1,676,389	19,300	321,706
B. GPMs given on behalf of fully consolidated companies	-	-	-	-	-	-	-	-
C. GPMs given in the normal course of business activities on behalf of third parties	-	-	-	-	-	-	-	-
D. Total amount of other GPMs								
- Total amount of GPMs given on behalf of the parent	-	-	-	-	-	-	-	-
- Total amount of GPMs given to on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-	-	-
- Total amount of GPMs given on behalf of third parties which are not in scope of C	-	-	-	-	-	-	-	-
Total	7,347,240	1,270,151	-	349,230	6,796,332	1,676,389	19,300	321,706

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

The guarantees mostly consist of the guarantees given to the suppliers with reference to the bank loans used for the investments and the purchases made for the investments. In addition, machinery pledges amounting to TL 5,722,392 are included in the guarantees (2021: TL 5,653,332).

As of 30 June 2022, the percentage of the other CPM's given by the Group to the total equity is 0% (31 December 2021: 0%).

Mortgages and guarantees received at 30 June 2022 and 31 December 2021 are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Letter of guarantees received	1,152,518	395,758
	1,152,518	395,758

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 15 - PROVISIONS FOR EMPLOYEE BENEFITS

Provisions for long-term employee benefits

	<u>30 June 2022</u>	<u>31 December 2021</u>
Provision for employment termination benefits	121,007	77,228
Unused vacation provision	16,720	10,697
	<u>137,727</u>	<u>87,925</u>

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 2022 and 2021 are as follows:

	<u>1 January - 30 June 2022</u>	<u>1 January - 30 June 2021</u>
Balance at 1 January	10,697	6,276
Provision for the period	11,080	3,095
Provision released	(5,057)	(66)
Balance at 30 June	<u>16,720</u>	<u>9,305</u>

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 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 2022</u>	<u>30 June 2021</u>
Discount rate (%)	4.50	4.75
Retention rate to estimate probability of retirement (%)	98.33	98

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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

Provision for Employment Termination Benefits (cont'd)

Discount rate is derived upon the difference of long-term interest's rates in TL and the expected inflation rate. The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 15.37 (1 January 2021: TL 7.64), which is expected to be effective from 1 July 2022, 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</u> <u>June 2022</u>	<u>1 January - 30</u> <u>June 2021</u>
Balance at 1 January	77,228	50,417
Charge for the period	55,465	11,251
Payment within the period	(11,686)	(2,523)
Balance at 30 June	121,007	59,145

NOTE 16 - OTHER ASSETS AND LIABILITIES

Other Current Assets

	<u>30 June 2022</u>	<u>31 December 2021</u>
Deferred VAT(*)	494,687	332,338
VAT return receivables from export and domestic market sales (**)	526,248	313,404
Business and service advances	31,398	5,465
Prepaid taxes and funds	2,834	2,021
	1,055,167	653,228

(*) A portion of TL 142,002 of the relevant amount is related to the construction works of the PTA Facility, the construction of which was started in 2022, and will be refunded in 2022. The remaining part is related to ongoing investments and stock purchases and will be deducted in 2022.

(**) As of 30 June 2022, the Group has completed the application process for TL 214,200 of its VAT receivable amounting to TL 526,248, and as of the report publication date, TL 123,767 of the portion for which the refund application has been made has been collected (31 December 2021: TL 161,373).

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 17 – EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each Kr 1 nominal value of 224,000,000,000 shares (31 December 2021: 112,000,000,000). The shareholders and shareholding structure of the Group as of 30 June 2022 and 31 December 2021 are as follows:

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	Share amount	Share percentage	Share amount	Share percentage
Erdemoğlu Holding A.Ş.	1,406,806	62.80	703,403	62.80
Merinos Halı San. ve Tic. A.Ş.	329,850	14.73	164,925	14.73
Dinarsu İmalat ve Ticaret T.A.Ş.	174,900	7.81	87,450	7.81
Other	328,444	14.66	164,222	14.66
Share capital	2,240,000	100	1,120,000	100
Adjustments to share capital (*)	13		13	
Total capital	2,240,013		1,120,013	

(*) 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.

Shareholders' equity items of Group as at 30 June 2022 and 31 December 2021 prepared in accordance with the Communiqué No: XI-29 are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Share Capital	2,240,000	1,120,000
Adjustments to Share Capital	13	13
Repurchased Shares (*)	(31,447)	(14,993)
Restricted Reserves Appropriated from Profit	213,747	213,747
Other Reserves (Note 4)	83,902	83,902
Prior Years' Profits	193,897	884,200
Loss on Remeasurement of Defined Benefit Plans	(4,109)	(4,109)
Gain on Revaluation of Property, Plant and Equipment	1,182,432	1,182,432
Net Profit for the Period	5,579,656	697,435
Total Share Capital	9,458,091	4,162,627

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 17 – EQUITY (cont'd)

(*) Sasa Polyester Sanayi A.Ş., one of the group companies, repurchased SASA shares of 1,593,884 lots with the transaction amount of TL 10,532,055 in 2017, 1,000,000 lots with the transaction amount of TL 5,155,926 TL in 2019 and 1,500,000 lots with transaction amount of TL 10,341,940 in 2020. A total of 3,607,245 lots of new shares were acquired as part of the free dividend distribution transactions completed on 17 May 2018, 3 May 2019 and 29 April 2021. Thus, the shares owned reached 7,701,130 lots. At the Board of Directors meeting held on 4 December 2020, the Company stated that it was decided to repurchase Sasa shares up to a maximum of TL 200,000,000, and within the scope of this decision, a total of 7,292,172 lots of shares with a transaction amount of TL 200,000,000 were repurchased. At the Board of Directors meeting held on 21 October 2021, it was decided to repurchase Sasa shares up to a maximum of TL 500,000,000, and within the scope of this decision, a total of 955,000 shares were repurchased with a transaction amount of TL 42,612,100. EUR 200,000 of the bonds with a nominal value of EUR 200,000,000 issued on 22 June 2021 were converted into shares and redeemed upon the request of the investors, and the shares with a nominal value of TL 56,134 were covered from the repurchased SASA shares held by the Company. Sasa Polyester Sanayi A.Ş., one of the group companies, became the owner of a total of 15,892,168 new shares, which corresponds to its share of the free dividend distribution transactions completed on 9 May 2022. EUR 600,000 of the bonds with a nominal value of EUR 200,000,000 issued on 22 June 2021 were converted into shares and redeemed upon the request of the investors, and the shares with a nominal value of TL 336,813 were covered from the repurchased SASA shares held by the Company. After the conversion process, the shares of SASA owned by the Company decreased to a nominal value of TL 31,447,522, and the ratio of these shares in the capital of Sasa Polyester Sanayi A.Ş. decreased to 1.4039%.

Restricted Reserves Appropriated from Profit

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.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 17 – EQUITY (cont'd)

Restricted Reserves Allocated from Profit (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.

Other Reserves

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

Dividend Distribution

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

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has been determined as 50% of profit available for distribution according to dated 2013 Ordinary General Assembly decision which occurred 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 2,699,830 (31 December 2021: TL 1,361,801).

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 18 - REVENUE AND COST OF SALES

The Company fulfills its performance obligations at a certain time by transferring goods. The amount that the Company will be entitled to recognize in the future from the remaining performance obligations is TL 1,417,325 (30 June 2021: TL 799,933) (Note 7). The Company expects to record this revenue as revenue in its financial statements within one year.

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Polyester Chips (SPC)	6,070,449	3,222,389	1,840,956	971,872
<i>Domestic</i>	4,114,741	2,190,629	1,335,472	640,455
<i>Foreign</i>	1,955,708	1,031,760	505,484	331,417
Polyester Fiber	4,869,960	2,795,481	1,826,795	963,589
<i>Domestic</i>	2,951,229	1,676,974	1,175,784	677,730
<i>Foreign</i>	1,918,731	1,118,507	651,011	285,859
Polyester Yarn (Filament)	2,279,445	1,232,846	783,186	395,582
<i>Domestic</i>	2,257,179	1,228,652	783,186	395,582
<i>Foreign</i>	22,266	4,194	-	-
Poy-Texturized (Filament)	2,160,090	1,145,946	744,525	366,366
<i>Domestic</i>	2,158,021	1,143,877	744,525	366,366
<i>Foreign</i>	2,069	2,069	-	-
DMT (SPC)	212,756	116,594	47,669	26,599
<i>Domestic</i>	33	33	85	-
<i>Foreign</i>	212,723	116,561	47,584	26,599
Other	36,353	7,658	14,969	1,591
<i>Domestic</i>	36,353	7,658	9,580	-
<i>Foreign</i>	-	-	5,389	1,591
Revenue	15,629,053	8,520,914	5,258,100	2,725,599

Cost of Sales

	1 January- 30 June 2022	1 January- 30 June 2022	1 April- 30 June 2021	1 April- 30 June 2021
Raw materials expense	9,872,219	5,565,351	3,472,187	1,945,013
Energy expenses	1,036,734	600,387	228,343	123,325
Labour expenses	377,749	215,969	186,003	102,005
Depreciation and amortization expenses (Note 11)	136,070	71,233	103,267	51,203
Spare parts and maintenance expenses	92,172	54,493	42,839	24,319
Insurance expenses	14,659	7,339	9,043	4,560
Usage of work in progress	(50,519)	(34,720)	(6,204)	(2,118)
Other expenses	273,733	151,040	60,025	41,555
Production Cost for the Period	11,752,817	6,631,092	4,095,503	2,289,862
Usage of finished goods	(564,092)	(302,376)	(103,596)	(242,008)
Cost of waste goods sold	43,209	22,857	18,800	11,538
Other idle period expense	11,791	7,049	8,738	6,328
Depreciation and amortization of idle period (Note 11)	4,179	2,754	2,949	1,973
Cost of Goods Sold During the Period	11,247,904	6,361,376	4,022,394	2,067,693

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

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

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

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Personnel expenses	38,640	20,545	21,519	11,362
Consultancy expenses	27,521	14,169	7,356	4,498
Severance and notice pay	14,744	5,639	2,897	2,616
Supplies, repair and maintenance expenses	5,500	3,388	3,272	1,435
Insurance expenses	4,933	2,429	2,908	1,656
Doubtful receivables provision expenses (Note 5)	3,601	3,601	-	-
Assisted services expenses	3,052	1,805	1,658	632
Depreciation and amortization expenses (Note 11)	2,728	1,459	1,883	980
Energy expenses	947	507	331	130
Restructuring expense provision (Note 13)	459	344	348	-
Other expenses	12,174	6,736	2,452	367
	114,299	60,622	44,624	23,676

Marketing Expenses

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Export and freight expenses	442,245	264,547	152,423	86,436
Taxes and duties expenses	37,871	127	5,595	1,879
Personnel expenses	26,345	13,517	15,126	7,961
Insurance expenses	5,636	3,070	1,857	934
Depreciation expense and amortization (Note 11)	2,072	1,039	1,513	767
Rent expenses	540	270	369	183
Energy expenses	24	24	251	249
Other expenses	13,775	10,135	3,849	1,556
	528,508	292,729	180,983	99,965

Research and Development Expenses

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Personnel expenses	620	545	1,409	1,341
Depreciation and amortization expenses (Note 11)	186	93	183	65
Other expenses	158	103	77	28
	964	741	1,669	1,434

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

(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 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Foreign exchange expense from trade receivables/payables	3,769,161	516,281	475,733	276,783
Cost of miscellaneous sales	72,069	26,222	15,189	4,915
Cost of raw materials sales	47,762	5,696	6,665	3,347
Interest income of incentives	10,675	9,044	17,918	15,982
Other expenses	9,636	3,792	32,101	28,365
	3,909,303	561,035	547,606	329,392

Other Operating Expenses

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Foreign exchange expense from trade receivables/payables	4,113,691	598,443	497,937	249,654
Cost of raw materials sales	42,020	7,378	6,151	2,881
Cost of miscellaneous sales	12,996	8,349	5,797	3,010
Taxes and duties paid	11,553	9,199	6,054	3,606
Provision for unused vacation	-	-	3,029	1,515
Other expenses	93,596	49,637	4,762	1,263
	4,273,856	673,006	523,730	261,929

NOTE 21 – EXPENSES BY NATURE

	1 January- 30 June 2022	1 January- 30 June 2021
Direct raw materials expense	9,872,219	3,472,187
Energy expenses	1,037,705	228,925
Personnel expenses	443,354	224,057
Export and freight costs	442,245	152,423
Depreciation and amortization expenses (Note 11)	145,235	109,795
Spare parts and maintenance expenses	92,172	42,839
Cost of waste goods sold	43,209	18,800
Taxes and funds	37,871	5,595
Consultancy expenses	27,521	7,356
Insurance expenses	25,228	13,808
Severance and notice pay	14,744	2,897
Other idle period expense	11,791	8,738
Maintenance expense	5,500	3,272
Doubtful receivables provision expense (Note 5)	3,601	-
Auxiliary service expenses	3,052	1,658
Restructuring expense provision	459	348
Rental expenses	-	369
Usage of work in progress	(50,519)	(6,204)
Usage of finished goods in the period	(564,092)	(103,596)
Other expenses	299,840	66,403
	11,891,135	4,249,670

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

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

NOTE 22 – INCOME / EXPENSES FROM INVESTING ACTIVITIES

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Gain on sales of property, plant and equipment (*)	1,312	357	3,409	496
Loss on sales of property, plant and equipment (*)	(452)	(130)	(1,049)	(678)
Rent income	126	9	172	86
	986	236	2,532	(96)

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

NOTE 23 - FINANCE INCOME

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Foreign exchange income	1,102,715	594,412	202,975	17,801
Interest income	13,133	6,570	16,302	2,651
	1,115,848	600,982	219,277	20,452

NOTE 24 - FINANCE EXPENSES

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Foreign exchange expenses	2,045,185	966,373	795,744	244,274
Interest expenses	562,003	311,324	169,030	89,587
Commission expenses	128,098	94,492	32,767	20,688
Interest expense of convertible bond (Note 4)	52,729	41,847	-	-
	2,788,015	1,414,036	997,541	354,549

NOTE 25 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	30 June 2022	30 June 2021
Revaluation fund of property, plant and equipment	1,182,432	512,592
Gain on remeasurement of defined benefit plans	(4,109)	(4,109)
	1,178,323	508,483

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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 in accordance with the Turkish Accounting Standards and the financial statements prepared in accordance with the Turkish Commercial Code and tax laws. These differences usually result in the recognition of revenue and expenses in different reporting periods for Turkish Financial Reporting Standards and tax purposes. Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2022, and %20 over temporary timing differences expected to be reversed in 2023 and the following years (2021: %25).

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 2022 and 31 December 2021 using the enacted tax rates are as follows:

	Cumulative temporary difference		Deferred tax asset / (liabilities)	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Net difference between recorded value of property, plant and equipment and intangible assets and tax value	3,826,880	2,692,297	765,376	538,458
Revaluation differences of plant, property and equipment	(1,313,813)	(1,313,813)	(131,381)	(131,381)
Investment incentives deduction to be used (*)	6,945,196	3,271,149	6,945,196	3,271,149
Provision for employment termination benefits	121,007	77,228	24,201	15,446
Valuation differences of inventories	151,239	235,636	33,273	51,839
Adjustment of unrealized sales	38,002	31,793	8,360	6,994
Provision for unused vacation	16,720	10,697	3,678	2,353
Provision for litigation	1,919	1,460	422	321
Provision for doubtful receivables	5,003	1,402	1,101	308
Provision for export expense	21,665	14,310	4,766	3,148
Adjustment for not accrued financial income	(43,509)	(27,251)	(9,572)	(5,995)
Adjustment for not accrued financial expenses	64,229	21,291	14,130	4,684
Adjustments to the valuation of derivative financial instruments	-	(3,668)	-	(807)
Adjustment for exchange difference	431,965	352,361	95,032	67,852
Adjustments for convertible bonds	(320,540)	(59,535)	(64,108)	(11,907)
			-	-
Deferred tax assets			7,895,535	3,962,552
Deferred tax liabilities			(205,061)	(150,090)
Deferred tax assets, net			7,690,474	3,812,462

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

	30 June 2022	31 December 2021
Sasa Polyester San. A.Ş.	7,672,345	2,314,123
Sasa Diş Ticaret A.Ş.	18,129	8,619
	7,690,474	2,322,742

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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

Deferred Taxes (cont'd)

Movement table of deferred taxes is as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Balance at 1 January	3,812,462	1,936,763
Deferred tax income for the period	203,965	95,339
Deferred tax asset used within incentive certificate	3,674,047	290,640
Balance at 30 June	7,690,474	2,322,742

Reconciliation of tax provision

	1 January - 30 June 2022	1 January - 30 June 2021
Profit before tax from activities	1,701,644	256,574
Income tax rate: 22% (2021: 25%)	(374,362)	(64,144)
Tax effects		
- Non-deductible expenses	(160,310)	(10,577)
- Income subject to investment incentive expenditures	3,674,047	458,364
- Exemption used within the scope of incentive certificate	748,676	9,318
- Other adjustments	(10,039)	(7,759)
Tax expense recognised in the income statement	3,878,012	385,202

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 2022 is 22% for the Group (2021: 25%).

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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

Corporate Tax (cont'd)

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

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

Corporate tax rate is applied to the taxable profit which is calculated by adding non-taxable expenses and deducting some exemptions taken place in tax laws (exemptions for participation revenues, exemptions for investment incentives) and discounts (R&D discount) from accounting profit of the Group. No additional taxes are paid unless profit is distributed (except 19.8% withholding tax paid over used investment incentives according to the Income Tax Law temporary article).

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

The Group calculates provisional tax on quarterly financial profit. Tax is declared by 14th and is payable by the 17th of the second month following each calendar quarter end (including the tax returns required for March 2007 with the Income Tax Law No. 5615, which came into force on 4 April 2007, and the Law on Amending some Laws).

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 any temporary tax amount remains despite the offsetting, the amount can be refunded in cash or deducted from other financial liabilities.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 30th of the fourth month following the close of the financial year to tax office which they relate. However, tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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

Corporate Tax (cont'd)

Total taxes income for the periods ended 30 June 2022 and 2021 are as follows:

	1 January- 30 June 2022	1 January- 30 June 2021
Current period tax expense	-	(777)
Deferred tax income	203,965	95,339
Deferred tax asset utilized of incentive certificate	3,674,047	290,640
Total tax income	3,878,012	385,202

	30 June 2022	31 December 2021
Corporate tax payable	-	64,701
Prepaid taxes and funds	-	(17,183)
Provision for current tax	-	47,518

Corporate tax rate actualized on the basis of taxable profit of the Group is calculated from remaining tax assessment 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 the application of Sasa Polyester Sanayi A.Ş. one of the Group companies, to Ministry of Economy General Directorate of Incentive Practices and Foreign Capital for incentive certificate, the incentive application related to the Polymer Production Facility Investment is included in the Project-Based Government Incentives for Investments that is enacted with the resolution of the Council of Ministers, and it is approved by the 30 April 2018 dated Council of Ministers and published on the 23 June 2018 dated Official Gazette. The investment amount related to the incentive is TL 2,906,596 (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 start-up date providing not exceeding TL 300,000)

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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

Corporate Tax (cont'd)

Government Grants and Incentives (cont'd)

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 12,463,277 (31 December 2021: TL 10,874,829) as of 30 June 2022, after the revisions made, 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 start-up date providing not exceeding TL 50,000).

As of 30 June 2022, the Group has TL 6,945,196 tax deduction right to be used in the following periods (2021: TL 3,271,149).

NOTE 27 - EARNINGS PER SHARE

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

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Net profit	5,579,656	3,247,138	641,776	532,034
<i>Weighted average number of shares:</i>				
Weighted average number of ordinary shares	2,240,000,000	2,240,000,000	2,240,000,000	2,240,000,000
Earnings per share with a nominal value of 1 TL (full TL)	2.4909	1.4496	0.2865	0.2375
Earnings per share from ongoing operations				

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 28 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties:

The Group's receivables from related parties consist of trade receivables related to fiber, yarn and yarn sales to related parties.

	<u>30 June 2022</u>	<u>31 December 2021</u>
Dinarsu İmalat ve Ticaret T.A.Ş.	-	4,990
	<u>-</u>	<u>4,990</u>

b) Deferred income from related parties:

The Group's deferred income from related parties consists of advances received for chips, fiber, yarn and poy sales to its related parties.

	<u>30 June 2022</u>	<u>31 December 2021</u>
Özerdem Mensucat San. Tic. A.Ş.	184,448	276,436
Merinos Halı San. Tic. A.Ş.	95,161	161,506
Zeki Mensucat Sanayi ve Tic. A.Ş.	50,747	15,909
Dinarsu İmalat Tic. A.Ş.	1,992	-
	<u>332,348</u>	<u>453,851</u>

c) Sales to related parties:

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

	<u>1 January - 30 June 2022</u>	<u>1 April - 30 June 2022</u>	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>
	<u>Goods</u>	<u>Goods</u>	<u>Goods</u>	<u>Goods</u>
Merinos Halı San. Tic. A.Ş.	435,338	234,230	144,690	74,757
Özerdem Mensucat San. Tic. A.Ş.	348,862	220,291	133,276	67,345
Zeki Mensucat Sanayi ve Tic. A.Ş.	330,798	177,362	86,955	43,610
Dinarsu İmalat ve Ticaret T.A.Ş.	4,760	4,645	3,223	1,800
	<u>1,119,758</u>	<u>636,528</u>	<u>368,144</u>	<u>187,512</u>

d) Purchases from related parties:

	<u>1 January - 30 June 2022</u>	<u>1 April - 30 June 2022</u>	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>
	<u>Goods</u>	<u>Goods</u>	<u>Goods</u>	<u>Goods</u>
Erdemoğlu Holding A.Ş.	1,725	1,725	913	913
Merinos Halı San. Tic. A.Ş.	121	-	652	500
	<u>1,846</u>	<u>1,725</u>	<u>1,565</u>	<u>1,413</u>

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

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

NOTE 28 - RELATED PARTY DISCLOSURES (cont'd)**e) Financial foreign exchange income from related parties:**

	<u>1 January - 30 June 2022</u>	<u>1 April - 30 June 2022</u>	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>
Merinos Halı San. Tic. A.Ş.	22,537	1,498	5,659	5,621
Zeki Mensucat San. Tic. A.Ş.	10,533	8,120	573	432
Dinarsu İmalat ve Ticaret T.A.Ş.	1,995	1,193	184	184
Özerdem Mensucat San. Tic. A.Ş.	1,411	630	345	345
	<u>36,476</u>	<u>11,441</u>	<u>6,761</u>	<u>6,582</u>

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

As of 30 June 2022 and 2021, remuneration of the Board of Directors and key management personnel amounts are as follows:

	<u>1 January - 30 June 2022</u>	<u>1 April - 30 June 2022</u>	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>
Short-term benefits provided to key management	5,915	3,204	3,224	1,598
	<u>5,915</u>	<u>3,204</u>	<u>3,224</u>	<u>1,598</u>

NOT 29 – DERIVATIVE INSTRUMENTS

	<u>30 June 2022</u>	<u>31 December 2021</u>
Derivative financial assets		
Presentation of derivative instruments at fair value		
<i>Option</i>	-	3,479
<i>Swap</i>	-	189
	<u>-</u>	<u>3,668</u>

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

NOTE 30 - 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, (foreign 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.

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 2022 and 31 December 2021 are as follows:

	30 June 2022		
	TL Equivalent	USD	EURO
Trade receivables	2,647,264	89,400	66,377
Monetary financial assets (Including cash and banks)	332,850	11,648	7,955
Other	1,722,957	27,902	72,249
Total assets	4,703,071	128,950	146,581
Trade payables (including other payables)	2,887,206	162,323	10,218
Financial liabilities	2,434,860	6,952	133,255
Other	1,570,097	88,889	4,966
Short-term liabilities	6,892,163	258,164	148,439
Financial liabilities	10,896,863	28,085	599,267
Long-term liabilities	10,896,863	28,085	599,267
Total liabilities	17,789,026	286,249	747,706
Foreign currency position	(13,085,955)	(157,299)	(601,125)
Net foreign currency position	(13,085,955)	(157,299)	(601,125)

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022**

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

**NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(cont'd)****a) Financial Risk Management (cont'd)**

	31 December 2021		
	TL Equivalent	USD	EURO
Trade receivables	1,443,518	101,295	6,188
Monetary financial assets (Including cash and banks)	1,897,198	130,164	10,754
Other	971,667	36,388	32,257
Total assets	4,312,383	267,847	49,199
Trade payables (including other payables)	3,726,001	245,312	30,241
Financial liabilities	1,810,329	23,844	98,929
Other	72,160	1,416	3,532
Short-term liabilities	5,608,490	270,572	132,702
Financial liabilities	8,481,316	1,144	561,161
Long-term liabilities	8,481,316	1,144	561,161
Total liabilities	14,089,806	271,716	693,863
Foreign currency position	(9,777,423)	(3,869)	(644,664)
Derivative contracts net foreign currency position	3,668	15	237
Net foreign currency position	(9,773,755)	(3,854)	(644,427)

Sensitivity to foreign currency risk

As of 30 June 2022;	Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
10% change in US Dollar/TL parity:		
US Dollar net asset	(262,553)	262,553
US Dollar net hedged amount	-	-
US Dollar Net Effect	(262,553)	262,553
10% change in EUR/TL parity:		
EUR net asset	(1,046,042)	1,046,042
EUR net hedged amount	-	-
EUR Net Effect	(1,046,042)	1,046,042
Total	(1,308,595)	1,308,595

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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

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

a) Financial Risk Management (cont'd)

Sensitivity to foreign currency risk (cont'd)

As of 31 December 2021;	<u>Profit / (Loss)</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
10% change in US Dollar/TL parity:		
US Dollar net asset	(5,137)	5,137
US Dollar net hedged amount	-	-
US Dollar Net Effect	(5,137)	5,137
10% change in EUR/TL parity:		
EUR net asset	(972,228)	972,228
EUR net hedged amount	-	-
EUR Net Effect	(972,239)	972,239
Total	(977,376)	977,376

NOTE 31 - FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDIT FIRM

	<u>30 June 2022</u>	<u>31 December 2021</u>
Independent audit fee for the reporting period	470	294
Fee for other assurance services	590	60
	<u>1,060</u>	<u>354</u>

NOTE 32 - EVENTS AFTER THE BALANCE SHEET DATE

EUR 200,000 nominal value of convertible bonds which were issued at 22 June 2021 with EUR 200,000,000 nominal value is converted shares and redeemed upon the request of investors at 4 July 2022. Shares with TL 112,270 nominal value are covered from repurchased shares held by the Group.

As a result of the first rating study conducted by the international rating agency Fitch Ratings, the Group's Long-Term Credit Rating was determined as "B" with a "Stable" Outlook. Following the revision of Turkey's credit rating from "B+" to "B" on 8 July 2022, the international credit rating agency Fitch Ratings affirmed the Group's Long Term Foreign Currency Rating as "B" and revised its outlook to "Negative".