

SASA

POLYESTER SANAYİ A.Ş.

ANNUAL REPORT 2018

SASA

POLYESTER SANAYİ A.Ş.

2018 ANNUAL REPORT





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GENERAL INFORMATIONS



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GENERAL INFORMATIONS

Reporting Period : 1 January 2018 - 31 December 2018

Company's Title / Trade Register Number

Sasa Polyester Sanayi A.Ş. / 5722


Partnership Structure and Capital

Registered Capital : 1.500.000.000.-TL

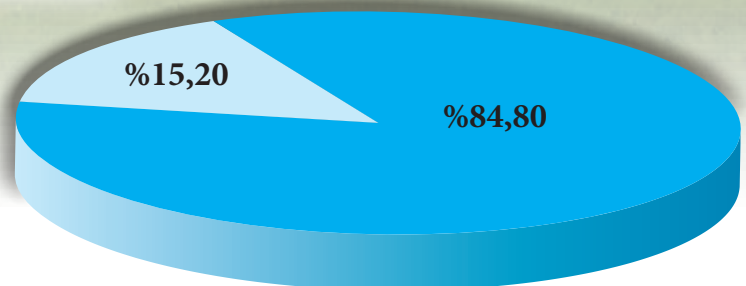
Paid Capital : 605.000.000.-TL

On 3 September 2015, Sasa Diş Ticaret A.Ş. was established with capital of TL 2.000.000.- by 100% participation of Sasa Polyester Sanayi A.Ş. in order to the fact that Sasa's exportation activities come to the fore; and financial statements and explanatory notes will be published as "Consolidated".

Partnership Structure as of 31 December 2018

Erdemoğlu Holding A.Ş. 

Other 





INDEPENDENT AUDITOR REPORT REGARDING ANNUAL ACTIVITY REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of Sasa Polyester San. A.Ş.

1) Opinion

We have examined the full set of consolidated financial statements of Sasa Polyester San. A.Ş. ("Company") and its subsidiary company ("Group") for the accounting period of 31 December 2018 and in this context, we have examined the annual activity report for this accounting period as well.

In our opinion, consolidated financial statements in the annual activity report of the board of directors and the inspections of the Board of Directors regarding the state of the Group are, in all important respects, consistent with all consolidated financial statements examined and the information we have acquired during independent audit and they reflect the truth.

2) Basis for the Opinion

This independent audit has been carried out in line with Independent Audit Standards published by the Capital Market Board and Independent Auditing Standards being part of Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority (KGG). Our responsibilities within the scope of these Standards have been explained in detail in the section of our report specifying Independent Auditor's Responsibilities Regarding Independent Auditing of Annual Activity Report. We declare that we are independent of the Group in accordance with the Ethical Rules (Ethical Rules) published by KGG for Independent Auditors and the provisions of the ethical rules for independent auditing in the legislation. Other ethical responsibilities within the scope of the Ethical Rules and legislation have also been fulfilled by us. We believe that evidences of independent auditing which we have acquired during independent auditing are sufficient and appropriate basis for our opinion.

3) Auditor's Opinion Regarding All Financial Statements

In our auditor's report dated 15 February 2019, we have expressed a positive opinion for all consolidated financial statements of the Group for the accounting period of 1 January-31 December 2018.

4) Responsibility of the Board of Directors Regarding Annual Activity Report

Group management shall be responsible for the following regarding the annual activity report in accordance with the articles no.514 and 516 of Turkish Commercial Code (TTK) and Principles Communiqué no. II-14.1 of the Capital Market Board ("SPK") Regarding Financial Reporting in Capital Markets:

- Group board of directors shall prepare the annual activity report within the first three months as from the balance sheet date and submit the same to the general assembly.
- Group board of directors shall prepare the flow of the Group's activities and consolidated financial statement for the relevant year accurately, completely and truthfully. In this report, consolidated financial state shall be considered in accordance with the consolidated financial statements. Additionally, Group's development and potential risks shall also be clearly mentioned in the report. Evaluation of the board of directors shall also be included in the report.
- Activity report shall also include the following points:
 - Significant events occurred within the body of the Group following termination of the activity year,
 - Group's research and development activities,
 - Financial benefits such as wage, premium, bonus paid to the board members and top managers, allowances, travel, accommodation and representation expenses, in-kind and in-cash facilities, insurance and similar securities,

When preparing the activity report, Board of Directors shall take secondary legislation regulations formed by the Ministry of Trade and the relevant authorities into consideration.

5) Independent Auditor's Responsibility Regarding Independent Auditing of Annual Activity Report

Our purpose is to express opinion regarding whether the consolidated financial information in the annual activity report and the inspections carried out by the Board of Directors are consistent with the Group's consolidated financial statements audited and the information we've acquired during the independent auditing and they reflect the truth or not within the framework of the provisions of TTK (Turkish Commercial Code) and the Communiqué and to issue a report including our opinion.

This independent audit has been carried out in accordance with Independent Auditing Standards published by the Capital Market Board and Independent Auditing Standards. These standards require planning and performance so as to assure that whether the independent audit in line with the ethical rules, consolidated financial information in the activity report and the inspections carried out by the Board of Directors are consistent with the consolidated financial statements and the information which we have acquired during the audit and they reflect the truth or not.

This independent audit has been carried out and concluded by the auditor Osman Arslan.

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

Osman Arslan, SMMM (Independent Accountant and Financial Advisor)
Responsible Auditor

Istanbul, 15 February 2019

MESSAGE OF THE BOARD CHAIRMAN



Dear Partners,

Trade wars started and spread between the United States of America and China, Brexit development, effects of FED interest decisions as the prominent economic developments marked 2018 in the world.

Turkish Economy, which has grown at the rate of 7,2% in the first quarter and 5,3% in the second quarter of the year, has also reached a growth rate of 1,6% in the third quarter despite speculative currency fluctuations in August and the developments in global economy.

Fluctuations in oil price, which has reached Usd 50 and 85 during the year has created a negative effect on sustainable profitability in all sectors in which petrol-based raw materials are used.

Today, demand for polyester products which we use in many fields has continued increased in 2018 as well. Despite negative economic developments in 2018, polyester fiber import in Turkey has increased at approximately 10 percent compared to the previous year. Anti-dumping taxes imposed in polyester import to Turkey so as to prevent unfair competition have continued being imposed for fiber in South Korea, Indonesia and China. Anti-dumping taxes imposed temporarily in POY have become final and additionally, 5% customs tax has been imposed.

For Pet Cips, it was decided to implement protection measures to South Korea for 2 years.

Sasa increased its turnover at the rate of 32% in 2018 and reached the level of 2.179 million TL when compared to the previous year and increased its EBITDA (Earnings Before Interest Taxes Depreciation And Amortization) figure to the amount of 597 million TL from the amount 323 million TL. It reached a net profit of 597 million TL in 2018 and succeeded in increasing this profit at the rate of 293% when compared to the previous year.

Sasa invests in not only polyester sector but also the future of Turkey and spends all it earns in this country for making investment in this country. On the way to make Sasa a giant petro-chemical plant and Turkey the center of polyester production, we will continue making value-added production, creating employment with investment activities we have carried and will carry out so as to minimize the current account deficit in the future as well as today.

Sasa has completed its investment of new fiber plant with a capacity of 350 thousand/year, which will double the annual production capacity, commission the plant in May in this year and will get additional annual turnover of 500 million Usd. Contribution of this plant to the turnover for 2019 will be nearly 250 million Usd. Construction work of Poy/Texturized and PET Chips (Bottle Chips) investment is rapidly continuing and when we put the plant into operation, it will add additional 1.100 million Usd to our turnover. With all such investments, turnover of our company for 2019 will be 700 million Usd; 1.250 million Usd for 2020 and 2.050 million Usd for 2021.

Our business organization is the 78th company of Turkey and the biggest company of Adana in sales from out of production according to the data of 2017 and continuing its efforts continuously on the way to become a petro-chemical giant of the world. Within the scope of the investment activities for petro-chemical plant which we have began in Yumurtalık district of Adana province, we have started EIA process requested from our company by T.R. Ministry of Industry and Technology and are planning to start the investment in this year.

Sasa, which has adopted growth and sharing as a basic principle, has also continued enabling its shareholders who do not leave us alone in this long process to earn. Sasa's share value traded in Istanbul Stock Exchange has increased 10 fold in 3,5-year process from the date on which it was included in Erdemoğlu Holding A.Ş. in 2015 until the end of 2018.

We believe that the real driving force behind the sustainable growth is R&D and our application made to T.R. Ministry of Trade and Technology has been accepted and our company has been entitled to utilize the incentives and exemptions provided to R&D centers as from November 2018 in accordance with the provisions of the law no.5746. Our company is a big family and as long as it puts its investments into operation, it will increase its qualified employees over 1.500 and continue growing.

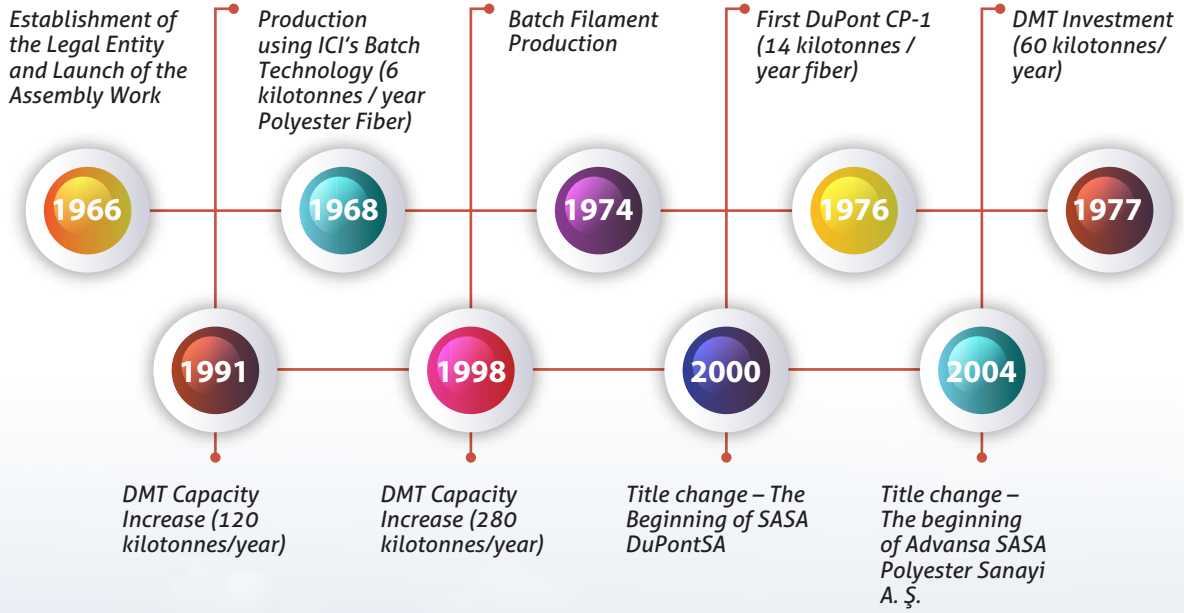
I wish the year 2019 will be successful for all Sasa family, customers, suppliers, partners and particularly, our country with boom and countless investments and I'd like to take this opportunity to thank all of you on behalf of our board of directors.

İbrahim Erdemoğlu
President of the Board of Directors



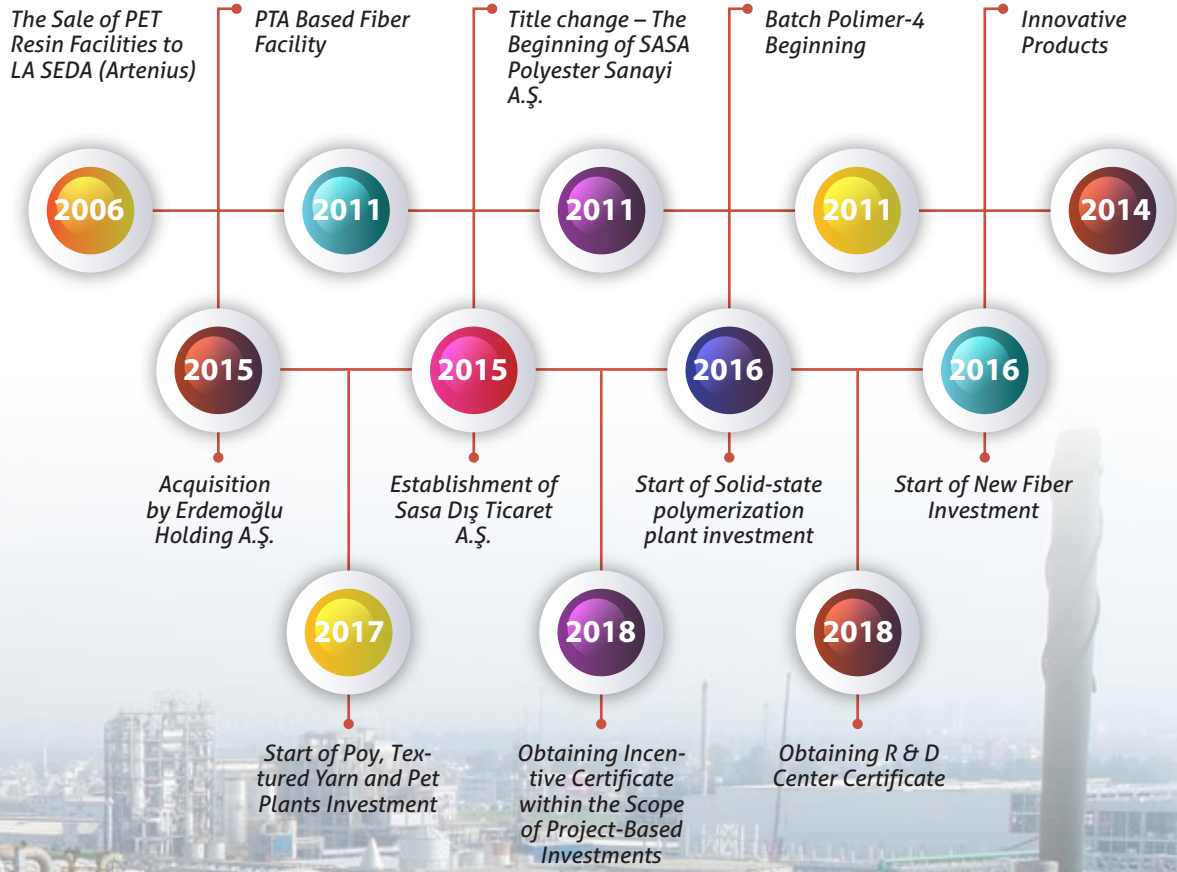
GENERAL INFORMATION

MILESTONES





GENERAL INFORMATION



GENERAL INFORMATIONS

1.3. Overview of the Company

Sasa, operating in the industry of polyester fibres, filaments and polymers constitutes a major share in Turkey's production capacity in this field with its polymerization capacity of 350,000 kilotonnes / year. Our Company provides tailored solutions for all sectors in the polyester market with especially the Research and Development activities for specialty polymers and chemicals business and by monitoring market trends closely.

Our Company's main production lines, and Sectors that use these products are as follows:

Fiber

Sasa Fiber Section makes production for 3 different sectors with its products in different segments:

Textiles: Polyester cut fibers and tops products, 100% polyester and/or mixed (cotton, viscose, acrylic, wool, nylon) yarn production, and also later knitting and weaving processes are rendered into fabric. SASA becomes prominent in the textile sector with its white products with higher strength and with higher module with higher affinity to dyes, and the black fiber with 10XTM branded, of which manufacturing technology belongs to SASA. 10XTM creates difference against the competitive fibers in the market for our customers with its specifications of deep black, high color purity, easily machinability and be gatherability.

Comfort & Padding Sector: It is rendered as pillow, padding into toys, quilt, all kind of coats, furniture padding, bed, decorative toss pillows after the paddings are combed, rendered in bead form or fiber tying. SASA which has the highest capacity with bi-component fibers production in Europea region with technology developed by itself provides, for its customers, the washable, durable and long-lasting padding materials with the conjugated fibers which has spring feature.

Technical Textiles: It is used as main raw material of hygiene (wet towels, pads, cosmetic tissues), medical (bandage, surgery covers, masks), automotive (roof, floor and rear parcel shelf carpets, insulating materials), artificial sub leather carriers, filter (liquid-gas), cleaning cloths, all kind of ready wear fusings, plush, geotextile (sub asphalt stabilizators, drainage, underground, garden), construction (acoustic insulation, roof insulations, floor coating) and similar products with its different fiber connection methods (mechanical, water pinning and chemical). SASA creates value with special solutions and special products for its customers in "Technical Textile" sector provides services for very different and wider sectors.

Sasa is in the leader position in Turkey and Middle East for production of polyester fibers for different sectors.

Filament

Sasa Filament Section produces different and featured products together with textile (knitting and woven fabric), ply and texture yarns for carpet and automotive sectors.

Special Polymers and Chemicals

Sasa Special Polymers and Chemicals Section provides production around the vision of development and supplying them to the customers of the products sensitive to human and environment in the geography in which it provides services. The line of work that was organized according to this vision provides services for following sectors:

Textile Sector: Standard and high viscosity polyester polyethylene terephthalate and polybutylene terephthalate polymer products are rendered into first as the yarn and fibers, and later weaving, knitting fabrics made of these, and also non-woven textile surfaces.

Industrial Sectors: High viscosity polyester polyethylene terephthalate and polybutylene terephthalat polymer products are used in industrial applications requiring higher strength by depending on their final use places.

Film & Packaging Sector: Polyester polyethylene terephthalate polymer products that were specially manufactured in accordance with its final use of aim are used in the production of film and packaging material which can or don't be in contact with food. The film type polyester polymers which is an antimony-free product and have importance have special importance in contact to food also take place in the product portfolio.

Engineering Polymers: Polybutylene terephthalate and thermoplastic elastomers are used in the production of automotive parts, electrical/electronic components, durable goods and other plastic parts with the plastic injection method.

Plasticizers: Sasa Plus 88, a phthalate-free product, is used as a plasticizer in PVC production. As chemicals that include phthalate are known hazardous to human health ,and are classified as hazardous materials, the significance of Sasa Plus 88 is increasing gradually in the industry.

Sasa sells its Specialty Polymers and Chemicals mainly to Europe but also delivers to Turkey, the Middle East, North America and Asia.

1.4. Vision & Mission & Values

Vision : First 30 (to be in the first 30 in ISO 500).

Mission : A chemical company that creates value through innovative approaches.

Our values

Occupational Safety & Environmental Awareness, Human Focused, Customer Focused, Integrative & Higher Level Ethical Conception, Commitment to Corporate Goals, Value Creation, Continuous Improvement, Transparency.

Our Code of Business Ethics

Integrity

Integrity and honesty are our core values in all our business processes and interactions. We act in integrity and honesty in all our relations with the employees and stakeholders.

GENERAL INFORMATIONS



Confidentiality

As employees of Sasa;

- We give utmost importance to protecting the privacy of our customers, employees and other associated individuals and companies and the confidentiality of their information.
- We protect confidential information regarding the activities of the Company, use this information only for the purposes of the Company, and share this information only with relevant authorized parties.

Conflict of Interest

Conflict of Interest is defined as the use of Company resources, name, identity and power for personal benefit and situations that might have a negative affect on the organization’s reputation and image. Employees of Company, we intend to keep away from conflict of interest and pay attention to the following situations:

- We do not obtain personal benefit personally or through our family or relatives from the individuals and organizations with which we enter a business relationship by benefiting from our current responsibilities.
- We do not enter a business activity based on an additional financial benefit. However, employees may only work for third party (family member, friend, other third persons) and / or an organization in return for a

payment or a similar benefit outside business hours with the condition that this activity;

- Does not create any conflict of interest with their current role in their company,
- Complies with the other business ethic codes and with the policies supporting these codes,
- Does not have a negative impact on their performance at the company,
- And written approval from management,

is obtained. The approval shall be granted by Chairman of the Board for General Manager; and approval of other positions shall be made by Company General Manager based on the Company Ethics Compliance Officers’s and Company Human Resources Manager’s advice.

- We avoid using Sasa name and power, our Sasa identity for obtaining personal benefit.
- In case of a potential conflict of interest, we apply legal and ethical methods when we believe these methods will protect the benefits of the relevant parties in a safely manner.
- When we hesitate in cases, we confer with Human Resources Function, Code of Business Ethics Consultant or Ethics Board for counsel.

GENERAL INFORMATION

MEMBERS OF BOARD

The names of Board Members and their resume are given below by the date of 31 December 2018.

Members of Board

Name Surname	Executive or non-executive member	Position
İbrahim Erdemoğlu	Executive member	President of Executive Board
Ali Erdemoğlu	Non-Executive member	Vice President Of The Executive Board
Mehmet Şeker	Executive member	Member of Executive Board – General Manager
Mehmet Erdemoğlu	Non-Executive member	Member of Executive Board
Hacı Ahmet Kulak	Non-Executive member	Independent Member of Executive Board
Mahmut Bilen	Non-Executive member	Independent Member of Executive Board

Members of Board did not carry out operations with the Company in 2018 and undertake any enterprise which could compete with the same activity issues despite they have been entitled to the right to take action pursuant to the Articles 395 and 396 of Turkish Commercial Code by resolution of General Assembly.

İbrahim ERDEMOĞLU**Chairman of the Board****Tenure: 29.03.2018 – 29.03.2021**

He was born in Adıyaman, Besni, in 1962. He graduated from Elementary School, Middle School and High School in Gaziantep. He completed his university education at Physics Section of The Black Sea Technical University of university. He began to the carpeting business which is his father profession in 1983. He also continued to the carpet business to which he had begun during his university education after he graduated from the university. Today, he maintains his duty as President of the Board of Directors of Erdemoğlu Holding that is emphatically advancing in the direction of becoming a brand of the world, and also containing the brand of Merinos. He is married and has 3 children.

Mehmet ŞEKER**Member of the Board (General Manager)****Tenure: 29.03.2018 – 29.03.2021**

Şeker, who was born in Gaziantep, completed her primary, secondary and high school education in Gaziantep. He graduated from the Faculty of Medicine of Çukurova University. Since 1993, Erdemoğlu has held various positions within the Holding. He made membership at 24th and 25th Term T.G.N.A.He is still a member of Erdemoğlu Holding Board of Directors. He is married and father of two children.

Ali ERDEMOĞLU**Deputy Chairman of the Board****Tenure: 29.03.2018 – 29.03.2021**

He was born in Adıyaman, Besni, in 1959. He was graduated from Primary School in Besni. He began to work at rugs and carpet looms which is his father profession in his earlier ages without continuing his education. He functioned at all levels of the production. Ali Erdemoğlu, who had spent great labors in past and today of Merinos, still continues his duty as the President of the Board of Directors of Merinos Halı San. ve Tic. A.Ş. He is married and has 3 children.

GENERAL INFORMATION

Mehmet ERDEMOĞLU**Member of the Board****Tenure: 29.03.2018 – 29.03.2021**

He was born in Gaziantep, in 1985. He graduated from Elementary School and Middle School and High School in Gaziantep. He completed his university education at Machine Engineering Section of Koç University in year 2010. First, he began his career at Merinos Mobilya Tekstil Sanayi ve Ticaret A.Ş. which is one of the companies within the body of Erdemoğlu Holding. Today, he still continues as Member of the Board of Directors at the energy companies which is one of the line of works take place in within the body of the holding.

Hacı Ahmet KULAK**Member of the Board (Independent)****Tenure: 29.03.2018 – 29.03.2021**

He was born in 1969 in Besni-Adıyaman. After graduating from Anadolu University Faculty of Business Administration, Kulak began to work as a freelance accountant in 1995, and in 2001, he successfully completed the Certified Public Accountant Exam and earned the title of Independent Accountant and Financial Advisor. He has about 25 years of experience in the field of accounting. He became an Independent Auditor in 2014 and an Expert in 2017. In 2017, she completed her MA degree at Gaziantep University Institute of Social Sciences. Throughout his career, he has worked as a financial consultant and independent auditor in established companies. Kulak is married and has three children.

Mahmut BİLEN**Member of the Board (Independent)****Tenure: 29.03.2018 – 29.03.2021**

He was born in 1969 in Ceyhan-Adana. After completing Adana Erkek High School, he entered İ.Ü. He received his 1992 license from the Faculty of Economics and the Department of Economics, his master's degree in 1994 and his Ph.D. In 2008-2010 he was a post-doctoral visitor scholar at the University of Illinois at Urbana-Champaign. Bilen, who was Associate Professor in the Department of Economics of Sakarya University in 2011 and Assistant Professor in 2011, has been working as a Professor in the same institution since August 2016. Bilen, who has published many works, is married and father of a girl child.

GENERAL INFORMATIONS**Independency Declaration**

Sasa Polyester Sanayi A.Ş. I, herewith, declare that I am candidate to carry out duty in the Board of Directors (The Company) as “independent member” within the scope of criteria stated in legislation, the Articles of Incorporation, and Corporate Governance Declaration (II-17.1); and

- a)** there has not been any employment relation of management position that carries our significant duties and responsibilities between me, my spouse, second degree consanguinity relatives, relatives by marriage and the Company, the partnerships on which the Company has management control according to “TFRS 10” Standard or has significant management control according to “TMS 28”, and the partners having management control of the Company or have significant degree effect on the Company, and the legal bodies on which these partners have management control within the last 5 years; and I, together or on my own, have not any capital or rights of vote, or privileged shares more than 5%; or I have no significant commercial relation (TMS 28); and
- b)** within the last 5 years, I have not been partner (5% or more) of the companies to which the Company purchases or sells services or products in the periods inwhich the services or products were purchased or sold under the agreements that had been made including, first,auditing of the company (including also tax auditing, legal auditing, internal auditing), rating and advisory of the Company; and
- c)** I have professional training, knowledge and experience in order me to fulfill properly the duties that I will undertake because of I will be independent member of the borad of directors; and
- c)** that I have not/will not work fulltime in public institutions and organizations after I had selected/presently excluding university academicianship on the condition that it must be pursuant to the related legislation, and
- d)** I am inhabitant in Turkey according to the Income Tax Law dated 31/12/1960 and with the number of 193, and
- e)** I have strong ethics standards, professional reputation and experience required in order me to be able to contribute positively to the activities of the Company, to protect my impartiality during the conflict of interests between the Company and the shareholders, to make decisions freely by taking into consideration the rights of the benefit owners; and
- f)** I will spare time for the Company works adequate for the fact that I will be able to follow the tasks, fulfill all of the requirements of the duties that I have already undertaken; and
- g)** I did not carry out membership of the Board of Directors more than 6 years within the last ten years; and
- ğ)** I did not carry out independent membership of the Board of Directors of the Company or more than three of the partners have the management control of the companies on which the Company has the management control and total at more than five of the companies that are traded at the exchange

I present for information of the Board of Directors, General Assembly, our shareholders and all of beneficiaries.

08/02/2019

MAHMUT BİLEN



GENERAL INFORMATIONS**Independency Declaration**

Sasa Polyester Sanayi A.Ş. I, herewith, declare that I am candidate to carry out duty in the Board of Directors (The Company) as “independent member” within the scope of criteria stated in legislation, the Articles of Incorporation, and Corporate Governance Declaration (II-17.1); and

- a) there has not been any employment relation of management position that carries our significant duties and responsibilities between me, my spouse, second degree consanguinity relatives, relatives by marriage and the Company, the partnerships on which the Company has management control according to “TFRS 10” Standard or has significant management control according to “TMS 28”, and the partners having management control of the Company or have significant degree effect on the Company, and the legal bodies on which these partners have management control within the last 5 years; and I, together or on my own, have not any capital or rights of vote, or privileged shares more than 5%; or I have no significant commercial relation (TMS 28); and
- b) within the last 5 years, I have not been partner (5% or more) of the companies to which the Company purchases or sells services or products in the periods inwhich the services or products were purchased or sold under the agreements that had been made including, first,auditing of the company (including also tax auditing, legal auditing, internal auditing), rating and advisory of the Company; and
- c) I have professional training, knowledge and experience in order me to fulfill properly the duties that I will undertake because of I will be independent member of the borad of directors; and
- c) that I have not/will not work fulltime in public institutions and organizations after I had selected/presently excluding university academicianship on the condition that it must be pursuant to the related legislation, and
- d) I am inhabitant in Turkey according to the Income Tax Law dated 31/12/1960 and with the number of 193, and
- e) I have strong ethics standards, professional reputation and experience required in order me to be able to contribute positively to the activities of the Company, to protect my impartiality during the conflict of interests between the Company and the shareholders, to make decisions freely by taking into consideration the rights of the benefit owners; and
- f) I will spare time for the Company works adequate for the fact that I will be able to follow the tasks, fulfill all of the requirements of the duties that I have already undertaken; and
- g) I did not carry out membership of the Board of Directors more than 6 years within the last ten years; and
- ğ) I did not carry out independent membership of the Board of Directors of the Company or more than three of the partners have the management control of the companies on which the Company has the management control and total at more than five of the companies that are traded at the exchange

I present for information of the Board of Directors, General Assembly, our shareholders and all of beneficiaries.

08.02.2019

Haci Ahmet KULAK



GENERAL INFORMATION
Distribution of Senior Management Tasks

Name - Surname	Position
Mehmet Şeker	Board Member - General Manager
Güven Kaya	Vice General Manager
İrfan Başkır	Vice General Manager
Mustafa Kemal Öz	Vice General Manager
Mustafa Yıldırım	Vice General Manager
Alper Söğüt	Vice General Manager
Şakir Sabri Yener	CFO
Hasan Oğuzhan Öz	PET Chips (MTR,SPC) Plants Group President
Mustafa Kemal Yıldırım	New Fiber Plants Group President
Öner Zapanaloğlu	Yarn Plants Group President
Ali Dilbas	Information Systems Manager
Ali Bülent Yılmazel	Accounting Manager
Berna Demirağ Geyik	Purchasing Manager
Çağdaş Çetin	SPC Sales Marketing Manager
Mehmet Kaan Uyanık	Finance Manager
Şenay Geçgel	Fiber and Tops Export Manager
Taşkın Aytekin	Purchasing Manager

1.7. The Committees Created Within the Board of Directors

Since there is no committee for nomination and compensation committee in the present configuration of Executive Board, works of mentioned committees are executed by the Corporate Management Committee. In the meeting of the Board of Directors dated 15.08.2013, our company decided to be organized "The Committee for Early Determination of the Risk" pursuant to Corporate Management Principles of Capital Market Board with the Seral IV, No 63 in order to exclude the risk related included from the duties of this Committee that had been included into the duties and responsibilities of the Corporate Management Committee.

Members of the Board of Directors entitled to the authorities nominated and determined by Turkish Trade Law and Articles of Incorporation and also other related legislation.

Audit Committee

Name Surname / Position / Qualifications of Member of Board

Mahmut Bilen

Member of Audit Committee
Member of Board (Independent)

Haci Ahmet Kulak

President of Audit Committee
Member of Board (Independent)

The Committee meets up four times in a year at least once every three months; and creates minutes of the results of the meeting and presents to the Board of Directors. The aim of the Committee Responsible from Auditing is to financial reporting to Sasa Polyester Sanayi A.Ş. of Board of Directors, to carry out accounting system and financial reporting, to declare the financial information to the public,

to give information about the independent auditing and functioning and effectivity of the internal audit; and also to support to the studies about the pursuance studies of the Group to, first, Capital Markets Board Legislation and also to the related laws and Corporate Management Principles and ethic rules; and also to carry out related observation function on the mentioned matters. The Committee Responsible from Auditing presents its activities, the finding it found in relation to its duty and responsibility area and its recommendations to the President of the Board of Directors of Sasa.

Corporate Management Committee

Name Surname / Position / Qualifications of Member of Board

Mahmut Bilen

President of Corporate Committee
Member of Board (Independent)

Haci Ahmet Kulak

Member of Corporate Committee
Member of Board (Independent)

Ali Bülent Yılmazel

Member of Corporate Committee
Not a Board Member



GENERAL INFORMATIONS

In accordance with the “Corporate Management Principles” of Capital Markets Board, Corporate Management Committee consists of three members of which two are Independent Members of the Board of Directors. The President of Corporate Management Committee is appointed from amongst the independent members by the Sasa Board of Directors. Corporate Management Committee meetings are annually held four times a year at least at place approved by the President.

Corporate Management Committee was created in order to help to the fact that the duties and responsibilities of the Board of Directors are properly fulfilled. Corporate Management is the management process depends on ethic values of Sasa Polyester Sanayi A.Ş., responsible against inside and outside, with risk awareness, transparent and responsible in its decisions, observing the benefits of the shareholders, aimed to sustainable achievement. The Committee makes proposal and recommendations to Sasa Board of Directors in order to the fact that Corporate Management Principles are determined pursuant to the Management Principles of Capital Markets Board and other International Accepted Corporate Management Principles.

It was decided to be organized “ The Early Detection of Risk Committee “ under the decision of the Board of Directors dated 15.08.2013 and numbered 2013/22.

The Early Detection of Risk Committee

Name Surname / Position / Qualifications of Member of Board

Mahmut Bilen

President of The Committee for Early Determination of the Risk
Member of Board (Independent)

Haci Ahmet Kulak

Member of The Committee for Early Determination of the Risk
Member of Board (Independent)

The aim of the Committee is the fact that the precautions and remedies for the early determination of all kind of strategic, operational, financial and other risks that may endanger the existence, development and maintaining of Sasa Polyester Sanayi A.Ş. are applied and the risk is managed.

The Committee consists of two members, one of them is President, appointed by the Board of Directors. The President of the Committee is appointed from amongst the independent members by the Sasa Board of Directors.

The Committee reviews the risk management systems at least once a year; and carries out the observation of the fact that the applications in relation to the risk management are realized pursuant to the decisions of the Committee. The meeting are held at least six times per year at a place and date to be approved by the President. The duty period of the members of the Committee created in the structure of the Board of Directors are parallel to the duty period of the members of Board of Directors. The Committees are recreated following the selection of the members of Board of Directors.

The Committees continue their works regularly from the date they are created. In Committees, no conflict of interest was happened in 2018. The Committees act within their authorities and responsibilities; and create recommendations for the Board of Directors.

INVESTOR RELATIONS

2.1. Amendments to the Articles of Association within the period

Our Board of Directors took the following decisions in the meeting held on 1 February 2018: within the framework of the Communiqué no. II-18.1 of the Capital Market Board on Registered Capital System, the upper limit of the registered capital set forth in article no.8 of the Company's Articles of Association will be risen to 1.500.000.000-TL from 500.000.000 TL with an increase of 1.000.000.000 TL; validity date will be updated as the years of 2018-2022; article no.8 titled "Capital" of the Company's Articles of Association will be amended. The process for said amendment of the articles of association has been completed and the new form of the articles of association was approved at the Ordinary General Meeting held on 29.03.2018 and registered before Adana Trade Registry Office on 30.03.2018.

Company's application to the Capital Market Board on 19 April 2018 within the scope of the request which requires rising the issued capital of 412.500.000 Turkish Liras to the amount of 605.000.000 Turkish Liras within the upper limit of the registered capital of the Company amounting to 1.500.000.000 Turkish Liras, covering all amount of increased 192.500.000 Turkish Liras through the profit for 2017, allocating free share certificates at the rate of 46,6667% (forty six point six thousand six hundred and sixty seven percent) for each share held by the shareholders was accepted and the Company's capital amounting to 605.000.000 Turkish Liras was registered by Adana Trade Registry Office on 21 May 2018 and published in Turkish Trade Registry Gazette on 28 May 2018.

2.2. Selection of Independent Auditing Company

DRT Bagimsiz Denetim ve Serbest Muhasebeci Mali Müsavirlik A.S. (Deloitte) at its registered address Eski Büyükdere Cad. Maslak Mah. No:1 Plaza 34398

Sariyer / Istanbul was selected by our Board to audit financial reports of our Company for the fiscal period 2018 in accordance with the guidelines stipulated by the Turkish Commercial Code (TTK) no. 6102 and the Capital Market Law no. 6362 and conduct other activities within the context of regulations provided in these laws, taking into account the advice of the Audit Committee.

2.3. Changes in Share Price

The share price of our Company amounts to 8,19 TL as of 31.12.2018 and has shown an increase of 4,6%, compared with the share price of 7,83 TL at the end of 2017.

2.4. Dividend Distribution Policy

All matters required to take into consideration were provided for in the Article no. 4 of the Communiqué on Dividends published in the Official Gazette of 23rd January of 2014 by the Capital Market Board and entered into force. Accordingly, the dividend distribution policy of our company was revised as follows so that it should meet the minimum requirements provided in the relevant Communiqué and was approved by our shareholders during the Ordinary General Meeting held in 2014.

The Dividend Distribution Policy of the Company, Sasa Polyester Sanayi A.S. has been determined in the framework of the provisions of the Turkish Commercial Code, the Capital Market Legislation and other relevant legislations and the relevant article on the dividend distribution provided in our Articles of Association as well as in accordance with Sasa's mid-term and long-term strategies and financial plans, by taking into consideration the situation of the national economy and the industry and paying regard to the balance between shareholders' expectations and Sasa's needs.

INVESTOR RELATIONS

Notwithstanding that according to the General Assembly Resolution general requirements for determining the dividend amount to be distributed were adopted, it was accepted as a principle by the General Assembly to distribute a cash dividend at the rate of 50% of distributable profits to the shareholders during the distribution of dividends.

Notwithstanding that it was approved to distribute the dividends on an equal basis and within the shortest time - regardless of their date of exportation and acquisition, they will be distributed to the shareholders on a particular date set by the General Assembly upon approval of the General Assembly, within time intervals that are legally determined.

With reference to the Article no. 31 of our Articles of Association, it is also likely, in case of any authorisation to be granted by the General Assembly, to distribute an advance dividend to the shareholders, based on the decision of the Board. The General Assembly is entitled to reserve the net profit in whole or in part as extraordinary reserve fund. In case of any proposal not to distribute the profit which is submitted by the Sasa's Board to the General Assembly, the shareholders will be well advised during the Ordinary General Meeting why the profits are not distributed and how non-distributed profit will be used. This information shall also be released to the public by sharing in the annual report and on the website of the company.

The dividend distribution policy is submitted for the approval of shareholders in the General Assembly Meeting. This policy is reviewed by the Board every year, in case of any negativity in the national and global economic circumstances or according to the situation of actual projects and funds. Any amendments to this policy are also submitted for the approval of shareholders in the first General Assembly Meeting following the relevant amendments and are released to the public on the website of the company.



2.5. Issued Equity Securities and Bonds

A bonus issue of 192.500.000 TL (at the rate of 46,6667%) declared by one of the companies in the Group, Sasa Polyester Sanayi A.S., was approved on 14th May 2018 by the Capital Market Board and the dividend distribution was made on 17th May 2018.

In the end of the transaction, the issued capital of the company, Sasa Polyester Sanayi A.S has reached up to 605.000.000 TL.

2.6. Amounts and Rates of Distributed Gross Dividends

Sasa Polyester Sanayi A.Ş. At the General Assembly meeting dated March 29, 2018, the Company approved TL 192.500.000 free of charge dividend distribution in the amount of TL 0.46667 (46.67%) per share of nominal share. And after the application made to the Capital Markets Board on April 19, 2018, the profit distribution process was completed on 17 May 2018.



DEVELOPMENTS AND ACTIVITIES IN THE YEAR 2018

3.1. Sector Analysis

As a result of the trade wars in 2018, USA imposed a tax of 10% for the products of 200 billion USD in 2018 and will impose a tax of 25% as from 2019. On the other hand, China stated that they would impose a tax at the rates varying between 5-10% on USA products amounting to 60 billion USD. With the effect of the measures taken by USA and the concern, slowdown was observed in China in 2018. USA decided to take additional tax measures between 13% and 47% for polyester chopped fiber against India and China in the first quarter of 2018. Additional tax will be imposed on Brazil, Indonesia, Pakistan, South Korea and Taiwan in respect of high viscosity PET resin and direction of the trade has turned towards the countries such as Thailand, Russia and Turkey which are free from tax.

Oil prices which have reached the level of 85 USD/barrel due to the sanctions of USA against Iran entered into force in November and negative attitude of OPEC to production increase despite USA's call fell to the level of 50 USD/barrel following decrease in economic activities on a global level. After China and USA decided not to impose additional tax of 90 days, concerns on trade wars decreased.

Global growth estimation stipulated by IMF for 2019 has been decreased to the level of 3,5% from the level of 3,9%. It is estimated that Turkey's growth for 2018 will be 3,5%. TÜFE (Consumer Price Index) for 2018 was 20,3% owing to the measures taken for monetary tightening. Foreign trade deficit has decreased at the level of 71% on an annual basis when compared to the previous year. Tax deductions have become effective as a measure for the economic constriction in housing,

automobile and white goods sector in 2018. Decrease in housing sales was 3% and 16% in light vehicle sales.

In our country, 2018 was the most successful year for export and increase was approximately 7,9% in export when compared to the previous year. Rate of exports meeting import has reached the top of the last 20 years; that is 96%.

Anti-dumping measures against South Korea, Indonesia and Peoples Republic of China being in force for polyester chopped fiber so as to prevent unfair competition in import following the inspections carried out in our country have been extended. Temporary anti-dumping taxes in POY have become final. Protective tax has been imposed on South Korea for low viscosity resin. Import rates are still high despite new measures put into force.

The import figure for polyester chopped fiber which was 16 thousand/ton on average for 2017 reached the level of 18 thousand/ton on average on a monthly basis even though it decreased in the last quarter of 2018 when compared to the first 9 months of the year.

Following Sasa's decision on investment in polyester fiber production with 1.000 ton/day capacity, producers in Turkey in yarn, nonwoven and filling segment group has also decided to make investment in line with this direction. These investments began to be put into operation at the end of 2018 and increase was observed in production of polyester fiber consumption capacities in this field. With the start of on-going investments, it is expected that polyester fiber use will increase in Turkey market in 2019 as well.



DEVELOPMENTS AND ACTIVITIES IN THE YEAR 2018
3.2. Production Activities

Significant productivity booster opportunity were created thanks to the improvements in particularly our production operations in also year 2016 such as those in the last year, and thanks to the projects that will prevent waste formation in maximum level by establishing our waste management system on “0” waste, and will provide recovering and recycling of the wastes were produced.

The improvement works carried out in our managements in order to increase the productivities, to minimize the lost times and, parallel to this, process control methods were started to be applied to large extent, played a value added increaser role in our production.

Our studies that make a difference on so many subjects continued on a lot of subjects started in the previous years such as Energy Efficiency, Sustainability, Corporate Risk Management, Renovation, Innovation, Investment for Human; and they continue to contribute in a sustainable frame.

Sasa’s systematic efforts to achieve global competitive advantage in sustainable excellence continue rapidly, and work continues to be included in the application process for the Turkey Excellence Award.

We intensively carry out our successful activities, and creates Value Added for our company activities such as ISO 9001 Quality Management Systems and Process Management, ISO 50001 Energy Management System, ISO 31000 Corporate Risk Management Systems, 5S, PSRM and TPM by contributing our continuous renewal philosophy within this year such as done in the previous year.

Capacity Information

The DMT facility which is a petrochemical plant manufactures DMT by using paraxylene and methanol as raw materials. DMT is sent to polymerization facilities in liquid form to be processed with the raw material- Monoethylenegcol (MEG) and there finally converted to liquid polymers. The Company has a DMT capacity of 280.000 tonnes/year and a polymer capacity of 350,000 tonnes/year including PTA-based production.

The fibre, filament and polyester chips plants convert the polymers that they receive into tow, staple fibre, POY, filament and polyester chips. Tow is then converted in the tops facilities to

raw-white and dyed tops. Some of the POY production is processed into flat and texturized filaments and the remainder is sold as POY itself.

Production Volumes (Tonnes)

Production volumes in our main product groups are given below in comparision.

Production Group	2018	2017	Change (tonnes)	Change (%)
Dmt	214.653	246.227	-31.574	-13 %
Polyester Chips	136.326	134.590	1.736	1 %
Polyester Fiber	148.610	161.507	-12.897	-8 %
Polyester Yarn	7.693	8.191	-498	-6 %
Poy	7.237	7.519	-282	-4 %
Tops	75	1.297	-1.222	-94 %

The Company’s production capacities are: 160.000 tonnes/year fibre, 2.100 tonnes/year tops, 47.000 tonnes/year POY, 28.000 tonnes/year filament and 216.000 tonnes/ year polyester chips, 24.000 tonnes/ year SSP chips.

The utilization ratio of the polymerization capacity for 2018 was 80 % (2017: 86%).

3.3. Safety, Occupational Health & Environmental (SHE) Activities

SHE Department activities, carried out under the consideration of a belief that the health and safety of everybody involved in its operations and the protection of the natural environment are very important and integral to the success of the business.

Decreasing of waste and improvement of re-cycling were specified as a basic performance criterion of SASA and various projects about waste, waste water and energy management were carried out as a value driven company.



In 2018, as a consequence of sustainability projects, biogas(Metan/CH4) was produced from anaerobic system. The biogas that is a renewable energy transformed in to steam by burning in a vapor boiler and 1.009 TL (Thousand TL) nature gas savings were accomplished. nature gas savings were accomplished.

SASA will keep on focusing sustainable improvement at each process and operations by being aware of environmental & social responsibilities and according to legal liabilities on safety & occupational health issues and watching over efficiency of sources carefully.

DEVELOPMENTS AND ACTIVITIES IN THE YEAR 2018

3.4. Investment and R&D Activities

In the framework of our growth strategy, the efforts for the commissioning of the new fiber plant with 350.000 tons / year capacity in our Adana central facilities are continuing.

Having an investment value of approximately 330.000.000 USD, the investment for the establishment of a Texturized Yarn Production Plant has started, after being released on 12.06.2017 to the public. The plant will put into operation in the year 2019, and it is estimated that it will make a contribution of 450.000.000 USD to the turnover. The activities for the relevant investment still continue.

Having an investment value of approximately 80.000.000 USD, the investment for the establishment of a Pet (Bottle Chips) Plant has started, after being released on 21.06.2017 to the public. The plant will put into operation in the year 2019, and it is estimated that it will make a contribution of 330.000.000 USD to the turnover. The activities for the relevant investment still continue.

In 2018, Sasa has continued its R & D activities to develop new products and business lines in areas of corporate competence that are strong, especially sustainable and environmentally sensitive special products, which will create value for all stakeholders, especially for its customers.

Company holds R&D center certificate given by T.R. Ministry of Industry and Technology within the scope of the Law Number 5746 Regarding Supporting Research, development and Design Activities.

Sasa, which combines its customer and market needs with its technical capabilities in a competitive and rapidly changing environment, has used its know-how and superior technology effectively in creating and developing new business opportunities.

R & D facilities, which have advanced equipment, keep the competition level of the company high by continuing product and process development activities in the field of special polymers and textile products. Project activities,

- Growing in polyester based polymers business , and offering new specialties and polymer solutions to the market,
- Growing in fibers business and optimizing product portfolio,
- Collaborating with different organizations to develop new business opportunities, and growing raw material -oriented,

to summarize as with parent company strategies in line is continued in 2018.

In 2018, resources for the development of new “friendly” products that are environmentally and humanly sensitive in line with new sustainable local and international regulations have been allocated, and efforts have been continued to commercialize many special products in the special polymer category during the year and present them to our customers.

Specialty Polymers and Chemicals

PTA based Polymers: SASA, sector leader of the DMT based polymer products, now also creates PTA based polymer products portfolio within its scope of “Customer Oriented Product Development” and commercialized wide range of products differentiated to the various industries especially packaging and textile. In 2018, Customer Oriented Product Development studies will continue by gathering speed.

Low Melt Polymers: SASA has extended the existent low melt product portfolio for the several end uses with the various additives in line to the market demand conducted from the customers.

DEVELOPMENTS AND ACTIVITIES IN THE YEAR 2018

In this manner, SASA develops several both homo-polymer and co-polymer products with different crystallization, glass transition and melting point temperatures by means of differentiated compositions. Our work continues in 2018 as well.

Textile grade heavy metal free polyester: In polymer production, chemicals called “catalyst” are used to start and complete the process. Heavy metals in polymers are generally undesired at some specific end-uses. SASA, who produced the first heavy metal free polymers commercially in food contact packaging sector, has also developed heavy metal free catalyst system for textile grade polyester in 2014. In 2018, the textile grade polyester heavy metal free products have been differentiated and expended the end uses.

Going forward, all R&D activities will be focused around the technological capabilities where we can maximize our technological innovation to create added value in new and emerging markets.

3.5. Corporate Risk Management

With the help of the past experience, knowledge and own energy, our company carries out the Corporate Risk Management according to the ISO 31000 / Risk Management, Principles, Guidelines Standard, Sasa Corporate Risk Management Regulations.

Aim;

Its aim is to define, evaluate and report the risks encountered within the structure of Company or anticipated potentially and ensure that Corporate Risk Management systems are constituted, performed effectively with the aim of strategizing properly and implementation of Corporate Risk Management activities are assured.

By this means it is intended to get the following benefits:

- To raise risk awareness throughout the Company, minimize surprises by conducting proactive administration rather than a reactive administration in line with determined risk appetite of Company,
- To decrease losses and costs which may be encountered depending upon risks,
- To ensure income stabilization and sustainable growth,
- To enhance reputation and reliability of Company within social responsibility activities,

- To assure durability of compliance with legal arrangements,
- To develop Corporate Risk Management culture in order to Company’s entity and/or operations continuous progression.

Scope;

The scope is that definitions, content, functioning, relevant organization and responsibilities in the matter of Corporate Risk Management within the structure of Sasa Polyester Industry Inc. are to be defined and determined.

In Corporate Risk Management activities are being applied as to cover financial, operational, strategic and environmental risk element belonging to all processes in all functions which are in service throughout Company.

Risk Management Policy

In order to provide all its stakeholders with maximum value as a globalised integrated polyester and chemicals producer, Sasa Polyester Industry Inc. has internalized an understanding which ensures;

- To protect value of their entity, create and implement a Risk Management System which is based on the operational safety and sustainability principles and complies with strategic objectives,
- To be foreseen, managed, monitored potential risks in all process and functions, to be formed necessary activity plans beforehand and be improved continuously,
- To determine the responsibilities related to Risk Management in order to resolve risks or decrease them to an acceptable and applicable level by taking into account all risk levels in activities,
- To convey system objectives to employees, to make them understood clearly and therefore to ensure communication channels to be kept open,
- To ensure the policies and system to be reviewed periodically by the Senior Management and its continuation,
- To obtain all kinds of source need required by determined risk management,
- To comply with the applicable law, by law and regulations, fulfill its responsibilities towards environment, customer, supplier and employees which it interacts with.



DEVELOPMENTS AND ACTIVITIES IN THE YEAR 2018
3.6. Financial Results and Ratios
Total Net Sales Revenues

Basic Financial Indicators (TL Million)					
Years	2018	2017	2016	2015	2014
Net Sales	2.179	1.655	1.183	1.111	1.210
Gross Profit	475	319	197	147	138
Operating Profit	551	311	187	106	86
EBITDA	563	323	199	119	108
Net Profit	597	204	137	71	71
EBITDA Margin(%)	26	20	17	12	9
Net Profit Margin(%)	27	12	12	7	6

Financial Ratios

Liquidity Ratios	2018	2017
Current Ratio	1,25	1,91
Liquidity Ratio (Acid-Test Ratio)	0,72	1,37
Cash Ratio	0,02	0,15

Financial Structure Ratios	2018	2017
Total Liabilities/Equity	1,37	1,09
Total Liabilities./Total Assets	0,57	0,52
Short-Term Payables/Total Assets	0,29	0,25
Long- Term Payables/Total Assets	0,29	0,28
Equity/Total Assets	0,42	0,48
Interest Coverage Ratio: EBIT/Interest Expenses	17,03	22,00

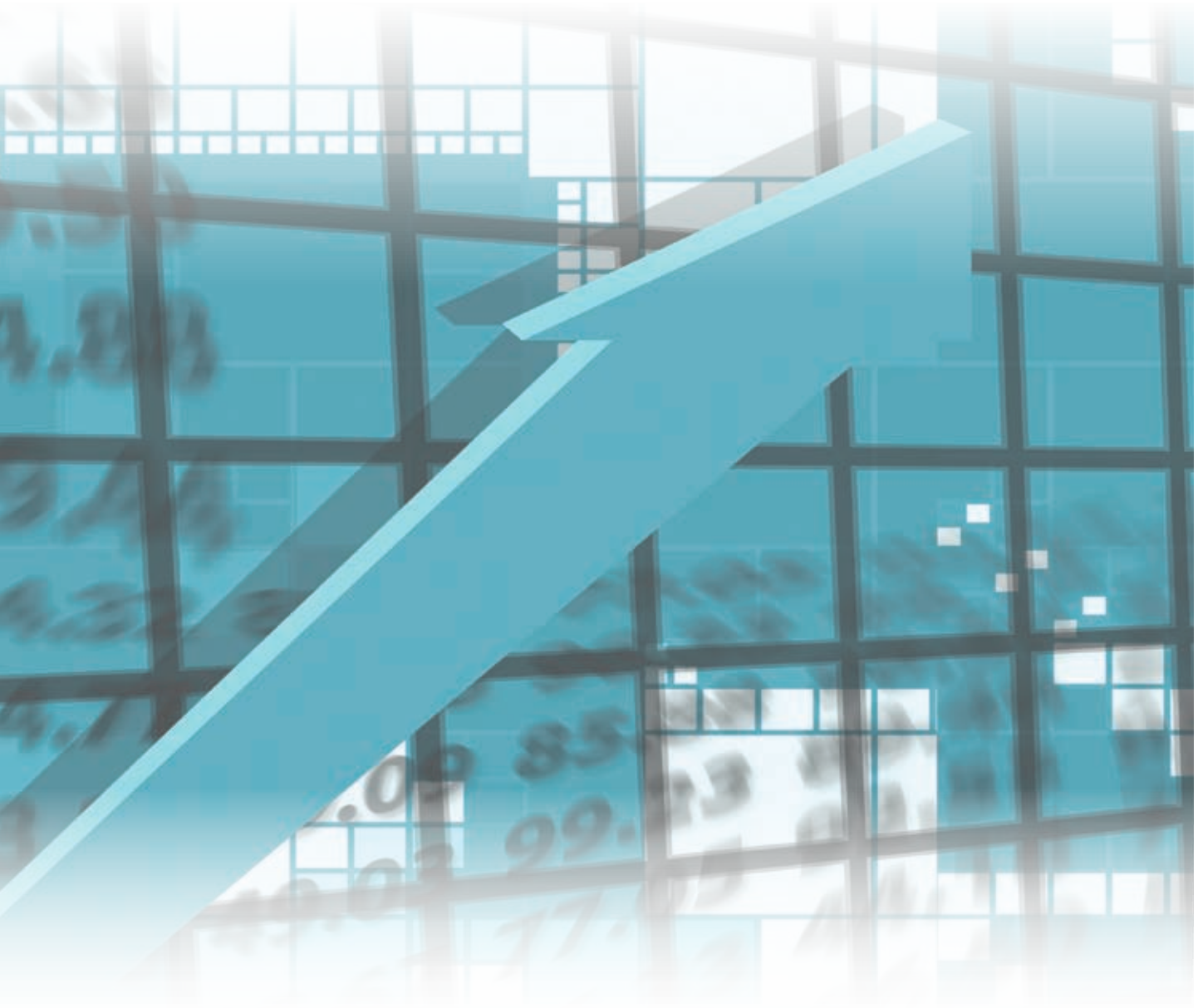
Profitability Ratios	2018	2017
Total Asset Profitability : Net Period Profit /Total Assets	0,14	0,09
Equity Profitability :Net Period Profit /Equity	0,34	0,18
Gross Profit Margin : Gross Profit/Net Sales	0,22	0,19
Net Profit Margin : Net Profit / Net Sales	0,27	0,12



DEVELOPMENTS AND ACTIVITIES IN THE YEAR 2018
Product Sales Volumes and Revenues

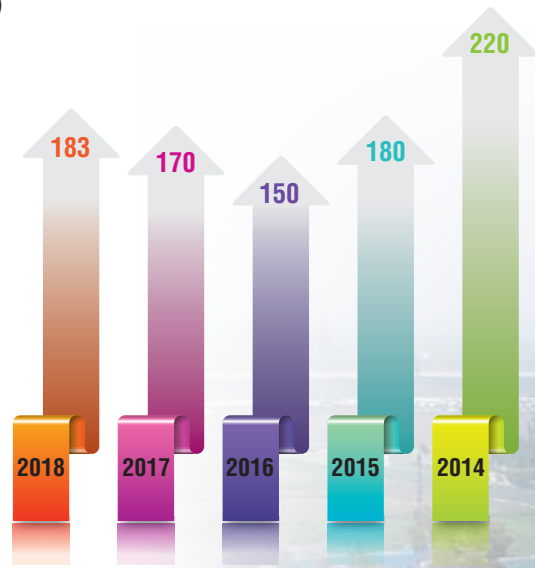
The sales volumes and revenues on our main product groups are given below in comparison.

	January-December 2018		January-December 2017	
	Quantity (Tonnes)	Amount (Thousand TL)	Quantity (Tonnes)	Amount (Thousand TL)
Polyester Fiber	133.900	1.035.605	159.290	814.506
Polyester Chips	123.814	932.885	135.659	656.203
Dmt	9.683	50.103	14.053	49.405
Commercial Commodity	11.256	81.923	14.147	61.603
Polyester Yarn	7.380	67.710	8.225	52.486
Poy	725	5.760	1.408	5.392
Tops	388	4.968	1.126	9.876
Others	-	-	-	5.784
Total	287.146	2.178.954	333.908	1.655.255

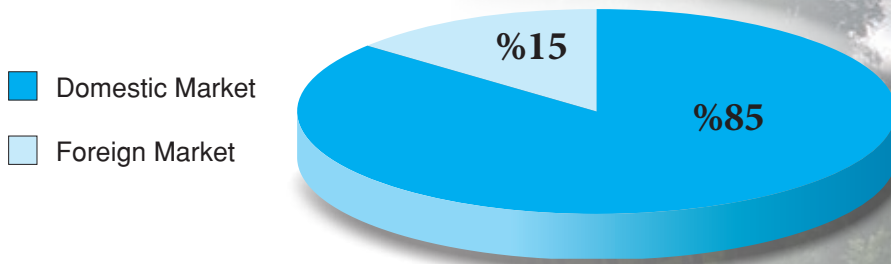


DEVELOPMENTS AND ACTIVITIES IN THE YEAR 2018

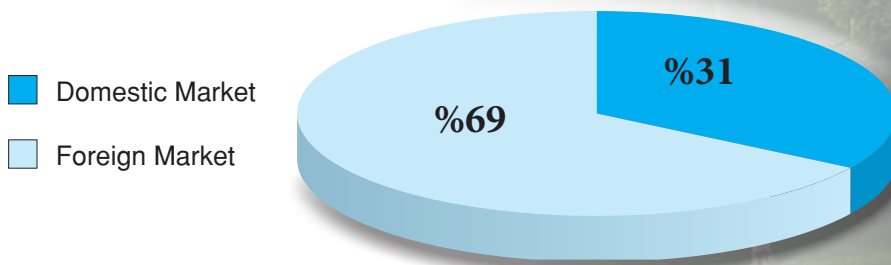
Export (FOB million USD)



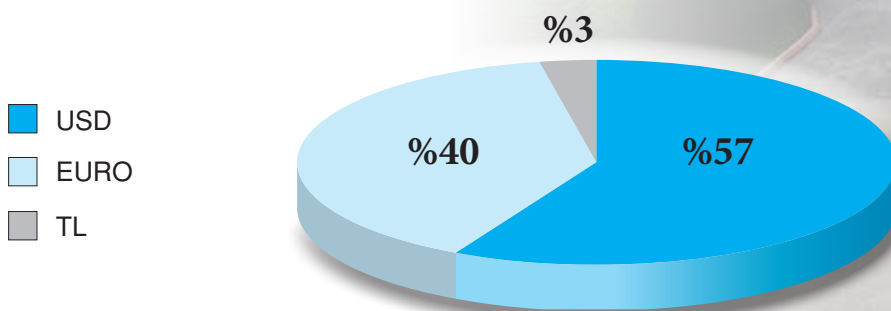
Distribution of Fiber- Tops- Filament-Poy Sales Volumes in 1 January - 31 December 2018



Distribution of Special Polymers and Chemicals (SPC) - Polyester Cips, Dmt Sales Volumes in 1 January - 31 December 2018



Distribution of 2018 Sales Income by Currency





DEVELOPMENTS AND ACTIVITIES IN THE YEAR 2018



DEVELOPMENTS AND ACTIVITIES IN THE YEAR 2018**3.7. Internal Audit and Internal Control**

Internal audit and internal controls is done in order to be carried out safely and without any interruption of the activities and services of the Company, and development of the Risk Management, control system and Corporate management applications of the company, and to contribute to the fact that Company reaches to its Corporate and economical targets, and to provide the integrity, consistency, reliability of the information obtained from the accounting and financial reporting system.

Availability, functioning and effectivity of the internal audit and internal controls are carried out by the Committee Responsible from Auditing created within the Board of Directors. The Committee Responsible from Auditing presents its activities, the finding it found in relation to its duty and responsibility area and its recommendations to the President of the Board of Directors.

In addition, in order to the fact that internal audit and the internal control mechanisms maintain their studies, Internal Audit Manager affiliated to the President of the Board of Directors operates.

The Audit Committee negotiates the adequacy of the internal control system by regularly meeting with Internal Audit Division.

In every year, the processes to be audited are determined by reviewing the risks in relation to all of the processes. The audiable processes was determined by the Audit Axis created within the Company; and balance risk scores were determined pursuant to the situations of natural risk factors and internal control system. As of the end of year 2017, the auditing of 3 of business process were completed and reported. 1 business audit work of process is also continuing.

In relation to the deficiencies of inner control found under the framework of the Audit Reports, actions that had been taken by the Company Managers were followed up later, and observed its effect on the risk level, and also the adequacy of the taken actions were interrogated.

3.8. Subsidiaries and Share Rates

On September 3, 2015, Sasa Diş Ticaret A.Ş. was established with a capital of TL 2.000.000. as a 100 % subsidiary of Sasa Polyester Sanayi A.Ş.

3.9. Information with Regard to its Own Shares acquired by our Company

It was decided during the board meeting of our company, Sasa Polyester Sanayi A.Ş., held on 21st November 2017 to reacquire the Company's own shares up to a maximum amount of 50.000.000 TL, and totally 159.388.400 equity securities equivalent to an amount 10.532.055 TL have been repurchased within the year 2017. In 2018, the Company did not buy and sell shares.

Group of companies Sasa Polyester Industry Inc.is the capital increase of TL 192.500.000 (% 46,6667%) was approved by the Capital Markets Board on 14 May 2018 and the share distribution was completed on 17 May 2018. As a result of this transaction, the total share of the company has reached a nominal value of TL 2.337.696. The share of the Company is 0.3864%.

3.10. Important Information About Filed Against The Company and Ongoing Litigation and Their Possible Results

There is no ongoing litigation that may affect the financial results of our Company's activities.

3.11. Important Information About Sanctions and Penalties to Company and Board of Directory Members Sourced From Applications Contradictory to the Provisions of the legislation

There is no important qualities in administrative sanctions or penalties related with applications contradictory to the provisions of the legislation due to the Company and the Board of Directory Members in the year 2018.



DEVELOPMENTS AND ACTIVITIES IN THE YEAR 2018**3.12. Ordinary and Extraordinary General Assembly Information****Ordinary General Assembly**

To discuss the activities of 2018; General Assembly Meeting is going to be made at 11:00 on Thursday, 28th March, 2019 at the company headquarters, which address is Yolgeçen Mahallesi Turhan Cemal Beriker Bulvarı No: 559 01355 Seyhan / Adana. Agenda of the General Meeting is as follows:

SASA POLYESTER SANAYİ A.Ş.**Agenda of the Ordinary General Assembly Meeting on Thursday 28th March, 2019, at 11:00**

1. Opening and formation of the Council,
2. Reading and Discussing the Annual Report of the Board of Directors belonging to year of 2018,
3. Reading the Summary of Independent Auditing Report of 2018,
4. Reading, negotiation and approval of the financial statements of 2018,
5. The acquittal of the Board members for their activities in 2018,
6. Determining the fees of board members, such as the right to peace, bonuses and premiums,
7. Determination of the usage of the year 2018 profit, the profit and profit shares to be distributed,
8. Informing the General Assembly about the donations made in 2018,
9. Determining of donation limits planning to be realised in 2019,
10. The approval of the election of the Independent External Auditing Committee,
11. Authorizing the Chairman and the Board members to implement the written points of articles 395 and 396 of the Turkish Trade Law.

**3.13. Material Disclosure**

48 Material Event Disclosures have been made on Public Disclosure Platform with respect to CMB regulations between 1st January and 31st December 2018. All disclosures were made on time and there were no sanction to Company by CMB or Istanbul Stock Exchange.

SUSTAINABILITY

4.1. Human Resources
Human Resources Policies

In accordance with the vision and strategies of our changing and developing company, as Human Resources, our main goal is to create a change & development oriented team, consists of employees with high caliber which is required for a sustainable competitive advantage, loyal to the organization and directed towards aims of the company with proud of working in Sasa, and maintain an effective organizational structure that provides continuous labor peace.

Sasa, for achieving its strategies and goals; believes that long term relationship with its open-minded and continuously developing employees and protecting company culture, knowledge accumulation, core values of the Company are the basic elements for success and makes investments in people in this respect.

With a view towards achieving sustainable success in its strategy and goals and having an organization that creates a competitive advantage;

- Organization structure has been reviewed in accordance with continuous re-assessment of the human resources systems, processes and the requirements,
- Qualified labor force that will carry the company into the future has been employed and in this respect the cultural diversity is being supported,
- To improve the competencies, knowledge and abilities of employees related with their positions, for realizing their potentials, personal and occupational development activities has been organized,
- To support institutional and personal development; an effective performance management is implemented where employees and managers can monitor their performance regularly and assume their own development responsibilities in an open communication environment,
- Within the scope of “Organizational Succession

Planning”, critical positions are backed up with high potential and competent employees,

- Necessary platforms for information sharing on relevant subjects regarding company & employee issues are created for employees and their representatives to express themselves clearly within a participative management approach,
- Sasa Work Ethics, including rules ensuring fair and equitable (no discrimination on gender, religion, language, etc.) work environment, are applied to all employees,
- A common company culture, which is created by developing approaches that increase corporate commitment, where employees can unearth their potential, in a safe, healthy and change-oriented environment.

Recruitment

In our company, Job Family Model and a grade structure that defines job size and wage structure are implemented for white collar employees. The recruitment process is executed in line with the role descriptions and responsibility areas defined within the frame of the Job Family Model, according to Recruitment and Dismissal Regulation.

We execute our recruitment processes in line with our company’s strategies, goals and principles of equal opportunity for equal jobs, with the purpose of securing the best candidates who are qualified for an open position and believe in the values of our company; are open to development and change; are highly self-confident, well educated; and have the competencies to make a difference in their work.

Remuneration and Fringe Benefits

- The remuneration system of labor union member employees is managed with collective agreements that are signed between labor unions and the employer with a management approach supporting unionism.
- The remuneration system of white collar employees is created by considering the results of job valuation and market data.

SUSTAINABILITY

Fringe Benefits

Depending on the grade of the position of white collar employees, Sasa provides private health insurance, individual pension system with corporate contribution and life insurance. Also, for all employees, Sasa provides meal and transportation services.

Remuneration of the Executive and Board Members

The total cost of the Members of board and Senior Managers remuneration to Company between 01.01.2018 and 31.12.2018 was 1.625.000 TL.

Training and Personnel Development Programs

As Sasa Human Resources, creating an organizational climate that increase individual awareness and performance, ensures participation in projects and activities, supports creative development of our employees, is among our priorities.

Orientation Program

Orientation program lasts 5 months and is organized so that white collar workers who are newly employed can be familiar with the departments of the company, meet the employees and is completed with actual presence of the staff in all departments of the company and all shifts.

In-House Training Program

Training programs for legal obligation such as Job Safety, Health and Environment, Technical, ISO 9001 and 50001, Sasa Code of Business Ethics, etc.

Personal Development Training Programs

Personal and professional development programs that are organized according to the personal development areas of white collar employees and the jobs they perform.

Occupational Development Trainings

Trainings that are organized in certification, seminar, course formats for providing occupational development through improvement the knowledge and abilities of employees.

Employee Information

As of 31 December 2018, the number of employees is 1512 person. (31 December 2017: 1.289 person)

As of 31 December 2018, the distribution of our staff by central and off-center units is as follows:

Adana Central.....	1.494 Person
İskenderun	17 Person
Istanbul	1 Person
TOTAL	1.512 Person

4.2. Administrative Activities

Collective Labor Agreement

Chemistry Business Branch XX. Period Collective Labor Agreement negotiations started on 29 March 2017. The related contract will remain in force for three years from 1 January 2017 to 31 December 2019.

Textile Business Branch III. The Group Collective Labor Agreement was signed on 20 June 2016 and it will remain in force for three years from 1 April 2016 to 31 March 2019

4.3. Donation Information

Our company has donated 11.500 TL in 2018.



SUSTAINABILITY

Our Responsibilities

A. Our Legal Responsibilities:

- We execute all our domestic and international activities and procedures within the framework of the laws of the Republic of Turkey and international laws; and we submit all required information to regulatory authorities and institutions in a correct, compete, clear and timely manner.
- In executing all activities and procedures, we do not expect any benefit from, and keep an equal distance to all public institutions and organizations, administrative bodies, non-governmental organizations, and political parties; and we fulfill our liabilities with a sense of responsibility.

B. Our Responsibilities Towards Our Customers:

- We adopt and approach which is focused on customer satisfaction and proactive in responding to customers' needs and demands in appropriate and timely manner.
- We deliver our services on time and under the promised conditions; we approach our customers with respect, honor, fairness, equality, and courtesy.

C. Our Responsibilities Towards Our Employees:

- We enable our employees to use their personal rights fully and correctly.
- We approach employees with honesty and

fairness; and ensure a non-discriminatory, safe, and healthy working environment.

- We undertake the necessary efforts to enable personal development of our employees.
- With a social awareness we support them in volunteering for appropriate social and community activities.
- We respect and assure the balance between their private and professional lives.

D. Our Responsibilities Towards Our Partners:

- Dedicating prime importance to continuity of the Sasa, and in line with our goal to create value for our partners, we avoid taking on unnecessary or unmanageable risks, and strive for sustainable profitability.
- We act with financial discipline and accountability, and manage our companies' resources, assets and our professional work time with a sense of efficiency and economy.
- We work to enhance our competitive power, and to invest in areas with growth potential and which offer the highest return on allocated resources.
- We give timely, correct, complete, and clear information on our financial statements, strategies, investments, and risk profile to the public and our shareholders.



SUSTAINABILITY



E. Our Responsibilities Towards Our Suppliers/ Business Partners:

- We act respectfully and fairly as expected from a good customer, and ensure to fulfill our liabilities on time. We carefully protect the confidential information pertaining to the persons, organizations and our business partners.

F. Our Responsibilities Towards Competitors:

- We compete effectively, only in areas that are legal and ethical, and avoid unfair competition.
- We support all efforts to construct a competitive structure targeted with in the society.

G. Our Responsibilities Towards Community, Society and Humanity:

- Preservation of democracy, human rights and conservation of the environment; education and charity activities, eradication of crimes and corruption is of utmost importance to us.
- We pioneer in social affairs with an awareness of good citizenship and responsiveness; we try to play a role in non-governmental organization, in services and activities for the benefit of the society and public.
- We act in a responsive and sensitive manner in Turkey and towards the customs and culture of those countries where we undertake international projects.
- We do not offer and accept bribes or gifts in forms of products and services, etc. beyond commonly accepted reasonable limits.

H. Our Responsibilities Towards concerning the “Sasa” Name:

- Our business partners, customers, and other stakeholders trust us due to our professional competence and integrity. We strive to keep our reputation at the highest level.
- We offer our services within the framework of company policies, professional standards, our commitments, and ethical codes, and we ensure to fulfill our liabilities.
- We offer services in areas where we believe we are or will be professionally competent; and we seek to work with customers, business partners, and employees demonstrate integrity and legitimacy.
- We do not collaborate with those impairing social ethics, and damaging the environment or public health.
- We do not express our personal opinions; only communicate our companies view in public, and in areas where we are perceived as representing our company.
- When faced with complicated situations that may jeopardize company, we consult first with the relevant personnel, following the appropriate technical and administrative consulting procedures.

RELATED PARTY TRANSACTIONS

The legal actions that our Company has made with the Group companies are given below. Related party transactions and amounts realized in 2018 are as follows;

Sales to Related Parties (TL Thousand);

	1 January - 31 December 2018	1 January - 31 December 2017
	Product	Product
Özerdem Mensucat San. Tic. A.Ş.	94.114	63.629
Merinos Halı San. Tic. A.Ş.	31.245	18.602
Zeki Mensucat Sanayi ve Tic. A.Ş.	8.181	400
Dinarsu İmalat ve Ticaret A.Ş.	297	11
Merinos Mobilya Tekstil San. Tic. A.Ş.	33	117
	133.870	82.759

Purchases from Related Parties (TL Thousand);

	1 January - 31 December 2018	1 January - 31 December 2017
	Product	Product
Merinos Mobilya Tekstil San. Tic. A.Ş.	460	38
Merinos Halı San. Tic. A.Ş.	50	-
	510	38

Trade Receivables from Related Parties (TL Thousand);

	31 December 2018	31 December 2017
Özerdem Mensucat San. Tic. A.Ş.	51.920	30.502
Merinos Halı San. Tic. A.Ş.	19.986	1.744
Merinos Mobilya Tekstil San. Tic. A.Ş.	-	29
	71.906	32.275

Other receivables from related companies (TL Thousand);

	31 December 2018	31 December 2017
Dinarsu İmalat ve Ticaret T.A.Ş.	171.967	91.426
Merinos Halı San. Tic. A.Ş.	158.009	232.036
	329.976	323.462



STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES**1. Statement for Compliance With Corporate Management Principles**

Sasa Polyester Sanayi A.Ş. (hereinafter to be referred as Company) complies with the compulsory principles under the scope of “Corporate Management Statement” of Capital Markets Board entered into force by being issued on the Official Gazette dated 3 January 2014 and numbered 28871; and applies these principles.

The Corporate Management Principles Compliance Report of our Company were presented at web site of www.sasa.com.tr under the title of “ Corporate Management Compliance Report” Division of “Investor Relations”, and also in our activity reports related to these years for the information of the investors.

Sasa adopted, as principle, to comply with The Corporate Management Principles and four principles that is Transparency, Equity, Responsibility and Accountability of the Corporate Management issued by Capital Market Board; and to make corrections on the subjects to be complied with by depending on the developed conditions.

Sasa took necessary steps pursuant to the The Corporate Management Principles; and showed that it is in conscious of its responsibility with its stability about its all of activities it has realized up to date pursuant to the The Corporate Management Principles against all of its shareholders and all of beneficiaries.

Sasa is in believe of the importance of full compliance to The Corporate Management Principles. However, the full compliance could not be achieved yet because of the difficulties experienced in practice of non-mandatory principles, discussions on pursuance to some of the principles continuing both in our country and international platform, and also some of the principles

are not fully comply with the present structure of the market and the Company. The developments in relation to the subject are pursued; and our studies towards to the compliance continues.

The Company complies with all of the principles take place in the Corporate Management Statement with the number of II-17.1 (“Statement”), and compulsory for application.

Although no company policy is available in relation to the recommendation of “it determines target ratio not lesser than 25% and target time for the women members rate in the Board of Directors and creates policies in order to reach these targets” takes place in Article 4.3.9 of the Statement, the care is taken on this subject.

In addition to this, the liabilities of “Nomination Committee” and “Wage Committee” takes place in Article 4.5.1 of the Statement were undertaken by Corporate Management Committee; and although taking care of the recommendation of “a member of the Board of Directors should not take place in more than one Committee is complied with, one of the member of our Board of Directors may be members of more than one Committee because of the business expertise required by the membership of the Committee. “

In also the next period, necessary studies will be carried out for the compliance to the principles by being taken into consideration of the arrangements and application in the Corporate Management Statement with the number of II-17.1 of Capital Markets Board that was come into force by being issued on the Official Gazette dated 3 January 2014 by the Capital Market Board for the compliance with the principles.



STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

	Compliance State					Remark
	Yes	Partly	No	Exempt	Irrelevant	
Corporate Governance Uyum Raporu						
1.1. FACILITATING USE OF SHARE OWNERSHIP RIGHTS						
1.1.2 – Information and explanations which may affect utilization of share ownership rights are currently presented to the investors for use on corporate internet site of the partnership.	X					
1.2. RIGHT TO DEMAND INFORMATION AND TO EXAMINE						
1.2.1 Company management has avoided carrying out transactions which makes special audit difficult	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - Company ensured that the agenda of the General Assembly was clearly expressed and each proposal was submitted under a separate title.	X					
1.3.7 - Persons who are likely to reach the information of the partnership in a privileged manner informed the board of directors regarding the transactions which they carried out on behalf of themselves within the scope of the activity field of the partnership with the purpose of being added to the agenda for information at the general assembly.					X	No preferential share is available in the partnership structure of the company.
1.3.8 - Board members, other relevant persons, persons authorized to prepare the financial statements and auditors related to the significant matters in the agenda was present at the general meeting.	X					
1.3.10 Amounts of donations and aids and those who take advantage of these donations and aids were set forth in a separate article in the agenda of the general meeting.		X				Amounts of all donations and aids have been provided in total in the agenda of the general assembly.
1.3.11 - General Meeting was held publicly including stakeholders and media without right to speak.					X	No demand for participation in the general assembly from the media was created in the accounting period of 2018.
1.4. VOTING RIGHT						
1.4.1 - Applications and restrictions, which cause inconvenience for the shareholders' exercise of voting right, are avoided in the Company.	X					
1.4.2- Company does not have a share holding preferential voting right.	X					
1.4.3 - Company did not exercise its voting rights at the General Meeting of any partnership with which it has a participation relationship which accompanies control as well.					X	The capital of our company does not have any mutual participation relationship.
1.5. DISSENTIVE RIGHTS						
1.5.1- Company showed maximum attention to the exercise of dissentive rights.	X					
1.5.2- Dissentive rights were also given to those who hold share less than twentieth of the capital based on the master agreement and the scope of the dissentive rights was drawn up and extended in the master agreement.		X				Despite the fact that dissentive rights are not determined lower than the twentieth of the capital with the master agreement, provision of TTK (Turkish Commercial Code) and SPK (Capital Market Board) shall apply to the points for which no provision is available in the master agreement regarding dissentive rights in accordance with the Article no.36 of the Master Agreement.
1.6. DIVIDEND RIGHT						
1.6.1 - Dividend distribution policy approved by the general assembly has been declared to the public on corporate internet site of the partnership.	X					
1.6.2 - Profit distribution policy includes minimum information which allows shareholders to stipulate the distribution principles and procedures of the profit they will acquire in the future periods as well.	X					
1.6.3 - Reason for not distributing the profit and method of using undistributed profit are set forth in the relevant agenda item.	X					

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

1.6.4 - Board of directors revised whether or not a balance was redressed between the benefits of the shareholders and partnership interest in profit distribution policy.	X						
1.7. TRANSFER OF SHARES							
1.7.1 - The Articles of Association do not include any provisions which obstruct the free transfer of shares and restricting the transfer of shares	X						
2.1. CORPORATE WEBSITE							
2.1.1 - Corporate website of the Company includes all elements in the corporate management principle no.2.1.1.	X						
2.1.2- Share ownership structure (names, privileges, share quantity and proportion of the real person shareholders holding more than 5% of the issued capital) is updated at least once every 6 months on the corporate website.					X		Real person shareholder holding more than 5% of the issued capital is not present in the partnership structure of the company.
2.1.4 - Information on the corporate website of the Company has also been prepared in foreign languages selected depending on the requirement and with the same content in Turkish.		X					Nearly all information on the corporate website of the company is published in Turkish and English.
2.2.ACTIVITY REPORT							
2.2.1 - Board of Directors ensures that annual activity report reflects the activities of the Company fully and accurately.	X						
2.2.2 - Annual activity report includes all elements in the principle no.2.2.2	X						
3.1. COMPANY POLICY REGARDING SHAREHOLDERS							
3.1.1- Regulations regarding the rights of the shareholders are protected within the framework of the contracts and goodwill rules.	X						
3.1.3 - Policies and procedures regarding the rights of the shareholders are published on the corporate website of the company.		X					Some of the policies and procedures regarding the rights of the shareholders are published on the corporate website of the company.
3.1.4 - Required mechanisms which enable shareholders to communicate nonconforming transactions against legislation and codes of conduct have been created.	X						
3.1.5 - Company deals with the conflicts of interest among the shareholders in a balanced manner.	X						
3.2. SUPPORTING PARTICIPATION OF SHAREHOLDERS IN THE COMPANY'S MANAGEMENT							
3.2.1 - Participation of the employees in the management have been regulated with the articles of association or in-company regulations.		X					Even though there isn't any provision in the articles of association, participation of the employees in the management is supported through in-company practices.
3.2.2 - Methods such as questionnaire/consultation have been applied so as to receive the opinions of the shareholders in respect of important decisions bearing consequences with respect to the shareholders.		X					Demands, proposals and complaints of the shareholders in respect of important decisions bearing conclusions for some of the shareholders are received and evaluated.
3.3. COMPANY'S POLICY ON HUMAN RESOURCES							
3.3.1 - The Company has adopted an employment policy providing equality in opportunity and a succession planning for all key management positions.	X						
3.3.2 - Written criteria regarding personnel employment have been determined.	X						
3.3.3 - The Company holds a Human Resources Development Policy and in this scope, trainings are organized for the employees.	X						
3.3.4 - Meetings are held in order to inform the employees in respect of the subjects such as financial state of the company, salary, career planning, education and health.	X						
3.3.5 Decisions which may affect the employees are communicated to them and the representatives of the employees. Opinion of the relevant unions regarding these issues was received.	X						
3.3.6 - Job descriptions and performance criteria have been prepared in detail and announced to the employees and used for salary decisions.	X						
3.3.7 - Measures such as procedures, trainings, increasing awareness, targets, monitoring, complaint mechanisms so as to prevent discrimination among the employees and protect the employees against physical, mental and emotional maltreatments.	X						
3.3.8 - The company supports freedom to form association and efficiently recognition of the right for collective labor agreement.	X						

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

3.3.9 - A safe working environment is provided for the employees.	X					
3.4. RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS						
3.4.1- The company tested customer satisfaction and carried out activities with an understanding of unconditional customer satisfaction.	X					
3.4.2 Delays in processing the customer's demands regarding the goods and services purchased by the customer are communicated to the customers.	X					
3.4.3 - The company is committed to the quality standards related to the goods and services.	X					
3.4.4 The company holds the control mechanism to protect the confidentiality of important information of the customers and suppliers within the scope of trade secret.	X					
3.5. CODES OF CONDUCT AND SOCIAL RESPONSIBILITY						
3.5.1 - Board of Directors have determined the Codes of Conduct and published the same on the corporate website of the company.	X					
3.5.2- Partnership is aware towards social responsibility. Measures in order to prevent corruption and bribery have been taken. .	X					
4.1. FUNCTION OF THE BOARD OF DIRECTORS						
4.1.1- Board of directors ensures that strategy and the risks do not pose a threat to the long-term interests of the company and an effective risk management is implemented.	X					
4.1.2- Meeting agenda and the minutes set forth that the board of directors have discussed and approved the strategic targets of the company, determined required sources and inspected the performance of the management.	X					
4.2. PRINCIPLES FOR THE ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1- Board of directors have certified their activities and submitted to the shareholders for information.	X					
4.2.2- Duties and authorities of the board members have been described in annual activity report.	X					
4.2.3 - Board of directors has formed an internal control system conforming to the scale of the company and complexity of its activities.	X					
4.2.4- Information regarding function and efficiency of internal control system has been submitted in annual activity report.	X					
4.2.5 - Duties of the board chairman and general manager have been separated from each other and defined.	X					
4.2.7- Board of directors ensures that department of investor relations and corporate governance committee work efficiently and has work in close cooperation with the department of investor relations and corporate governance committee in eliminating the disagreements between the company and shareholders and in communication with the shareholders.	X					
4.2.8 - Company has taken out a responsibility insurance of manager with a price exceeding 25% of the capital in respect of the damages to be caused by the board members with their negligence during performance of their duties in the company.		X				Company has taken out a responsibility insurance of manager with a price exceeding 25% of the capital in respect of the damages to be caused by the board members with their negligence during performance of their duties in the company.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9- Company has set the target for a minimum rate of 25% for female members within the body of the board of directors and formed a policy to achieve this target. Structure of the board of directors is revised annually and nominees are determined as per this policy.			X			Required care is shown despite lack of any company policy..
4.3.10 - At least one member of the committee being responsible for audit has 5-year experience in audit/accounting and finance.	X					
4.4. METHOD OF HOLDING THE BOARD MEETING						
4.4.1 - All board members attended to most of the board meetings in person.	X					
4.4.2 - Board members determined a minimum period in order to send the information and documents related to the agenda items to all members before the meeting.	X					
4.4.3 -- Opinions of the member who is not able to participate in the meeting but communicates his/her opinions in written to the board of directors have been submitted to the other members for information.	X					
4.4.4 - Each member has one voting right in the board of directors.	X					
4.4.5 - The method of holding the board meetings has been determined in written with in-company regulations.	X					
4.4.6 - Board meeting report sets forth that all items in the agenda have been discussed and decision report is prepared in such a manner that it includes contrary opinions as well.	X					

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

4.4.7 - The fact that board members take office in another place other than the company has been restricted. Offices taken by the board members outside the company have been submitted to the shareholders for information at the general meeting.	X					There is not any restriction that board members take office in another place other than the company.
4.5. COMMITTEES FORMED WITHIN THE BODY OF THE BOARD OF DIRECTORS						
4.5.5 - Each board member takes office only in one committee.			X			Each board member takes office in more committees than one due to the number of the board members.
4.5.6- Committees have invited the persons whom it deems necessary to the meeting so as to obtain their opinions and received their opinions.	X					
4.5.7 - Annual activity report includes the information regarding the independence of the person/entity from whom/which the committee receives consultancy service.					X	None of the committees have received consultancy service in 2018.
4.5.8 - A report has been prepared regarding the results of the committee meetings and submitted to the board members.	X					
4.6. ECONOMIC RIGHTS PROVIDED TO THE BOARD MEMBERS AND ADMINISTRATIVE MANAGERS						
4.6.1 - Board of directors has carried out a board performance evaluation with the purpose of determining whether it has fulfilled its responsibilities efficiently or not.			X			Performance evaluation for the board of directors has not been carried out.
4.6.4 -- Company did not provide any one of the board members or administrative managers with credit facilities, did not lend them money or the term of the debt lent was not extended, relevant conditions of loan were not improved and did not provide credit facilities through third persons and under a personal loan title or did not provide security such as bail in favor of these persons.	X					
4.6.5 - Salaries given to the board members and administrative managers have been explained on a personal basis in the annual activity report.		X				Salaries, premiums and similar benefits provided to the top managers have been shared in total in the annual activity report but not explained on a personal basis.

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

1. SHAREHOLDERS	
1.1. Facilitating Use Of Share Ownership Rights	
Number of the investor conference and meetings held by the company during the year	None
1.2. Right To Demand Information And To Examine	
Number of the demands for special auditors	-
Number of the demands for special auditors accepted at the general meeting.	-
1.3. General Assembly	
Connection of KAP (Public Disclosure Platform) announcement in which the information requested within the scope of the Principle no. 1.3.1 (a-d) has been announced	https://www.kap.org.tr/tr/Bildirim/665327
Whether or not the documents related to the general meeting have also been submitted in English as well as in Turkish	English version of the General Meeting documents is not published simultaneously.
Connection of KAP announcements related to the transactions about which majority approval of independent members and unanimity of the participants are not available within the scope of the Principle no.1.3.9	There is not such transaction during the year.
Connection of KAP announcements regarding related party transactions carried out within the scope of the article no.9 of Corporate Governance Communiqué(II-17.1)	There is not such transaction within the scope of article no.9.
Connection of KAP announcements regarding widespread and continuous transactions carried out within the scope of the article no.10 of Corporate Governance Communiqué(II-17.1)	There is not such transaction within the scope of article no.10.
Name of the section specifying the policies related to the donations and aids on the corporate website of the company	Investor Relations/Our Policies/Donation and Aid Policy
Connection of KAP announcement which includes general assembly report in which the policy related to the donations and aids are accepted	https://www.kap.org.tr/tr/Bildirim/413574
Article number regulating participation of the shareholders in the general meeting in the articles of association	None
Information regarding the shareholders who participated in the general meeting	No other persons than the shareholders participated in the General Meeting for 2017. However, there isn't any restriction regarding the participation of the shareholders in the General Meeting.
1.4. Voting Rights	
Whether there is a privilege in the voting right or not	No
If the vote includes privilege, number of privileged shareholders and vote proportions of such shareholders	-

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

General Meeting Date	Number of the additional explanation demands communicated to the company related to the agenda of the general assembly	Participation rate of the shareholders in the general meeting	Rate of the shares represented directly	Rate of the shares represented in proxy	Name of the section on the corporate website of the company indicating the general meeting minutes in such a manner that they specify yes and nay votes related to each agenda item	Name of the section on the corporate website of the company specifying all questions asked and the relevant answers at the general assembly	Article or paragraph number of the general meeting minutes regarding the related parties	Number of the persons who have an access to the partnership information in a privileged manner and notified the board of directors regarding relevant matters (list of the insiders)	Connection of the general assembly notification published in KAP
28/03/2018	0	% 84,82	% 84,81	% 0,001	Investor Relations / General Assembly Information	Investor Relations / General Assembly Information	None.	47	https://www.kap.org.tr/tr/Bildirim/671357

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

2. PUBLIC DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Names of the sections on the corporate website where the information requested in the corporate governance principle number 2.1.1	Investor Relations
Section on the corporate website indicating the list of the real person shareholders holding more shares than 5% directly or indirectly	Investor Relations / Partnership Structure
Languages used for preparation of the corporate website	Turkish and English
2.2. Activity Report	
Page numbers and section names in which the information stated in the corporate governance principle number 2.2.2 is included in the activity report	
a) Page number and section name in which the tasks that are carried on by the board members and managers outside the company and independent declarations of the members are included	Board of Directors
b) Page number or section name of the information related to the committees created within the body of the Board of Directors	Committees formed within the body of the Board of Directors
c) Page number or section name of the information indicating the number of the board meetings within the year and participation state of the members	None.
ç) Page number or section name of the information regarding the legislation changes which may significantly affect the company activities	None.
d) Page number or section name of the information regarding the important cases filed against the company and possible results of such cases	Important cases filed against the company and possible results of such cases
e) Page number or section name of the information regarding the conflict of interests between the institutions from which the company receives investment consultancy and rating services and the company and the measures taken so as to prevent such conflicts	Mission, Vision and Corporate Values
f) Page number or section name of the information regarding reciprocal shareholding in which direct participation rate in the capital exceeds 5%	None.
g) Page number or section name of the information regarding corporate social responsibility activities related to the social rights of the employees, vocational training and the company activities resulting in other social and environmental conclusions	Our Responsibility to the Employees.

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

3. SHAREHOLDERS	
3.1. Company Policy Regarding the Shareholders	
Name of the section on the corporate website indicating the indemnification policy	None.
Number of the finalized adjudications against the company due to violation of the employee rights	Not Available.
Title of the authorized person regarding warning	Concluding the transactions which are against the legislation and codes of conduct for the employees is within the scope of the job definition of the Ethics Committee.
Access information to the company's warning mechanism	etik@sasa.com.tr
3.2. Supporting Participation Of Shareholders In Company's Management	
Name of the section on the corporate website indicating internal regulations regarding participation of the employees in the management bodies	-
Management bodies in which the employees are represented	Trade Unions.
3.3. Company's Policy On Human Resources	
Role of the board of directors in development of succession plan for key manager positions	Board of Directors is authorized to evaluate the managers making contribution to the achievement of the company's strategic targets and assign such managers to the relevant positions
Name of the section on the corporate website in which human resources policy containing equality in opportunity and personnel recruitment criteria is included and summary of the relevant articles of the policy	Human Resources / Our Human Resources Policy
Whether stock ownership programme is available or not	There isn't an employee stock ownership programme
Name of the section on the corporate website in which human resources policy containing the measures so as to prevent discrimination and maltreatment and summary of the relevant articles of the policy	Human Resources / Our Human Resources Policy

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

Number of the finalized adjudications against the company due to the responsibility related to occupational accidents	None.
3.5. Codes of Conduct and Social Responsibility	
Name of the section on the corporate website in which policy for codes of conduct is included	Human Resources / SASA Codes of Conduct
Name of the section on the corporate website in which corporate social responsibility report is included. If said social responsibility report is not available, measures taken regarding environmental, social and corporate governance issues	Corporate / Sustainability.
Measures taken for fight against corruption including extortion and bribery	Human Resources / SASA Codes of Conduct

4. BOARD OF DIRECTORS-I	
4.2. Principles For The Activities Of The Board Of Directors	
Date of the latest board performance evaluation	Not Available.
Whether independent experts are employed for the board performance evaluation or not	No
Whether all board members are acquitted or not	Yes
Names of the board members delegated by task distribution and the content of said authorities	No delegation of authority
Number of the reports submitted by the internal control department to the auditing board or other relevant committees	1 report has been prepared by the internal control department
Name of the section or the page number in which the evaluation regarding the efficiency of internal control system in the activity report is included	Risk Management and Internal Control Mechanism, Responsible Committee for Auditing
Name of the board chairman	İbrahim ERDEMOĞLU
Name of the Chief Executive Officer/General Manager	Mehmet ŞEKER



STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

Connection of KAP announcement indicating the reason that the board chairman and the chief executive officer/general manager are the same person	The board chairman and the chief executive officer/general manager are different persons
Connection of KAP announcement indicating that the responsibility insurance of manager with a price exceeding 25% of the capital in respect of the damages to be caused by the board members due to their negligence during performance of their duties in the company.	Our company including Board members and top level managers are insured within the scope of the "Manager Responsibility Insurance" due to the damages to be caused by them because of their negligence during performance of their duties. However, our Company did not make a separate KAP explanation.
Name of the section on the corporate website in which information regarding diversity policy in order to increase the numbers of female board members is provided	Necessary care is shown despite lack of a company policy. Activities are carried out in order to find the nominee appropriate to the criteria.
Number and rate of the female members	None.

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES
PREPARED BASED ON THE COMMUNIQUE NUMBER CMB

Name/Surname of the Board Member	Whether Said Member is delegated to the Execution or not	Whether Said Member is an Independent Member or not	First Election Date to the Board of Directors	Connection of KAP Announcement in which Independence Declaration is included	Whether the Independent Member is Evaluated by the Nomination Committee or not	Whether there is a member who loses his/her independence or not	Whether said Member Holds At Least 5-Year Experience in Audit, Accounting and/or Finance or not
İbrahim Erdemoğlu	Executive	(Not independent director)	30/04/2015	-	Not considered	No	Yes
Ali Erdemoğlu	Non-executive	(Not independent director)	30/04/2015	-	Not considered	No	Yes
Mehmet Şeker	Executive	Not independent director	11/07/2016	-	Not considered	No	Yes
Mehmet Erdemoğlu	Non-executive	Not independent director	30/04/2015	-	Not considered	No	Yes
Mahmut Bilen	Non-executive	Independent director	01/08/2016	https://www.kap.org.tr/tr/Bildirim/588565	Considered	No	Yes
Hacı Ahmet Kulak	Non-executive	Independent director	29/03/2018	https://www.kap.org.tr/tr/Bildirim/665398	Considered	No	Yes

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

4 BOARD OF DIRECTORS-II	
4.4. Method Of Holding The Board Meetings	
Number of the board meetings held with the physical participation of the shareholders during the reporting period	70
Average participation rate in the board meetings	% 100
Whether an electronic portal is used or not so as to facilitate the operations of the board of directors	No
Date of submitting the information and documents to the members before the meeting as per the working principles of the board of directors	3-5 Days
Name of the section on the corporate website in which the information regarding in-company regulations for the method of holding the board meetings is included	Investor Relations / Articles of Association and Amendments
Upper limit set forth in the policy restricting the members to take other offices outside the company	-
4.5. Committees formed within the Body of the Board of Directors	
Page number or the name of the relevant section in which information regarding the board committees in the activity report are included	Committees formed within the Body of the Board of Directors
Connection of KAP announcement in which working principles of the committees are set forth	https://www.kap.org.tr/tr/Bildirim/583600

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

Names of the Board Committees	Name of the Committee Described as "Other" in the First Column	Name/Surname of the Committee Members	Whether the Relevant Member is the Committee Chairman or Not	Whether the Relevant Member is the Board Chairman or Not
Audit Committee		Mahmut Bilen	Yes	Board member
Audit Committee		Haci Ahmet Kulak	No	Board member
Committee of Early Detection of Risk		Mahmut Bilen	Yes	Board member
Committee of Early Detection of Risk		Haci Ahmet Kulak	No	Board member
Corporate Governance Committee		Mahmut Bilen	Yes	Board member
Corporate Governance Committee		Haci Ahmet Kulak	No	Board member
Corporate Governance Committee		Ali Bülent Yilmazel	No	Not Board member

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

4. BOARD OF DIRECTORS -III	
4.5. Committees formed within the Body of the Board of Directors -II	
Specify the section of the activity report or the corporate website in which information regarding the activities of the auditing committee is provided (page number or name of the section)	Investor Relations / Board Committees
Specify the section of the activity report or the corporate website in which information regarding the activities of the corporate management committee is provided (page number or name of the section)	Investor Relations / Board Committees / Corporate Governance Committee
Specify the section of the activity report or the corporate website in which information regarding the activities of the nominating committee is provided (page number or name of the section)	Investor Relations / Board Committees / Corporate Governance Committee
Specify the section of the activity report or the corporate website in which information regarding the activities of the committee of early detection risk is provided (page number or name of the section)	Investor Relations / Board Committees / Committee of Early Detection of Risk
Specify the section of the activity report or the corporate website in which information regarding the activities of the salary committee is provided (page number or name of the section)	Investor Relations / Board Committees / Corporate Governance Committee
4.6. Economic Rights Provided to the Board Members And Administrative Managers	
Page number or section name of the activity report in which information regarding whether operational and financial performance targets are reached or not is provided	-
Section name of the corporate website in which salary policy in relation to the executive or non-executive members is included	Investor Relations / Our Policies / Salary Policy
Page number or section name of the activity report in which salaries and all other benefits given to the board members and administrative managers are stated	Economic Rights Provided to the Board Members And Top Level Managers

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

Names of the Board Committees	Name of the Committee Described as "Other" in the First Column	Rate of Non-Executive Directors	Rate of Independent Members	Number of the Physical Meetings Held by the Committee	Number of the Reports Submitted by the Committee to the Board of Directors regarding Its Activities
Audit Committee		% 100	% 100	6	5
Committee of Early Detection of Risk		% 100	% 100	6	6
Corporate Governance Committee		% 67	% 67	5	5

SECTION I – SHAREHOLDERS
1. Shareholder Relations Unit

Shareholder relations unit was formed within Accounting Management of our Company. This unit works operates depending on Accounting Manager, Ali Bülent Yılmazel (bulent.yilmazel@sasa.com.tr). Contact phone number is +90 (322) 441 19 17 and fax +90 (322) 441 01 14

Main duties of the unit are:

- to answer information requests of shareholders,
- to ensure General Meeting to be carried out correctly,
- to issue documents devoted to shareholders for General Meeting,
- to ensure voting results to be recorded and reports regarding these results to be delivered to the shareholders,
- to protect and monitor all kinds of issues concerning public disclosure.

Shareholder relations unit is responsible for conducting relations with shareholders within the frame of Corporate Management Principles. Within these duties, all questions from the phone and also e-mails sent by shareholders were replied in 2018.

Pursuant to CMB regulations, 48 material disclosures were made at Public Disclosure Platform by Company in 2018. These disclosures were done in time and sanctions were not imposed by CMB or Istanbul Stock Exchange.

2. Exercise of Shareholders' Right to Information Act

Shareholders' requests coming through phone, e-mail and at face to face meetings were replied

by Shareholder Unit in 2018. For that purpose, information which concern shareholders were announced in obligatory notification processes on web page.

At the Articles of Incorporation, private audit appointment was not issued as a right. A request on that matter was not received from shareholders in 2018.

3. General Assembly Meetings

One Ordinary General Meeting in İstanbul was held on 29th March 2018 and participation of shareholders who represent 87,01 % rates of shares was ensured. Also in electronic media (e-General Assembly) the participation has been achieved for General.

General Meeting notice was done through all kinds of communication means, including electronic communication, which ensure to contact as many shareholders as possible minimum three weeks before the meeting date. Company does not have privileged share. There is one single vote right for each share and there is not any privilege on any share.

Activity Report including also audited 2017 numbers was submitted to the review of shareholders at least 15 days before General Assembly at Company Head Office. Shareholders did not exercise their right to ask questions during General Assembly and any other recommendation apart from agenda topics was not presented.

Important resolutions in Turkish Commercial Code are submitted to the approval of shareholders at General Assembly. All important resolutions which shall be included in amended laws when legislative harmonization of Corporate Management Principles is provided shall be submitted to the approval of shareholders.

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES**4. Voting Rights and Minority Rights**

There is not any privileged voting right at Articles of Incorporation. With the thought that entitling cumulative vote right at present partnership percentages and partnership structure may ruin harmonized management structure of Company, any regulation has not been executed at Articles of Incorporation.

5. Dividend Rights

The Sasa Polyester Sanayi A.Ş.'s Dividend Policy is being managed within the frameworks of the provisions of the Turkish Commercial Codes, the Capital Market's Laws and with other relevant legislations and regarding the distribution of profits in accordance with our firm's articles written in the agreement; it is determined by the balance favored, as and among, the Sasa's medium and long-term strategies, the investment and financial plans of which is in line with the Country's economy and by taking the situation of the sector into the consideration and expectations of the shareholders and the Sasa's needs.

In line with the decision taken at the General Assembly, the determination of some amounts of the dividends to be distributed to the shareholders have been adopted as the principle; the principle has been adopted as to pay off the dividend in cash to the shareholders and the rate to be 50% pieces for per annum.

The dividends, regardless of their date of issuance and acquisitions will be distributed equally to all of the existing shares and it is accepted to dispense as soon as possible and within the legal period and following of the approval of the General Assembly and on the appointed date to be determined by the General Assembly will be distributed to the shareholders.

In accordance of our agreement's article 31st, if authorization is donated to the Administrative Board by the General Assembly and within this decision the Administrative Board can make it possible to distribute advance dividends to the shareholders. The General Assembly, can carry a portion of the net profit or all of it to the extraordinary reserve. If the Sasa's Administrative Board, offers to the General Assembly on not distributing profits to the shareholders, the causes of this condition and as regards the form of the undistributed profit's assessment also should be stated to the shareholders at the General Meeting. Likewise, this information by giving place in the annual report and on the web site to be shared with the public.

The profit distribution policy to be submitted for the approval of the shareholders in the General Meeting. This policy, due to the having any negativity on the national and the global economic conditions and according to the projects and in the availability of the funds is being kept on the agenda and to be revised annually by the Administrative Board. The amendments which are done within this policy and in the first general meeting after changes is submitted to the approval of the shareholders and publicized on the website.

6. Transfer of Shares

Any provision which restricts transfer of shares is not involved in Articles of Incorporation.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY**7. Information Policy**

Information Policy revised with respect to last changes in Capital Market Board Regulations by Corporate Management Principles Committee was approved by Executive Board 25th December 2014. It is published on the web site of our Company (www.sasa.com.tr) and on Public Disclosure Platform on same day.

Information and documents designated by legislation, material disclosures and external audited financial statements of 6th and 12th months and non-external audited financial statements of 3rd and 9th months which were issued in accordance with International Financial Reporting Standards (IFRS) are sent to Public Disclosure Platform (PDP) as to be announced to public within the period specified by CMB. These processes are conducted by Shareholder Relations Unit.

The persons who can obtain insider information are Members of Board, Auditors, General Manager, Directors, Managers, Independent Auditing Firm and all other department managers.

8. Company's Web Site and Its Content

The Company's corporate website is available. The address is www.sasa.com.tr. The information contained on the web site is being prepared in English and is given as the information listed in accordance with the CMB's Corporate Governance Principles 2.1.1 on the company's website.

Significant topics which can be followed at the web site are summarized as follow:

- Detailed information regarding corporate identity
- Vision and main strategies
- Information about Members of Board and Senior Management
- Company organization and partnership structure
- Articles of Incorporation
- Trade registry information
- Financial information
- Material Disclosure
- Statements on the date, agenda and agenda topics of General Meeting
- Minutes and List of Participants of General Meeting
- Power of Attorney sample
- Corporate Management implementations and compliance report
- Information policy
- Wages Policy for Members of Board and Senior Managers
- The news in the press about the Company

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES**9. Activity Report**

The Annual reports, are prepared within the principles of to the CMB's Corporate Governance Principles and was enacted under the "Principles of Financial Reporting in the Capital Markets Board " that was the CMB's Official Gazette No. 28676 which was published on 13 June 2013. It is approved by Executive Board and declared to the public with financial statements. Afterwards, it is published at our web site (www.sasa.com.tr).

SECTION III – STAKEHOLDERS**10. Informing Stakeholders**

Information which do not have the characteristics of business secret are transparently shared with the stakeholders by means of declaration to the public pursuant to the information policy.

Company employees are informed on their area of expertise and general issues in which they are interested through meetings, seminars, trainings and information delivered via e-mail. There is a portal for the employees and it is ensured that they can reach all kinds of information and documents by means of this portal.

Company stakeholders have adopted ethical principles and founded an ethical committee in order to protect their rights. Stakeholders can contact to the ethical committee through the email addresses etik@sasa.com.tr and phone number (322) 441 00 89. If required, Audit Committee and/or Corporate Management Principles Committee are informed.

11. Codetermination of the Stakeholders

Codetermination of the employees is carried out through periodical meetings held in Company and annual objective determination and performance evaluation meetings. In addition, employees give feedback to the administration and their colleagues and the results are discussed at management meetings and action plans are organized for necessary amendments. With these approaches, it is ensured that employees show required participation and contributions for management effectiveness of the Company.

12. Human Resources Policy

Our main objective, as being Human Resources, is to restore Sasa to an efficient organization structure which always ensures labor peace and consists of employees being bound to organization, having high calibre, leading to the aims of the Company and being proud to work at Sasa whom Sasa needs in getting sustainable competitive advantage.

Sasa believes that long-term association with its employees who open to change and are continuously in development, culture of the Company, knowledge and protection of Company's main values are the primary elements of achieving success in accomplishing its strategies and objectives and in this direction invests in human.

In line with having a sustainable success in its strategy and objectives and in order to ensure that it has an organization which creates competitive edge;

- Organization is structured in accordance with necessity by review of human resources systems and processes,

- Skilled labor which shall carry the Company into future is brought in organization and accordingly cultural diversity is supported,

- Personal and professional development activities are organized so as to ensure that employees realize their potentials and continuous improvement of their competence, knowledge and skills concerning their position,

- An active performance management in which they monitor regularly the performance of administrators and employees in an open communication environment and take the responsibilities is implemented in the manner that they support institutional and personal development objectives,

- It is ensured that organization is backed up by skilled personnel with high potential as a part of the organizational success plan of critical positions,

- Platforms in which regular information sharing is done on issues concerning Company and employees and employees can clearly express their and their representatives ideas with a participative management approach are formed for employees,

- Business Ethic Values which consist of rules related to providing equal (gender, religion, language, etc. Discriminations are not done) and fair work environment are applied to all employees,

- A common Company culture is created by realizing implementations and approaches which shall increase employees' institutional commitment in at stake, reliable and healthy work environment in which employees can show their potentials.

A representative has not been appointed as to conduct relations with Company employees. Any complaint was not received on discrimination from the employees within or before 2018.

13. Codes of Conduct and Social Responsibility

Business ethical codes of the Company has been constituted and put into practice. Informing the employees on these codes is carried out by publishing the codes on inner communication portal of the Company, distributing manuals to all employees and realizing information trainings. Furthermore, employees update their knowledge on business ethical codes via an e-learning program and renew their commitment to these codes by filling "Business Ethics Conformity Declaration" every year.

As it is included at the Activity Report of the Company but not declared to the public, our Company maintains human health and environment-conscious Labor Safety, Employee's Health and Environment Policies and applies explicitly the ethics codes of Company.

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

SECTION IV – EXECUTIVE BOARD

14. Structure and Formation of the Executive Board

Company is administered and represented by an Executive Board which is elected by General Assembly pursuant to Turkish Commercial Code and provisions of Capital Market Legislation and consists of minimum six members. Majority of the Members of Board comprise of the members who are not responsible for enforcement defined at Corporate Management Principles. Two Members of Board are independent members and members of Board are elected in line with Corporate Management Principles by General Assembly. Duty term of Members of Board is maximum three years. The member whose duty term is ended can be re-qualified. In the event that a membership becomes vacant by any reason, Executive Board elects a new member for the vacant position and submits it for approval of General Assembly at its first meeting. This member completes the remaining term of its predecessor.

Executive and non-executive and independent member distinction of Company's Members of Board is as follows:

İbrahim Erdemoğlu

Chairman of the Executive Board
(executive member)

Ali Erdemoğlu

Vice Chairman of the Executive Board
(non-executive member)

Mehmet Şeker

Member of Board
(executive member)

Mehmet Erdemoğlu

Member of Board
(non-executive member)

Hacı Ahmet Kulak

Member of Board
(independent member)

Mahmut Bilen

Member of Board
(independent member)

Members of Board have been entitled to the right to take action pursuant to the Articles 395 and 396 of Turkish Commercial Code by resolution of General Assembly.

15. Activity Principals of Executive Board

Provisions regarding meetings of Executive Board are included at Articles of Incorporation and accordingly dates and agenda of meetings of Executive Board are determined by chairman or his agent and it is gathered upon invitation of chairman or his agent. Determined agenda and agenda topics are conveyed to the Members of Board beforehand in order that they can execute required operations.

At the meetings held in 2018, any different thought against resolutions which were taken by Members of Board was not expressed.

Actual participation of the members who had not an excuse was ensured at the meetings of Executive Board. As Members of Board did not have any questions on those matters, it was not appended to record. Members of Board were not entitled to the weighted voting right and/or veto right concerning aforesaid resolution.

Management right and power of attorney of the Executive Board are defined at Articles of Incorporation.

Members of Board did not carry out operations with the Company in 2018 and undertake any enterprise which could compete with the same activity issues.

16. The Number, Structure and Independence of Committees Formed at the Executive Board

We have Corporate Management Committee, Audit Committee and Risk Committee subjected to the Executive Board.

Corporate Management Committee

President :
Mahmut Bilen (Independent Member)

Member :
Hacı Ahmet Kulak (Independent Member)

Member :
Ali Bülent Yılmazel (Accounting Manager)

Corporate Management Committee President is selected among the independent members in compliance with Corporate Management Principles. The Corporate Management Committee meetings are held at least four times a year at a place determined by the president. The Committee arranges meetings at least once a year to revise Risk Management Systems. At the beginning of each year, meeting schedule of the year is prepared and announced to all the members by the Committee President. The others who are approved by the president can participate in the meetings.

Since there is no committee for nomination, early risk determination and compensation committee in the present configuration of the Executive Board, works of the mentioned committees are executed by the Corporate Management Committee.

Audit Committee

President :
Mahmut Bilen (Independent Member)

Member :
Hacı Ahmet Kulak (Independent Member)

Audit Committee President is selected among the independent members in compliance with Corporate Management Principles. Audit Committee arranges meetings four times a year. At the meetings, the works done by internal control officers, the presentation of the Executive Board, performance of Independent Audit Firm and financial statements are revised and violation and examination of business ethics and rules of behaviors are made agenda topics.

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES**The Early Detection of Risk Committee**

President :

Mahmut Bilen (Independent Member)

Member :

Hacı Ahmet Kulak (Independent Member)

Our Board of Directors of the In the view of the Corporate Governance Principles of the Capital Markets Board of Turkey (CMB) and in accordance with the Turkish Commercial Code No. 6102's via the provisions of official article of 378 and as to be authorized, an The Early Detection of Risk Committee has been established as based on the decision of our Administrative Board on the date of 15.08.2013. The Early Detection of Risk Committee's Chairman and Member meets at least six times per year, according to the principles of the Corporate Governance and these will be selected among the independent members.

The Early Identification of Risk Committee makes efforts to identify and manage the risks that may be threat to the company's existence, development and more of the risks that could jeopardize the company also seeks the creation of management systems and their early detection and takes the necessary measures. The risk management systems are revised at least once a year and regarding to the risk management practices, the Committee carries out and shall monitor of the implementations of the decisions whether is in accordance with their advices.

No conflict of interest occurred among committees during the year of 2018.

Our company has two Independent Members of Board. Our Independent Members of Board, Mahmut Bilen and Hacı Ahmet Kulak, are in both committees established by Executive Board

17. Risk Management and Internal Control Mechanism

Executive Board of the Company has created various mechanisms to provide risk management and internal control. Depending on the Corporate Management Committee, a Risk committee of the company has been created and this committee arranges meetings regularly. At the meetings, the critical risks Company experienced, management of these risks and measurements to be taken are periodically discussed.

In addition, Internal Audit Unit created within the Company is authorized and responsible for control of the Company.

18. Strategic Aims of the Company

Vision: First 30 (to be in the first 30 in ISO 500).

Mission: A chemical company that creates value through innovative approaches.

Our values:

- Occupational Safety & Environmental Awareness,

- Human Focused,
- Customer Focused,
- Integrative & Higher Level Ethical Conception,
- Commitment to Corporate Goals,
- Value Creation,
- Continuous Improvement,
- Transparency.

Our first priority is health and security of our personnel, environment (environment and region of our company), our customers and neighboring companies. One of our main aims is to become an esteemed company.

Strategic aims created by the managers are subjected to approval of the Executive Board of the Company. In addition, the Executive Board revises its level to accomplish its aims, activities and previous performance regularly each month via monthly reports. Furthermore, current year's budget and actual comparison results are submitted to the Executive Board.

19. Financial Rights

Forms and conditions of all the rights, benefits and payment for the Members of Board are totally mentioned in balance sheets. In extraordinary General Meeting in 2017, it was decided that 6.000 TL salary would be paid to the Members of Board during their duty period (for 3 years).

During the year of 2018, Company did not provide loan, credit, extent credits and did not provide good conditions for this and did not get them use credit through third party and did not give a guaranty to any directors and board of management members.

7 . OTHER

- Transactions carried out within the scope of purchasing the land of 303.943 m² adjacent to the present lands of our Company in the workplace of Adana head office, which has been made public previously, so as to be used in investments have been completed with a price of 101.000.000-TL as of 02.02.2018.

- Within the framework of the Communiqué no. II-18.1 of the Capital Market Board on Registered Capital System; the application made to the Capital Market Board on 19.02.2018 so that the upper limit of the registered capital set forth in article no.8 of the Company's Articles of Association can be risen to 1.500.000.000-TL from 500.000.000 TL with an increase of 1.000.000.000 TL, validity date can be updated as the years of 2018-2022, and article no.8 titled "Capital" of the Company's Articles of Association can be amended has been approved by the Board on 21.02.2018. This issue was approved at the Ordinary General Meeting on 29.03.2018 and registered on 30.03.2018.

STATEMENT FOR COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

• Company's application to the Capital Market Board on 19 April 2018 within the scope of the request which requires rising the issued capital of 412.500.000 Turkish Liras to the amount of 605.000.000 Turkish Liras within the upper limit of the registered capital of the Company amounting to 1.500.000.000 Turkish Liras, covering all amount of increased 192.500.000 Turkish Liras through the profit for 2017, allocating free share certificates at the rate of 46,6667% (forty six point six thousand six hundred and sixty seven percent) for each share held by the shareholders was accepted and the Company's capital amounting to 605.000.000 Turkish Liras was registered by Adana Trade Registry Office on 21 May 2018 and published in Turkish Trade Registry Gazette on 28 May 2018.

• Our application for credit insurance of 231 Million EUR with 12-year maturity but of two year non-refundable has been approved in principle by Foreign Export Credit Agency (ECA- Export Credit Agency) Hermes (Euler Hermes Aktiengesellschaft). Said credit will be used in financing the investments of Polymer, Poy and Texturized Yarn Production Plant and PET Plant (Bottle Chips) It is expected that these investments will add 780 Million USD to the turnover.

• A contact office was opened by Sasa Polyester Sanayi A.Ş. at the address of Reşit Mahallesi Eski Büyükdere Caddesi Park Plaza N14/29 12.Kat Maslak / İstanbul.

• Within the scope of the application made by the Company to the Ministry of Trade; Evaluation Board Regarding Protection Measures in Import decided to implement the protection measures in additional financial burden for two years. In this context, such protection measures are as follows: for the import of the goods defined as Pet Cips included in Customs

Tariff Statistical Position No. 3907.69.00.00.00 and with Korean Republic origin, additional financial burden of 6,5% will be imposed for the 1st year and 6% for the second year.

• Within the scope of the application made by the Company to the Ministry of Trade; Evaluation Board Regarding Protection Measures in Import decided to continue implementing anti-dumping measures in the form of additional financial burden as 0,21 Usd / Kg for the import of the goods defined as polyester synthetic discontinuous fibers (Polyester Fiber) included in Customs Tariff Statistical Position No. 5503.20.00.00.00 and with Peoples Republic of China origin.

• According to the letter sent to our company by T.R. Ministry of Industry and Technology in respect of our application made to the ministry with the request of assignment of space for our investment amounting to 8,46 billion USD in total and including establishment of PTA, MEG and Polymer(main raw materials of our Company) production plant within the scope of providing Project-Based Grant-in-Aid to the Investments and also including Polypropylene (PP), Polyethylene (PE), Polyvinyl Chloride (PVC), Super Absorbent Polymer (SAP), Polyester Cips and Port construction; a request was made to complete the process of Environmental Impact Assessment (EIA) related to the area of nearly 6.800 decares located in Adana province, Yumurtalık district. In this scope, at this point related to our request for individual investment space in accordance with the 3rd subparagraph of the article no.4/C of Industrial Zones Law Number 4737, our company has started its activities with the purpose of obtaining EIA report.



SASA

POLYESTER SANAYİ A.Ş.



31.12.2018

**CONSOLIDATED FINANCIAL STATEMENTS
AT 1 JANUARY - 31 DECEMBER 2018
TOGETHER WITH AUDITOR'S REPORT**



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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of SASA Polyester A.Ş. (“the Group”) and its subsidiary (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

2) Basis of Opinion

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

3) Key Audit Matter

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

Key Audit Matter

Revenue Recognition

Revenue, is accounted for when significant risks and benefits are transferred to the buyer.

Due to the nature of group’s operations, there are export products which are completed production, invoiced to overseas customer or whose delivery price has not been collected although it has been collected. The products in this condition are in the group’s stock areas or on the way as of reporting date. The ownership rights and risks of these non-transferable products can be transferred to the customer according to the terms of the contract.

According to the statements above, in accordance with the principle of seasonality of sales, it has been determined as the key audit issues whether the revenue of products in this situation is recorded in the correct period or not.

Statements about group’s accounting policies related with revenue and regarding the amounts are located in the Note 2.6.1 and Note 19

Deferred Tax Assets Calculated by Investment Incentives

The group has corporate tax advantages related to investment expenditures incurred under investment incentive certificates.

How The Matter Was Addressed In The Audit

The following audit procedures have been applied for the recording of revenue during the audit:

The design and implementation of the controls applied by the Management for the process related to the risk of revenue being recorded to the correct period has been tested. The Group’s sales and delivery procedures were analyzed.

The provisions for commercial and shipping conditions in contracts with customers were examined and the timing of the receipt of revenue for different shipping arrangements was evaluated.

In the substantive verification procedures, the focus was on the assessment of situations in which the income was invoiced but not earned. The customers with the longest lead time were identified and a date range was determined and sales lists were provided from the related departments of the Group. Tests have been completed to check the completeness and accuracy of these lists.

During the audit on the Project Based Incentive System, the focus was on the validity of deferred tax expenses, the appropriateness of the incentive system and the mathematical correctness of the calculation and the recoverability of the deferred tax asset calculated.

As of 31 December 2018, total deferred tax asset recognized under these investment incentives is TL 349,646 thousand.

Deferred tax calculated within the scope of the incentive certificate has been determined as the key subject of the audit since the accuracy of the expenditures made within the scope of the incentive system taken into account in deferred tax asset is significant and the recoverability of the deferred tax asset is based on estimations and assumptions.

Statements about the Group's accounting policy and the amounts related to deferred tax assets are located in the Note 2.3.2 and Note 26'

Capitalization of Borrowing Costs

As explained in Note 11, the Group capitalizes on qualified borrowing costs, including significant exchange rate fluctuations in terms of main investment projects in progress, including ongoing factory constructions. In accordance with TFRS 23, since the cost of capitalization has been capitalized instead of the expense of financing costs that do not meet the capitalization criteria, the issue has been determined as the subject of our audit.

The following control procedures are implemented accordingly

- Analyzes have been made to understand the scope of deferred tax assets, temporary differences that constitute the basis of these assets and the scope of investment incentives.

- The accuracy of the expenditures subject to the deferred tax calculation and the material verification and recalculation of the deferred tax calculation.

- In order to examine the impact of corporate tax calculation and investment incentive practices, tax specialists of another organization included in the same audit network of our organization were included in the audit team. The measurement of the related deferred tax assets was made for the review and evaluation of tax experts.

-The business model and the significant management estimates that determine whether the investment incentives can be used prospectively are examined by considering the following:

- Related business models' are checked mathematically
- Used sales tonnage and price assumptions are compared with previous year performances and independent data sources.
- The foreign exchange rate forecasts of the years used in the business model are compared with the exchange rate estimates and independent data sources in the approved budget / long term plans.

The compliance of the explanations in the notes to the consolidated financial statements related to deferred tax assets and liabilities has been checked for TFRS 12.

The effectiveness and effectiveness of the controls determined based on the process of capitalizing the financing costs have been tested. However, examination of capitalized financing costs examples of supporting evidence, exchange rate recalculation of difference, calculating represents interest expense and accounting in the amount of income that exceeds the limit, understanding the nature of the capitalized costs and their evaluation of whether they are compatible with standard scope of TFRS 23 have been activated, including the cost of each material accuracy tests were carried out.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance



with the SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the SIA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Group on 18 February 2019.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January - 31 December 2018 does not comply with TCC and the provisions of the Group's articles of association in relation to financial reporting. In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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

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

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

Osman Arslan, SMMM
Partner

Istanbul, 15 February 2019



**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**
(Amounts expressed in thousand Turkish Lira (TL))

		Current Period	Prior Period
		(Audited)	(Audited)
	Notes	31 December 2018	31 December 2017
ASSETS			
Current Assets		1.483.362	1.118.264
Cash and Cash Equivalents	3	28.272	84.933
Financial Investments	4	28.139	5.132
Trade Receivables	5	460.600	381.496
- Trade Receivables From Third Parties	5	388.694	349.221
- Trade Receivables From Related Parties	29	71.906	32.275
Other Receivables	7	331.978	325.540
- Other Receivables From Third Parties	7	2.002	2.078
- Other Receivables From Related Parties	29	329.976	323.462
Inventories	8	560.647	266.416
Prepaid Expenses	9	6.176	3.392
Other Current Assets	17	67.550	51.355
Non - Current Assets		2.667.768	1.259.731
Other Receivables	7	114	79
Investment Properties	10	3.198	5.917
Property, Plant and Equipment	11	2.169.390	1.106.217
Intangible Assets	12	1.098	830
Prepaid Expenses	9	196.282	146.688
Deferred Tax Asset	27	297.686	-
TOTAL ASSETS		4.151.130	2.377.995
LIABILITIES			
Current Liabilities		1.188.257	585.552
Short - Term Borrowings	4	855.100	353.286
Short - Term Borrowings	4	639.556	311.310
Short - Term Portion of Long - Term Borrowings	4	215.544	41.976
Trade Payables	5	316.577	198.987
- Trade Payables to Third Parties	5	316.577	198.987
Payables Related to Employee Benefits	6	7.206	4.932
Other Payables	7	3.646	3.210
- Other Payables to Third Parties	7	3.646	3.210
Deferred Income	7	1.624	5.349
Current Tax Liabilities	27	3.227	17.328
Short - Term Provisions		877	2.460
- Other Short - Term Provisions	14	877	2.453
- Short - Term Provisions for Employee Benefits	16	-	7
Non - Current Liabilities		1.227.643	654.619
Long - Term Borrowings	4	1.186.329	567.517
- Long-Term Borrowings from Third Parties	4	1.186.329	567.517
Long - Term Provisions	16	40.920	34.748
- Long - Term Provisions for Employee Benefits	16	40.920	34.748
Deferred Tax Liability	27	394	52.354
EQUITY		1.735.230	1.137.824
Share Capital	18	605.000	412.500
Adjustments to Share Capital	18	13	13
Treasury Shares	18	(1.594)	(1.594)
Restricted Reserves Appropriated from Profit	18	28.306	21.243
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss	18	508.483	508.483
- Remeasurement Losses on Defined Benefit Plans	18	(4.109)	(4.109)
- Revaluation Gain on Property, Plant and Equipment	18	512.592	512.592
Accumulated Losses	18	(2.384)	(6.387)
Net Profit or Loss for the Period	18	597.406	203.566
TOTAL LIABILITIES		4.151.130	2.377.995

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

	Notes	(Audited) 1 January -31 December 2018	(Audited) 1 January - 31 December 2017
Revenue	19	2.178.954	1.655.205
Cost of Sales (-)	19	(1.704.425)	(1.335.919)
GROSS PROFIT		474.529	319.286
General Administrative Expenses (-)	20	(24.551)	(19.448)
Marketing Expenses (-)	20	(75.349)	(57.078)
Research and Development Expenses (-)	20	(1.484)	(1.618)
Other Income from Operating Activities	22	608.311	155.111
Other Expenses from Operating Activities (-)	22	(430.947)	(85.599)
OPERATING PROFIT		550.509	310.654
Income from Investing Activities	23	3.671	4.291
Expenses from Investing Activities (-)	23	(4.642)	(3.535)
OPERATING PROFIT BEFORE FINANCE INCOME		549.538	311.410
Financing Income	24	59.361	28.857
Financing Expenses (-)	25	(357.912)	(89.977)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		250.987	250.290
Tax Expense from Continuing Operations (-)		346.419	(46.724)
- Current Tax Expense (-)	27	(3.227)	(47.080)
- Deferred Tax Income / (Expense) (-)	27	48.757	356
- Deferred Tax Income with Incentive Certificate	27	300.889	-
PROFIT FOR THE YEAR		597.406	203.566
Other Comprehensive Income / Expense		-	510.556
Non- Reclassified in Profit or Loss		-	510.556
Gains on Revaluation of Property, Plant and Equipment	11	-	569.547
Revaluation Gains on Property, Plant and Equipment Tax Effect (-)	26	-	(56.955)
Remeasurement Loss on Defined Benefit Plans	16	-	(2.544)
Remeasurement Loss on Defined Benefit Plans Tax Effect	26	-	508
TOTAL COMPREHENSIVE INCOME		597.406	714.122
Total Comprehensive Income Attributable to:			
Owners of the Company		597.406	203.566
Non - Controlling Interests		-	-
Profit per Share	28	0,9874	0,3365
Total Comprehensive Income Attributable to:			
Owners of the Company		597.406	714.122
Non - Controlling Interests		-	-

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

(Audited)	Notes	Share Capital	Share Capital Adjustments	Share Capital Inflation	Share Capital Obtained	Shares	Accumulate Gain on Revaluation of Property, Plant and Equipment	Revaluated Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Accumulated Profit	
										Accumulated gains / losses	Net Profit for the Year
Balances at 1 January 2017		366.300	46.213	-	-	-	(2.073)	10.099	(29.472)	137.048	528.115
Transfers		46.200	(46.200)	-	-	-	-	11.144	125.904	(137.048)	-
Dividend		-	-	-	-	-	-	-	(93.881)	-	(93.881)
Total Comprehensive Income		-	-	-	-	-	512.592	(2.036)	-	203.566	714.122
Decrease from Repurchase of Treasury Shares	18	-	-	-	(1.594)	-	-	-	(8.938)	-	(10.532)
Balances at 31 December 2017	18	412.500	13	(1.594)	512.592	(4.109)	21.243	(6.387)	203.566	1.137.824	
(Audited)											
Balances at 1 January 2018	18	412.500	13	(1.594)	512.592	(4.109)	21.243	(6.387)	203.566	1.137.824	
Transfers	18	192.500	-	-	-	-	7.063	4.003	(203.566)	-	
Total Comprehensive Income		-	-	-	-	-	-	-	-	597.406	597.406
Balances at 31 December 2018	18	605.000	13	(1.594)	512.592	(4.109)	28.306	(2.384)	597.406	1.735.230	

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

**AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
1 JANUARY- 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

		Current Period (Audited) 1 January - 31 December 2018	Prior Period (Audited) 1 January - 31 December 2017
Cash Flows From Operating Activities:			
Profit For The Year Before Tax from Continuing Operations		250.987	250.290
Adjustment for the Period Net Profit Reconciliation		372.911	104.596
Adjustments Related To Amortization and Depreciation	10,11,12	12.782	12.641
Adjustments Related to Interest Income/Expense		19.211	3.969
<i>Adjustments Related to Interest Expense</i>	25	33.087	14.568
<i>Adjustments Related to Interest Income</i>	24	(20.562)	(13.843)
<i>Unearned Financial Income From Credit Sales</i>		6.686	3.244
Adjustment Related to the Elimination of Tangible Assets		1.247	(314)
<i>Adjustment Related to the Elimination of Tangible Assets</i>	23	1.247	(384)
<i>Adjustment Related to Assets Held for Sale Losses Due to Removal</i>		-	70
Adjustments Related to Provisions		11.227	11.050
<i>Adjustments Related to Provisions for Employee Benefits</i>	16	11.227	11.050
Adjustments Related to General Provisions for Possible Risks	14	197	1.367
Adjustments Related to Impairment Loss (Reversed)		-	(5.042)
<i>Adjustments Related to Impairment Loss (Reversed)</i>			
<i>Recognised on Trade Receivables</i>	5	-	(518)
<i>Adjustments Related to Reversal of Impairment Loss on Inventories</i>		-	(4.524)
Adjustments Related to Unrealized Exchange Difference	4	328.247	80.925
Changes in Working Capital		(286.129)	20.846
Adjustments related to Decrease /Increase in Trade Receivables		(88.193)	26.447
<i>Decrease (Increase) in Trade Receivables from Third Parties</i>		(27.960)	47.049
<i>Decrease in Trade Receivables from Related Parties</i>		(60.233)	(20.602)
Adjustments Related to (Increase) Decrease in Operational Other Receivables		41	981
<i>Changes in Other Receivables</i>		41	981
Changes in Inventory Increase		(294.233)	(84.734)
Increase in Prepaid Expenses		(4.749)	(634)
Changes in Other Current Assets		(16.195)	(15.728)
Increase in Trade Payables to Third Parties		119.995	87.196
Increase in Other Payables		(1.344)	1.893
Increase (Decrease) in Deferred Income		(3.725)	4.946
Changes in Payables Covered Employee Benefits		2.274	479
Operational Cash Flow:		337.769	375.732
Payments Related to Provisions of Employee Termination Benefits	16	(5.055)	(6.449)
Payments Related to Other Provisions	16	-	(1.500)
Taxes paid		(17.328)	(40.000)
Net Cash Profit From Operational Activities		315.386	327.783
Investing Activities:			
Payments for Purchase of Property, Plant and Equipment		(1.017.153)	(465.801)
<i>Cash Outflow from purchase of Non-Current Assets</i>	11-12	(969.524)	(465.801)
<i>Cash Advances Given for Intangible and Tangible Assets</i>	9	(47.629)	-
Proceeds from Sale of Non - Current Assets		5.062	1.988
<i>Proceeds from Sale of Non - Current Assets</i>		5.062	1.988
<i>Proceeds from Sale of Non - Current Assets Held for Sale</i>	13	-	138
<i>Proceeds from Sale of Non - Current Assets Held for Investment</i>	10	2.491	-
Net Cash Used in Investing Activities		(1.009.600)	(463.675)
Financing Activities:			
Proceeds from Bank Loans		1.429.901	690.347
<i>Cash Inflow from Credits</i>	4	1.429.901	690.347
Cash Outflow on Loan Payments		(729.106)	(203.782)
<i>Cash Outflow on Loan Repayments</i>	4	(729.106)	(203.782)
Interest Paid	4	(54.283)	(3.964)
Interest Received	24	20.562	13.843
Dividends Paid		-	(93.881)
Net (Increase)/Decrease in Other Receivables from Related Party	29	(6.514)	(173.553)
<i>Net Cash Outflow on Repayment Of Bank Loans</i>		-	(10.532)
Other Net Cash Outflow	4	(23.007)	(5.132)
Net Cash Generated From Financing Activities		637.553	213.346
NET CHANGE IN CASH AND CASH EQUIVALENTS		(56.661)	77.454
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3	84.933	7.479
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	28.272	84.933

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



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

The address of the registered office is:

Yolgeçen Mahallesi Turhan Cemal Beriker Bulvarı No:559 01355 Seyhan/Adana.

As of 31 December 2018, number of employees of the Group is 1.512 (31 December 2017: 1.289).

Subsidiary

The Group has founded, Sasa Dis 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 Group’s export operations. Sasa and its subsidiary, together will be referred to as the “Group”.

Approval of Consolidated Financial Statements

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 15 February 2019. General shareholders’ meeting has the authority to modify the financial statements.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance in TFRS

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

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the “illustrations of financial statements and application guidance”.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values.

Functional and Reporting Presentation Currency

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

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

Preparation of Financial Statements in Hyperinflationary Economies

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

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

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



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.1 Basis of Presentation (cont'd)

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements (cont'd)

cessary. In the current year, the Group has also made some reclassifications in the prior year's consolidated financial statements. The nature, reason and the amounts of reclassification are described below:

- In 2017, the Group recognized 'Raw Material Sales Revenues' amounting TL 11 thousand as a separate line item on the face of the consolidated statement of financial position. In the current year, 'Other Liabilities' have been grouped with 'Other expenses and accruals' since the Group's management has determined that the nature of the amounts that comprise 'Other liabilities' and 'Other expenses and accruals' are the same. The reclassification provides a more appropriate comparison between the two financial years. The result of this reclassification is a decrease of TL in 'Other liabilities' and an equivalent increase of TL_ in the current portion of 'Other expenses and accruals' on the consolidated statement of financial position for the comparative year ended 31 December 2017. There was no profit or loss effect related to this reclassification.

Changes in the Accounting Policies

Material changes in accounting policies are corrected, retrospectively; by restating the prior periods' consolidated financial statements. The accounting policies used in the preparation of these consolidated financial statements for the period ended 31 December 2018 are consistent with those used in the preparation of financial statements for the year ended 31 December 2017.

Basis of the Consolidation

As of December 31, 2018 and 2017, The details of subsidiary, in terms of total shares owned and effective ownership rate (%) is as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Sasa Dış Ticaret A.Ş.	%100	%100

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

- 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 Group 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. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

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



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.1 Basis of Presentation (cont'd)

Basis of the Consolidation (cont'd)

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

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

2.2 Restatement and Errors in the Accounting Policies and Estimates

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. Details of these changes are given in the Note 2.5.

2.3 Critical Decisions and Assumptions of the Group in Applying Accounting Policies

The Group makes estimations and assumption for the future, while preparing the consolidated financial statements. Accounting estimations rarely give the true/real results. In the following financial reporting period, estimates and assumptions that may cause significant adjustments in the carrying values of assets and liabilities.

2.3.1 Useful Life of Tangible and Intangible Assets

The Group allocates depreciation based on the useful lives stated in Note 2.6.3 and 2.6.4 over fixed assets (Note 10, Note 11 and Note 12).

2.3.2 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. (Note:27)

2.3.3 Provisions for Doubtful Receivables

Provision for doubtful receivables is the amount that the management believes will meet future losses related to receivables that are at risk of non-collection under different economic conditions in the future according to the existing but reasonable and supportable forward-looking assumptions. While evaluating whether the receivables are impaired, past performances, credibility in the market and performance of the balance sheet date until the approval date of the financial statements are taken into consideration. The related provisions are included in Note 5 as of the balance sheet date.

2.3.4 Liabilities Related to Employee and Benefits

The Group makes various actuarial assumptions such as discount rate, inflation rate, rate of increase in real wages, and the possibility of withdrawal by itself in the calculation of liabilities related to employee benefits. Details of the provisions for employee benefits are disclosed in Note 16.

2.3.5 Provisions for Litigation

The Group Management determines the provisions related to the ongoing lawsuits by taking into consideration the opinions of the Legal Counselor and the non-Group expert attorneys, and determines the probable losses arising from the best estimates of the management. As of the balance sheet date, the legal provisions are presented in Note 14.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.3.6 Impairment of Assets

In each reporting period, the Group management implements an impairment test for events or events that indicate that it is not possible to recover the carrying amount for assets subject to depreciation and amortization. For the purposes of assessing impairment, assets are grouped at the lowest level of separately identifiable cash flows (cash-generating units). As a result of the impairment study performed by the Group Management, an additional impairment is not foreseen except for provision for impairment on non-financial assets as of the reporting date.

2.3.7 Impairment of Financial Assets

The Group makes assumptions about the default risk of the related assets and the expected credit loss rate when assessing the impairment of financial assets. While making these assumptions and judgments as of each reporting period, the Group is based on the Group's past experiences and takes into consideration current market conditions and future expectations for the market.

2.4 Offsetting

Financial assets and liabilities that are legally entitled to offsetting the net amount or collection of the fulfillment of the obligation to obtain or asset is not possible if it can take place simultaneously, they are shown with their net values in the balance sheet.

2.5 New and Revised Financial Reporting Standards

As of summarized January 1, 2018 following the accounting policies adopted in the preparation of financial statements for the end of the fiscal year as of December 31, 2018 is available new and amended IFRS standards and IFRS those used in the previous year except reviews and has been applied on a consistent basis.

The effects of these standards and interpretations on the Group's financial status and performance are described in the relevant paragraphs.

TFRS 9 Financial Instruments

Classification and measurement of financial assets

In the current year, the group has begun to implement the amendments related to the TFRS 9 Financial Instruments (2017 version) and accordingly other TFRS for the annual periods starting from 1 January 2018..

TFRS 9 has brought new conditions for the following.:

- 1) Classification and measurement of financial assets and liabilities
- 2) Impairment of financial assets and
- 3) General Hedging Accounting

The details of these new conditions and their impact on the group's financial statements are described below.

The group has implemented TFRS 9 in accordance with the terms of the transition specified in TFRs 9.

The date of the first implementation of this standard (the date in which the group evaluates its financial assets and financial obligations in accordance with the provisions in the TFRs 9) is January 1, 2018. Accordingly, the Group applies the provisions of the TFRs 9 to the vehicles that will continue to be accounted for on January 1, 2018, but these provisions are not applied to vehicles that have been excluded from the balance sheet as of January 1, 2018.

Comparative amounts for vehicles that will continue to be accounted as of 1 January 2018 are rearranged when deemed appropriate.

All financial assets accounted for in the scope of TFRS 9 must be measured in redemption or fair values based on the business model and financial assets ' cash flows, which are directed by the financial assets of the business. Especially:

A borrowing tool with cash flows, which is held within the scope of a business model aimed at collecting contractual cash flows and contains only interest payments resulting from the principal and principal balance, is the cost of the redeemed measured;



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.5 New and Revised Turkish Accounting Standards (cont'd)

The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows (cont'd)

IFRS 9 Financial Instruments (cont'd)

(a) Measurement and Classification of Financial Assets (cont'd)

- A borrowing of cash flows that are held within the scope of a business model aimed at collecting contractual cash flows and selling borrowing tools and that only includes interest payments arising from the principal and principal balance vehicle is measured by reflecting the fair value change to other comprehensive income;
- All other borrowing tools and equity investments, fair value changes are measured by profit or loss.

Despite the aforementioned issues, the group may choose to be irreversible in the first posting of a financial asset as follows:

- The Group may irrevocably choose the changes in the fair value of an equity investment that are not held for commercial purposes or acquired in a business combination in the other comprehensive income and
- The Group is able to define a debt instrument that is measured at amortized cost when the accounting mismatch is completely or substantially eliminated, or at fair value through profit or loss, irrevocably reflected in the other comprehensive income.

When a debt instrument whose fair value change is reflected in other comprehensive income is excluded from the financial statements, the total profit or loss recognized in other comprehensive income in the prior periods is classified as profit or loss from equity as a reclassification. An equity investment that is measured at fair value through another table may be transferred to retained earnings before the financial statement closes.

Borrowings measured at amortized cost or reflected in other comprehensive income at fair value throughout are exposed to impairment risk. Please see to (b) notes to details.

The Group management has reclassified the Group's existing financial assets at the date of 1 January 2018 and explained the classification and measurement of the first implementation of IFRS 9 on the Group's financial assets as follows.

The Group classifies its financial assets in three classes of financial assets at fair value through profit or loss, which are accounted for at amortized cost and are measured at fair value through profit or loss: The classification is based on the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial asset.

“Financial assets measured at amortized cost are non-derivative financial assets held as part of a business model aimed at collecting contractual cash flows and cash flows that include interest payments from principal and principal balances on certain dates under contractual terms. The Group's financial assets, which are recognized at amortized cost, include cash and cash equivalents and trade receivables. The related assets, with their fair values in the initial recognition of financial statements; in subsequent accounting, it is measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in profit or loss.

Financial assets at fair value through profit or loss are financial assets at fair value through cash and cash equivalents on a specified date and at the dates of the contract. Gains or losses arising from the related financial assets are recognized in other comprehensive income, except for impairment losses or gains and losses. In case of sale of such assets, the valuation differences classified in other comprehensive income are classified as prior years' profits.

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(Amounts expressed in thousand Turkish Lira (TL))

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

2.5 New and Revised Turkish Accounting Standards (cont'd)

The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows (cont'd)

TFRS 9 Financial Instruments (cont'd)

(a) Measurement and Classification of Financial Assets (cont'd)

Financial assets at fair value through profit or loss are comprised of financial assets measured at amortized cost except for the financial assets at fair value through profit or loss. Gains and losses arising from the valuation of such assets are recognized in profit or loss..

The changes in the classification of financial assets under TFRS 9 are summarized below:

<u>Financial Assets</u>	<u>Previous Classification According to TAS39</u>	<u>New Classification According to TFRS9</u>
Cash and Cash Equivalents	Loans and Receivables	Amortised Cost
Trade Receivables	Loans and Receivables	Amortised Cost
Other Financial Assets	Loans and Receivables	Amortised Cost
Derivative Financial Assets	Fair Value Difference Reflected in Income Statement	Fair Value Difference Reflected in Income Statement
Financial Investments	Financial Assets Held for Sale	Fair Value Difference Reflected in Income Statement

None of the other reclassifications in financial assets has any effect on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income.

(b) Impairment

“Expected credit loss model” defined in TFRS 9 “Financial Instruments” superseded the “incurred credit loss model” in TFRS 39 “Financial Instruments: Recognition and Measurement” which was effective prior to 1 January 2018. Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument. The calculation of expected credit loss is performed based on the past experiences and future expectations of the Group. Trade receivables are receivables from related parties and contractual assets.

- Group has preferred to apply “simplified approach” defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.
- Group uses a provision matrix for the calculation of the expected credit losses on trade receivables. The provision matrix calculates fixed provision rates depending on the number of days that a trade receivable is past due and those provision rates are reviewed and, revised if necessary, in every reporting period. The changes in the expected credit losses on trade receivables are accounted for under “other operating income/expenses” account of the statement of income.

(c) Classification and measurement of financial liabilities

A significant change introduced by TFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.



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(Amounts expressed in thousand Turkish Lira (TL))

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

2.5 New and Revised Turkish Accounting Standards (cont'd)

The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows (cont'd)

IFRS 9 Financial Instruments (cont'd)

(c) Classification and measurement of financial liabilities (cont'd)

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IFRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

Changes regarding the classification of financial liabilities in terms of IFRS 9 are summarised below.

<u>Financial Assets</u>	<u>Previous Classification According to TAS39</u>	<u>New Classification According to IFRS9</u>
Derivative Financial Liabilities	Fair Value Difference Reflected in Income Statement	Fair Value Difference Reflected in Income Statement
Borrowings	Amortised Cost	Amortised Cost
Other Liabilities	Amortised Cost	Amortised Cost
Trade Payables	Amortised Cost	Amortised Cost

Changes regarding the classification of financial liabilities in terms of IFRS 9 are summarised below.

(d) Hedging Accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

Specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Group's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements.

The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under TMS 39.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's financial statements are described below.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position..



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

2.5 New and Revised Turkish Accounting Standards (cont'd)

The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows (cont'd)

TFRS 9 Financial Instruments (cont'd)

(d) Hedging Accounting

Accounting policies related with revenue items explained in Note 2.6.1. Implementation of TFRS 15 does not have significant effect on the Group's financials and the Group's performance.

Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transaction:

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Change in TFRS 2 hasn't significant effect on Group's financials.

Amendments to TMS 40 Transfers of Investment Property:

Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to TFRS Standards 2014–2016 Cycle:

TMS 28: Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. Annual improvements to TFRS Standards 2014-2016 cycle have no impact on the Group's financial statements.

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration:

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration,
- in advance of the recognition of the related asset, expense or income;
- the prepayment asset or deferred income liability is non-monetary.

The Comment Committee concluded:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial
- recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt..

New and revised TFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised TFRS Standards that have been issued but are not yet effective:

- *TFRS 16 Leases* ⁽¹⁾
- *Amendments to TMS 28 Long-term Interests in Associates and Joint Ventures* ⁽¹⁾
- *IFRIC 23 Uncertainty over Income Tax Treatments* ⁽¹⁾



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.5 New and Revised Turkish Accounting Standards (cont'd)

The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows (cont'd)

- TFRS 10 and TMS 28 (amendments) *Financial Statements Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to TMS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* ⁽¹⁾
- Annual Improvements to TFRS Standards 2015–2017 Cycle Amendments to TFRS 3 *Business* ⁽¹⁾

⁽¹⁾ Effective from periods on or after 1 January 2019.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

TFRS 16 Leases

General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 will supersede the current lease guidance including TMS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Group will be 1 January 2019.

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TMS 17.

The Group will make use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TMS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. TFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of TFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in TFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Amendments to TMS 28 Long-term Interests in Associates and Joint Ventures

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TMS 12.

TFRS 10 Financial Statements and TMS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to TFRS 10 and TMS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.5 New and Revised Turkish Accounting Standards (cont'd)

The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows (cont'd)

Amendments to TMS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TMS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TMS 23 Borrowing Costs in capitalized borrowing costs.

The Group assess the possible impacts of the application of the amendments on the Group's financial statements.

2.6 Summary of Significant Accounting Policies

Accounting policies implemented during preparation of financial statements as follows:

2.6.1 Revenue recognition

In accordance with TFRS 15 "Revenue Standard from Customer Contracts", effective from 1 January 2018, the Group recognizes revenue in the financial statements in the following five-stage model. The Revenue consists of the sale of fibers, textile chips, polyester, yarn and other side products sold directly to the end user in the domestic and foreign markets.

- Identification of contracts with customers
- Identification of performance obligations in contracts
- Determination of the transaction price in contracts
- Distribution of transaction fee to performance obligations
- Revenue recognition

The Group evaluates the goods or services that has committed in each contract with the customers and determines each commitment to transfer the goods or services as a separate performance obligation. For each performance obligation, it is determined at the beginning of the contract that the performance

obligation will be fulfilled over a period of time or at a certain time. If the Group transfers the control of a good or service over time and thus (hence) fulfills the performance obligations related to the sales over a period of time, it records revenue to the financial statements over a period of time by measuring the progress of the fulfillment of the performance obligations.

As the Group transfers its promised flat and long products to its customers and fulfills the performance obligation, it records the transaction price corresponding to this performance obligation in its financial statements as revenue. The goods or services are transferred when the goods or services are checked (or passed) by the customers.

When the Group evaluates the transfer of control of the goods or services sold to the customer, it takes into account the conditions listed below:

- Ownership of the Group's right to collect goods or services,
- The customer's ownership of the legal property
- Transfer of the possession of goods or services,
- The ownership of significant risks and rewards arising from the ownership of the goods or services,
- The customer's recognition of the goods or services,



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(Amounts expressed in thousand Turkish Lira (TL))

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.1 Revenue recognition (cont'd)

At the beginning of the contract, the Group does not correct the effect of an important financing component at the commitment price if the customer foresees that the period between the date of transfer of the goods or services to which the customer commits is one year or less. On the other hand, in the event that there is an important financing element within the proceeds, the revenue value is determined by discounting the future collections with the interest rate within the financing element. The difference is recognized as other income from operating activities on an accrual basis.

Revenue is recognized in accordance with TFRS 18 until 31 December 2017.

Dividend, interest and rental income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Group's interest income from sales with maturities is recognized in other operating income.

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

2.6.2 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

2.6.3 Tangible Assets

Revaluation Method

The Group's tangible fixed assets operating in the production of iron ore and high silicon flat steel are stated in the balance sheet at their fair value amounts at the date of acquisition. Any increase arising from the revaluation of the existing assets is recorded under the revaluation reserve, in the shareholders' equity. A decrease in carrying amount arising on the revaluation of assets is charged to the income statement to the extent that it exceeds the balance in the revaluation reserve that is related to the previous revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of property, plant and equipment is the higher of net selling price and value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement.

Cost Method

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

The rates that are used to depreciate the fixed assets are as follows:

	YEAR
Land and Land Improvements.....	15-25
Buildings.....	18-40
Machine, Plant and Equipment.....	15-25
Vehicles.....	5
Furniture and Fixtures.....	5-10



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(Amounts expressed in thousand Turkish Lira (TL))

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.3 Tangible Assets (cont'd)

Cost Method (cont'd)

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

2.6.4 Intangible Assets

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

YEARS

Liberties 10

Development Costs 5

Internally-generated intangible assets – research and development expenditure

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

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

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

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

The amount of intangible assets created in-house is the total amount of expenses incurred from the moment the intangible asset meets the aforementioned posting requirements. When intangible assets created in-business are not recorded, development expenditures are recorded as expenses in the period in which they occur.

2.6.5 Borrowing Costs

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

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



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.6 Financial Instruments

Financial instruments are recognized in the Group's financial statements when the Group is a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or release of financial assets and liabilities (except for financial assets and liabilities at fair value through profit or loss) are recognized in the fair value of the financial assets and liabilities at initial recognition at the fair value of the financial assets and liabilities. Transaction costs directly related to the acquisition or issuance of financial assets and liabilities are directly recognized in profit or loss.

Financial Assets

The financial assets sold and received in a normal way are recorded or extracted on the transaction date.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. A regular way purchase or sale of financial assets shall be recognized using trade date accounting or settlement date accounting. When a financial asset is recognized initially, the Group measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of Financial Assets

Financial assets that provide the following conditions are subsequently measured over the redeemed costs:

- The financial asset, a business model aimed at collecting contractual cash flows; and
- The contractual terms for the financial entity lead to cash flows that contain only interest payments arising from the principal and principal balance on certain dates.

Financial assets that provide the following conditions are measured by reflecting the fair value change to other comprehensive income:

- Financial assets, contractual cash flows, and a business model aimed at selling the financial asset; and
- The contractual terms for the financial entity lead to cash flows that contain only interest payments arising from the principal and principal balance on certain dates.

If a financial asset is not measured over the redeemed cost or the fair value change is reflected in other comprehensive income, the fair value change is measured by profit or loss.

For the first time in obtaining financial statements, the group may be offered a non-reversible preference for the subsequent changes in the fair value of the investment to the equity tool which is not retained for commercial purposes in other comprehensive income.

(i) Redeemed cost and effective interest method

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

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



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(Amounts expressed in thousand Turkish Lira (TL))

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.6 Financial Instruments (cont'd)

Financial Assets (cont'd)

(i) Redeemed cost and effective interest method (cont'd)

Interest income, redeemed costs in subsequent posting, and fair value change are accounted for by using the effective interest method for borrowing vehicles projected to other comprehensive income. Interest income is accounted for in profit or loss and is shown in the “financing revenues – Interest income” item (note 24).

(ii) Fair value change is the financial assets reflected in other comprehensive income

The financial assets ((i) – (iii)), which do not meet the criteria of measurement by reflecting on the redeemed costs or the other comprehensive income of the fair value change, are measured by the profit or loss of the fair value exchange.

(iii) Fair value change, financial assets reflected in other comprehensive income

Financial assets at fair value through profit or loss are measured at fair value at the end of each period and all fair value changes are recognized in profit or loss unless the financial assets are a part of the hedging transaction (Please see hedge accounting policy).

Foreign Currency Gain and Losses

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

(iv) Fair value change, financial assets reflected in other comprehensive income

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.6 Financial Instruments (cont'd)

Financial Assets (cont'd)

Measurement and recognition of expected credit losses

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

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

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

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

A financial liability is subsequently classified at amortized cost except:

- a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value
- b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Group continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset..
- c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Group does not reclassify any financial liability.

Derecognition of financial liabilities

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



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.6 Financial Instruments (cont'd)

Financial Assets (cont'd)

Hedging Accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again. The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Financial instruments recognized in accordance with TFRS 39 until 31 December 2017.

2.6.7 The effects of foreign exchange rate changes

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Assets and liabilities denominated in foreign currencies are converted at the exchange rates prevailing on the balance sheet date.

The Group records foreign currency (currencies other than the functional currency of the related Group) transactions using exchange rates of the date the transaction is completed. Foreign currency monetary items are evaluated with exchange rates as of reporting date and arising foreign exchange income/expenses are recorded in statement of income. All monetary assets and liabilities are evaluated with exchange rates of the reporting date and related foreign currency translation differences are transferred to statement of income. Non-monetary foreign currency items that are recognized at cost are evaluated with historic exchange rates. Non-monetary foreign currency items that are recognized at fair value are evaluated with exchange rates of the dates their fair values are determined.

The exchange rate differences are recognition for in profit or loss in the period in which they occur, except as described below:

- Exchange rates, which are associated with assets that are being built for future use and are addressed as correction pens to interest costs on payables shown in foreign currency, and included in the cost of such assets,
- Exchange differences arising from transactions carried out to provide financial protection against risks arising from foreign currency (accounting policies for providing financial protection against risks are described below),
- Monetary debt arising from overseas activities, which constitute part of the net investment in overseas activity, are accounted for by profit or loss in the sale of net investment and are associated with profits or losses in online trading, and Currency differences arising from receivables

2.6.8 Subsequent events

Subsequent events include all events that take place between the balance sheet date and the date of authorization for the release of the balance sheet, although the events occurred after the announcements related to the net profit/loss or even after the public disclosure of other selective financial information..



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.6 Summary of Significant Accounting Policies (cont'd)

In the case that events occur requiring an adjustment, the Group adjusts the amounts recognized in its financial statements to reflect the adjustments after the balance sheet date. Post period end events that are not adjusting events are disclosed in the notes when material.

2.6.9 Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past legal or subtle event, where it is probable that the Group will be required to settle that obligation and when a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine the probability of outflow of the economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for the cases where a reliable estimate cannot be made.

When the Group's contingent liabilities' availability is possible but the amount of resources containing the economic benefits cannot be measured reliably, then the Group discloses this fact in the notes.

2.6.10 Related parties

A related party is a person or entity that is related to reporting entity, the entity that is preparing its financial statements.

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

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

2.6.11 Government Grants and Incentives

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.11 Government Grants and Incentives (cont'd)

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

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

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

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

The government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. The portion of government grants associated to previously capitalize intangible assets is deducted from the cost of the intangible asset, whereas the other government grants are recognized as income in the period which they are incurred.

2.6.12 Investment Properties

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

2.6.13 Income Taxes

Because the Turkish tax legislation does not allow the parent Group and its affiliates to prepare a consolidated tax return, the tax provisions are calculated separately on each business basis, as reflected in the attached consolidated financial statements. The income tax expense consists of the sum of the current tax and the deferred tax charge.

Current Tax

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

Deferred Tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.13 Income Taxes (cont'd)

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

2.6.14 Employee Benefits

Termination and retirement benefits:

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

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

2.6.15 Cash Flow Statement

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

2.6.16 Capital and Dividends

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

2.6.17 Segment Reporting

Considering the nature of products and production processes, the type of products and services, and the methods they use to distribute their products and services, the departments are combined into a single operating segment with similar economic characteristics.

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**2.6 Summary of Significant Accounting Policies (cont'd)****2.6.18 Earning per share**

Profit per share is determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned. Groups distributing shares of stock to existing shareholders from retained earnings and allowable reserves ("bonus shares") to increase their capital. In calculating the earnings per share, these bonus shares are considered as issued shares. Therefore, the weighted average number of shares used in the calculation of earnings per share is calculated on a retrospective basis.

NOTE 3 - CASH AND CASH EQUIVALENTS

	<u>31 December 2018</u>	<u>31 December 2017</u>
Cash on hand	27	2
Cash at banks	28.245	84.931
-Demand Deposits	25.231	84.931
-Time Deposits	3.014	-
	28.272	84.933

The details of time deposits of financial statements at 31 December 2018 is as follows:

<u>Currency</u>	<u>Interest (%)</u>	<u>Maturity</u>	<u>31 December 2018</u>
Euro	2,90	4 January 2019	3.014 (*)
			3.014

(*) The relevant amount is TL equivalent of 500 thousand Euro.

NOTE 4 - FINANCIAL INSTRUMENTS

	<u>31 December 2018</u>	<u>31 December 2017</u>
Short-term Financial Investments		
Deposits with maturities longer than 3 months(*)	28.139	5.132
Total	28.139	5.132

(*)As of 31 December 2018, the Group has blocked bank deposit amounting because of having a block amount of 28.139 TL longer than 3 months which derived from Türk Eximbank loans (31 December 2017: 5.132 TL).

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 4 - FINANCIAL INSTRUMENTS (cont'd)**Short - Term Financial Borrowings**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Short - term bank loans	639.556	311.310
Current portion of the long - term financial borrowings	215.544	41.976
	855.100	353.286

Long - Term Financial Borrowings

	<u>31 December 2018</u>	<u>31 December 2017</u>
Long - term bank loans	1.186.329	567.517
	1.186.329	567.517

Foreign currency denominated bank loans and corresponding interest expense accruals as at 31 December 2018 and 2017 are as follows:

Principal	31 December 2018			31 December 2017		
	Weighted Average Effective Interest Rate %	Original Amount	TL	Weighted Average Effective Interest Rate %	Original Amount	TL
Original Currency						
TL	36,94	-	128.023	-	-	3.546
US Dollar	10,00	2.000	10.522	-	-	-
Euro	3,92	310.571	1.872.121	3,85	198.698	897.221
			2.010.666			900.767

Accrued Interest

TL	-	3.310	-	-
US Dollar	44	229	-	-
Euro	4.415	27.224	4.425	20.036
		2.041.429		920.803

(*) USD and Euro are expressed in one thousand .

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Within 1 year	855.100	353.286
Within 1 - 2 year	241.270	93.547
Within 2 - 3 year	234.630	107.321
Within 3 - 4 year	222.386	102.304
Within 4 - 5 year	178.054	93.132
Later than 5 years	309.989	171.213
	2.041.429	920.803

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 4 - FINANCIAL INSTRUMENTS (cont'd)**Reconciliation of the liabilities arising from financial activities**

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Opening Balance	920.803	342.709
Interest Expense	33.087	14.568
Interest Paid	(54.283)	(3.964)
Exchange Difference	328.247	28.148
Capitalized Financial Expense	112.780	52.777
New Credits	1.429.901	690.347
Repaid Loans	(729.106)	(203.782)
Closing Balance	2.041.429	920.803

NOTE 5 - TRADE RECEIVABLES AND TRADE PAYABLES**Trade Receivables**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Trade receivables (*)	255.752	235.747
Cheques received (**)	133.113	116.574
Provision for doubtful receivables	(171)	(3.100)
	388.694	349.221
Receivables from related parties (Note 28)	71.906	32.275
	460.600	381.496

(*) As of 31 December 2018 trade receivables are discounted by using monthly 2.92 % for TL, 0.75 % for USD, 0.54 % for EUR. (As of 31 December 2016: 1.25 % for TL, 0.46% for USD, 0.32% for EUR).

(**) Cheques received constitute the cheques obtained from customers and kept in portfolio as a result of trade activities and consist of TL 80,872 with maturities of less than three months (31 December 2017: TL 55,548).

Overdue Period	<u>31 December 2018</u>	<u>31 December 2017</u>
Up to 1 month	18.752	29.793
Up to 1-3 months	1.270	1.097
Over 3 months	254	266
	20.276	31.156

As of 31 December 2017, due to existence of receivable insurance, bank guarantee, mortgage and other guarantees (i.e. cheques), the Group has not allocated any provision 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>31 December 2018</u>	<u>31 December 2017</u>
Over 6 months	171	3.100
	171	3.100

As of 31 December 2018, provision for doubtful receivables has been provided for trade receivables amounting to TL 171 (2017: TL 3,100).

Allowances for doubtful receivables are recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty.

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

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

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

	1 January -31 December 2018	1 January -31 December 2017
Balance at 1 January	(3.100)	(3.618)
Provision for the period	-	-
Provision closed during the period(*)	2.929	518
Balance 31 December	(171)	(3.100)

(*) As of December 31, 2018, uncollectible loan account amounting to TL 2,929 has been closed

Trade Payables

	31 December 2018	31 December 2017
Trade payables	316.577	198.987
	316.577	198.987

As of 31 December 2018 trade payables are discounted by using monthly 2,92 % for TL, 0,54 % for USD, 0,75 % for EUR (31 December 2017: 1,25 % for TL, 0,46 % for USD, 0,32 % for EUR).

As of 31 December, 2018 average turnover for trade receivables and trade payables are 58 days and 59 days, respectively (31 December 2017: 58 days and 59 days respectively).

Explanation on credit risk of receivables are explained in Note 30.

NOTE 6 – PAYABLES RELATED TO EMPLOYEE BENEFITS**Payables related to employee benefits**

	31 December 2018	31 December 2017
Social security premium	4.903	3.422
Payables to personnel	2.303	1.510
	7.206	4.932

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

	31 December 2018	31 December 2017
Receivables from Insurance Indemnity	429	258
Job and service advances	344	950
Deposits and guarantees given	62	30
Prepaid taxes and funds	567	-
Other receivables	600	840
	2.002	2.078
Receivables from Related Parties (Note 29)	329.976	323.462
	331.978	325.540

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 7 – OTHER RECEIVABLES, PAYABLES AND DEFERRED INCOME (cont'd)**Other Non Current Receivables**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Deposits and Guarantees Given	114	79
	114	79

Other Payables

	<u>31 December 2018</u>	<u>31 December 2017</u>
Taxes, Duties and Charges	3.644	3.208
Other	2	2
	3.646	3.210

Deferred Income

	<u>31 December 2018</u>	<u>31 December 2017</u>
Received Order Advances	1.624	5.349
	1.624	5.349

NOTE 8 – INVENTORIES

	<u>31 December 2018</u>	<u>31 December 2017</u>
Raw materials and supplies	259.290	158.257
Finished goods	208.990	44.473
Intermediate goods	72.907	50.998
Spare parts	7.459	5.143
Semi - finished goods	5.237	3.602
Manufacturing residues	519	348
Others	6.245	3.595
	560.647	266.416

NOTE 9 - PREPAID EXPENSES**Prepaid Expenses (Short-term)**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Prepaid insurance costs	4.736	3.037
Other	1.440	355
	6.176	3.392

Prepaid Expenses (Long-term)

	<u>31 December 2018</u>	<u>31 December 2017</u>
Fixed asset advance (*)	194.317	146.688
Expenses for the next years	1.965	-
	196.282	146.688

(*) Given advance is related to advance paid for fibre, chips, poy-texturized, pet (MTR), bright chips and FDY yarns investments of the Group for facilities.

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 10 - INVESTMENT PROPERTIES

The movement schedules of investment properties and related accumulated depreciation for the years ended 31 December 2018 and 2017 are as follows:

	1 January 2018	Additions	Transfers	Disposals	31 December 2018
Cost					
Land	19	-	-	-	19
Buildings	10.319	-	-	-	10.319
Land and land improvements	1.045	-	-	-	1.045
Machine, plant and equipment	7.587	-	-	(7.376)	211
Vehicles	224	-	-	(224)	-
Furniture and fixtures	277	-	-	(277)	-
	19.471	-	-	(7.877)	11.594
Accumulated Depreciation					
Buildings	7.363	99	-	-	7.462
Land and land improvements	819	8	-	-	827
Machine, plant and equipment	4.885	121	-	(4.899)	107
Vehicles	224	-	-	(224)	-
Furniture and fixtures	263	-	-	(263)	-
	13.554	228	-	(5.386)	8.396
Net book value	5.917	(228)	-	(2.491)	3.198

As of 31 December 2018 the Group has leased properties with the net book value of TL 344 (31 December 2017: TL 576) to the third parties through lease agreements. The Group has generated rent income of TL 276 (31 December 2017: TL 442) throughout the period resulting from these lease agreements.

The net carrying value of the investment properties of the Group is considered to reflect the true fair value.

	1 January 2017	Additions	Transfers(*)	Disposals	31 December 2017
Cost					
Land	5	-	14	-	19
Buildings	3.780	-	6.539	-	10.319
Land and land improvements	-	-	1.045	-	1.045
Machine, plant and equipment	-	-	7.587	-	7.587
Vehicles	-	-	224	-	224
Furniture and fixtures	-	-	277	-	277
	3.785	-	15.686	-	19.471
Accumulated Depreciation					
Buildings	3.113	96	4.154	-	7.363
Land and land improvements	-	-	819	-	819
Machine, plant and equipment	-	-	4.885	-	4.885
Vehicles	-	-	224	-	224
Furniture and fixtures	-	-	263	-	263
	3.113	96	10.345	-	13.554
Net book value	672	(96)	5.341	-	5.917

(*) Property, plant and equipment held for sale is not recognized as a completed sale within one year and is classified as investment property. The income statement related to the total depreciation expense in the periods ended at 31 December 2018 and 2017 is given in Note 11.

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOT 11 - PROPERTY, PLANT AND EQUIPMENT

The movement schedules of property, plant and equipment and related accumulated depreciation for 31 December 2018 and 2017 are as follows:

	1 January 2018	Additions	Transfers	Revaluation	Disposals	31 December 2018
Cost						
Land	611.229	103.032	-	-	-	714.261
Land and land improvements	7.425	232	-	-	-	7.657
Buildings	59.420	216	-	-	(7.234)	52.402
Machine, plant and equipment	429.862	31.225	-	-	(9.515)	451.572
Vehicles	2.384	751	-	-	(110)	3.025
Furniture and fixtures	6.518	1.626	-	-	(59)	8.085
Investments in progress	368.319	943.998	-	-	-	1.312.317
	1.485.157	1.081.080	-	-	(16.918)	2.549.319
Accumulated depreciation						
Land and land improvements	6.336	90	-	-	(3.208)	3.218
Buildings	45.157	2.385	-	-	(1.555)	45.987
Machine, plant and equipment	320.580	8.112	-	-	(5.846)	322.846
Vehicles	2.336	281	-	-	-	2.617
Furniture and fixtures	4.531	730	-	-	-	5.261
	378.940	11.598	-	-	(10.609)	379.929
Net book value	1.106.217					2.169.390
	1 January 2017	Additions	Transfers	Revaluation	Disposals	31 December 2017
Cost						
Land	25.764	15.918	-	569.547	-	611.229
Land and land improvements	7.193	232	-	-	-	7.425
Buildings	63.750	-	-	-	(4.330)	59.420
Machine, plant and equipment	422.596	10.979	775	-	(4.488)	429.862
Vehicles	2.178	316	-	-	(110)	2.384
Furniture and fixtures	6.117	460	-	-	(59)	6.518
Investments in progress	22.907	346.187	(775)	-	-	368.319
	550.505	374.092	-	569.547	(8.987)	1.485.157
Accumulated depreciation						
Land and land improvements	6.257	79	-	-	-	6.336
Buildings	46.152	3.070	-	-	(4.065)	45.157
Machine, plant and equipment	315.800	7.929	-	-	(3.149)	320.580
Vehicles	1.751	695	-	-	(110)	2.336
Furniture and fixtures	4.590	-	-	-	(59)	4.531
	374.550	11.773	-	-	(7.383)	378.940
Net book value	175.955					1.106.217

(*) As of periods ended 31 December 2018, there is TL 112780 amount of borrowing cost was capitalized in ongoing investments (Currency difference: TL 89,442, interest: TL 23,338)(31 December 2017: TL 52.777).

As of 31 December 2018, there is a mortgage on property plant and equipment amounting to TL 571.440 (31 December 2017: TL 571,440). There is no debt related to property, plant and equipment purchased by finance lease.

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOT 11 - PROPERTY, PLANT AND EQUIPMENT (cont'd)**Fair value measurement of the Group's freehold land and buildings**

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

Details of the Group's freehold land and information about the fair value hierarchy as at 31 December 2018 are as follows:

	Fair value hierarchy as of reporting date			
	31 December 2018	Level 1	Level 2	Level 3
Land	714.261	-	714.261	-
	714.261	-	714.261	-

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

Income statement accounts related to depreciation and amortization of total (property plant and equipment, intangible assets, investment property) during the periods ended 31 December 2018 and 31 December 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Production cost (Note: 19)	9.858	9.754
General administrative expenses (Note: 20)	1.279	1.217
Research expenses (Note: 20)	639	1.064
Marketing, sales and distribution expenses (Note: 20)	1.006	606
	12.782	12.641

NOTE 12 - INTANGIBLE ASSETS

The movement schedules of intangible assets and related accumulated amortization for the year ended 31 December 2018 and 2017 are as follows:

	1 January 2018	Additions	Disposals	31 December 2018
Cost				
Rights	7.032	1.224	-	8.256
Development costs	7.641	-	-	7.641
	14.673	1.224	-	15.897
Accumulated amortization				
Rights	6.232	578	-	6.810
Development costs	7.611	378	-	7.989
	13.843	956	-	14.799
Net book value	830			1.098

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 12 - INTANGIBLE ASSETS (cont'd)

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Rights	6.980	52	-	7.032
Development costs	7.600	41	-	7.641
	14.580	93	-	14.673
Accumulated amortization				
Rights	5.739	493	-	6.232
Development costs	7.332	279	-	7.611
	13.071	772	-	13.843
Net book value	1.509			830

The total amortization for the year ended 31 December 2018 and 2017 is presented in Note 11.

NOTE 13 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of 31 December 2018, the Group has no assets held for sale. These assets were transferred to investment properties.

For the period 31 December 2017, the movements for the fiscal period are as follows:

	1 January 2017	Additions	Transfers (*)	Disposals	31 December 2017
Cost					
Land	14	-	(14)	-	-
Land and land improvements	1.045	-	(1.045)	-	-
Buildings	6.538	-	(6.538)	-	-
Machine, plant and equipment	8.589	-	(7.588)	(1.001)	-
Vehicles	224	-	(224)	-	-
Furniture and fixtures	290	-	(277)	(13)	-
Net book value	16.700	-	(15.686)	(1.014)	-
Accumulated depreciation					
Land and land improvements	819	-	(819)	-	-
Buildings	4.154	-	(4.154)	-	-
Machine, plant and equipment	5.678	-	(4.885)	(793)	-
Vehicles	224	-	(224)	-	-
Furniture and fixtures	276	-	(263)	(13)	-
	11.151	-	(10.345)	(806)	-
Net book value	5.549				-

(*) Property, plant and equipment held-for-sale are recognized as completed sale transactions within a year, and are classified to investment properties.

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 14- PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**Provision for restructuring and demand of other receivables**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Provision for restructuring and demand of other receivables (*)	877	2.453
	<u>877</u>	<u>2.453</u>

(*) 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.

	<u>1 January - 31 December 2018</u>	<u>1 January - 31 December 2017</u>
Balance at 1 January	2.453	1.186
Charge for the period (Note 20)	197	1.367
Closed provisions within the period	(1.773)	(100)
Balance at 31 December	877	2.453

NOTE 15 – COMMITMENTS

Commitments, which are not included in the liabilities at 31 December 2018 and 2017 are as follows:

Commitments based on export incentive certificates

	<u>31 December 2018</u>	<u>31 December 2017</u>
Total amount of export commitment of documents recorded	4.599.496	3.644.101
Total amount of export commitment of documents which are presently fulfilled but the closing transactions are not concluded	4.152.613	3.198.584
Total amount of open export incentives	840.603	445.517
AOpen export incentives	320.487	55.840
	<u>31 December 2018</u>	<u>31 December 2017</u>
Open Letter of Credit	593.745	246.403



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 15 – COMMITMENTS(cont'd)

Guarantees, pledges and mortgages 'GPM' given by the Group

	31 December 2018				31 December 2017			
	TL Equivalent	TL	USD	Euro	TL Equivalent	TL	USD	Euro
A.Total amounts of CPM given on behalf of its own legal entity (*)	1.202.289	608.422	-	98.518	975.098	619.488	4.080	75.345
B.Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation	12.484	12.484	-	-	-	-	-	-
C.Total amounts of CPM given in order to guarantee third parties debts for routine trade operations	-	-	-	-	-	-	-	-
D.Total amount of other CPMs given								
- Total amount of CPMs given on behalf of the majority shareholder	-	-	-	-	-	-	-	-
- Total amount of CPMs given on behalf of other								
- Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-	-	-	-	-	-	-
Total CPM Amount	1.214.773	620.906	-	98.518	975.098	619.488	4.080	75.345

(*) US Dollar and Euro amounts are expressed as USD 1,000 and EUR 1,000.

As of 31 December 2018 the percentage of the other GPM`s given by the Group to the total equity is 0% (31 December 2017: 0%).

Mortgages and guarantees taken at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Received Letter of Guarantees	48.446	52.134
Received cheques and notes of guarantees	2.758	1.719
Received Mortgages	-	234
	51.204	54.087

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 16 - PROVISION FOR EMPLOYEE TERMINATION BENEFITS**Short Term Employee Benefits**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Provision for personnel expense	-	7
	-	7

Long Term Employee Benefits

	<u>31 December 2018</u>	<u>31 December 2017</u>
Provision for employment termination benefits	37.252	31.826
Unused vacation provision	3.668	2.922
	40.920	34.748

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 at 31 December 2018 and 2017 are as follows:

	<u>1 January-31 December 2018</u>	<u>1 January-31 December 2017</u>
Balance at 1 January	2.922	2.427
Provision for the period	873	874
Provision released	(127)	(379)
Balance at 31 December	3.668	2.922

Movements of premiums are as follows:

	<u>1 January-31 December 2018</u>	<u>1 January-31 December 2017</u>
Balance at 1 January	-	1.500
Provision paid	-	(1.500)
Balance at 31 December	-	-

Provision for Employment Termination Benefits

There are no agreements for pension commitments other than the legal requirement as explained below. Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause excluding 25/2 article of labor law, is called up for military service or dies. As of 8 September 1999 related labor law was changed and retirement requirements made gradual. The amount payable consist of one gross wage for each year of service limited to maximum termination indemnity for non-union employees and 47 days gross wage for each year of service limited to maximum termination indemnity for union employees. Same payment is done for days remaining from 1 year.

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

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

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 16 - PROVISION FOR EMPLOYEE TERMINATION BENEFITS (cont'd)**Provision for Employment Termination Benefits (cont'd)**

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Discount rate (%)	4,72	4,72
Retention rate to estimate the probability of retirement (%)	98	98

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

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 6.02 (1 January 2018: TL 5.00), which is expected to be effective from 1 January 2019, 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 - 31 December 2018</u>	<u>1 January - 31 December 2017</u>
Balance at 1 January	31.826	25.083
Provision for the period	10.481	10.548
Paid during the period	(5.055)	(6.349)
Actuarial gain / loss	-	2.544
Balance at 31 December	37.252	31.826

NOTE 17 - OTHER ASSETS AND LIABILITIES**Other Current Assets**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Deferred VAT	36.166	30.025
VAT return receivables from export and domestic market sales (*)	30.610	19.875
Deferred special consumption tax	774	1.455
	67.550	51.355

(*) The Group applied for a VAT refund amounting to TL 12,642 as of 31 December 2018 and expects to collect it in cash in the next few months (31 December 2017: TL 2,629).

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 18 - SHAREHOLDERS' EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each Kr 1 nominal value of 60,500,000,000 shares (31 December 2017: 41,250,000,000 adet). The shareholders and shareholding structure of the Group at 31 December 2018 and 2017 are as follows:

	<u>31 December 2018</u>		<u>31 December 2017</u>	
	Share Amount TL	Share (%)	Share Amount TL	Share (%)
Erdemoğlu Holding A.Ş.	513.063	84,80	349.816	84,80
Other	91.937	15,20	62.684	15,20
Share Capital (*)	605.000	100	412.500	100
Adjustments to share capital (**)	13		13	
Total Capital	605.013		412.513	

(*) The total capital of the Group is increased to TL 605,000,000 (full TL) through bonus issues amounting to TL 192,500,000 (full TL) on 15 May 2018.

(**) 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 31 December 2018 and 2017 prepared in accordance with the Communiqué No: XI-29 are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Share Capital (*)	605.000	412.500
Adjustments to Share Capital	13	13
Treasury Shares	(1.594)	(1.594)
Restricted Reserves Appropriated from Profit	28.306	21.243
Accumulated Loss	(2.384)	(6.387)
Remeasurement Losses on Defined Benefit Plans	(4.109)	(4.109)
Gain on Revaluation of Property, Plant and Equipment	512.592	512.592
Net Profit for the Year	597.406	203.566
Total Share Capital	1.735.230	1.137.824

(*) TL 192,500,000 of capital increase by bonus issue (at the rate of 46.6667%) was approved by CMB on 14 May 2018 and dividend distribution was made on 24 May 2018. As a result, share capital of the Group has reached to TL 605,000,000.

Between 24 November 2017 and 29 November 2017, the Group has repurchased a total of 159,388,400 shares within a price range of TL 6.40 - TL 6.69 (TL-Exact) with the total transaction amounting exactly to 10,532,055. The average purchase price of the repurchased shares is TL 6.6068 and the ratio of total shares acquired as a result of the purchase transactions between 24 November 2017 - 29 November 2017 to the total number of shares is 0.38%.

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.



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 18 - SHAREHOLDERS' EQUITY

The related amount that was followed under the “accumulated loss” item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

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

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

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

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

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

Divided Distribution

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

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

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 may be subject to profit distribution:

Profit for the year after deduction of accumulated deficit of the Group and total amount of the resources that may be subject to profit distribution is TL 462,888 (31 December 2017: TL 197,179).

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 Sanayi A.Ş. 29 March 2018 the General Assembly of the period approved the free capital increase in gross TL 192,500 of net profit and the Group's Assembly on 24 March 2018 for approval of the Capital Markets Board to be considered a reference to TL 605,000, the share capital was registered on 21 May 2018.

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 19 - REVENUE AND COST OF SALES**Sale Income**

	1 January- 31 December 2018	1 January- 31 December 2017
Polyester Fiber	1.035.605	814.506
<i>Domestic</i>	864.217	702.916
<i>Foreign</i>	171.388	111.590
Polyester Cips	932.885	656.203
<i>Domestic</i>	295.349	218.968
<i>Foreign</i>	637.536	437.235
Commercial Commodities	81.923	61.603
<i>Domestic</i>	81.923	61.603
<i>Foreign</i>	-	-
Polyester Yarn	67.710	52.486
<i>Domestic</i>	53.750	51.974
<i>Foreign</i>	13.960	512
Other	60.831	70.457
<i>Domestic</i>	60.831	70.457
<i>Foreign</i>	-	-
Revenue	2.178.954	1.655.255

Cost of Sales

	1 January- 31 December 2018	1 January- 31 December 2017
Raw materials used	1.505.452	1.075.743
Energy expenses	150.203	106.780
Labour expenses	87.631	76.294
Spare parts and maintenance expenses	28.073	16.197
Depreciation and amortization expenses (Note 11)	7.833	8.038
Insurance expenses	4.621	2.469
Usage of semi-finished goods	(1.635)	(123)
Other expenses	15.704	15.650
Production Cost for the Year	1.797.882	1.301.048
Usage of WIP and finished goods	(191.012)	(32.389)
Cost of waste goods sold	5.807	5.646
Other idle period expense	14.482	7.757
Depreciation and amortization of idle period (Note 11)	2.025	1.716
Cost of trade goods sold	75.241	57.404
Provision / (cancellation) for impairment on inventory	-	(4.524)
Inventory count differences	-	(739)
Cost of Goods Sold During the Year	1.704.425	1.335.919

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 20 - MARKETING, GENERAL ADMINISTRATIVE AND RESEARCH AND DEVELOPMENT EXPENSES**General Administrative Expenses**

	<u>1 January- 31 December 2018</u>	<u>1 January- 31 December 2017</u>
Personnel expenses	14.103	10.480
Severance and notice pay	1.632	1.721
Consultancy expenses	1.303	1.378
Depreciation and amortization expenses (Note 11)	1.279	1.217
Supplies, repair and maintenance expenses	1.033	467
Insurance expenses	758	525
Energy expenses	472	324
Assisted services expenses	259	245
Restructuring provision expense (Note 14)	197	1.367
Other expenses	3.515	1.724
	24.551	19.448

Marketing Expenses

	<u>1 January- 31 December 2018</u>	<u>1 January- 31 December 2017</u>
Export and freight expenses	56.261	41.932
Taxes and duties expenses	7.715	4.641
Personnel expenses	6.130	5.313
Insurance expenses	1.078	1.119
Depreciation and amortization expenses (Note 11)	1.006	606
Rent expenses	27	77
Energy expenses	132	139
Other expenses	3.000	3.251
	75.349	57.078

Research and Development Expenses

	<u>1 January- 31 December 2018</u>	<u>1 January- 31 December 2017</u>
Depreciation and amortization expenses (Note 11)	639	1.064
Labour and personnel expenses	326	-
Repair and maintenance expenses	35	111
First raw material and supplies expenses	1	57
Other expenses	483	386
	1.484	1.618

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 21 – EXPENSES BY NATURE

	1 January- 31 December 2018	1 January- 31 December 2017
First raw material and supplies expenses	1.505.453	1.075.800
Energy expenses	150.807	107.243
Labour Expenses	87.631	76.294
Cost of main products	75.241	57.404
Export and freight costs	56.261	41.932
Spare parts and maintainance expenses	28.073	16.197
Personnel expenses	20.559	15.793
Other idle period expenses	14.482	7.757
depreciation and amortization expenses	12.782	12.641
Tax and duties expenses	7.715	4.641
Insurance expenses	6.457	4.113
Cost of wasted goods sold	5.807	5.646
Severance and notice pay	1.632	1.721
Consultancy expenses	1.303	1.378
Supplies, repair and maintainance expenses	1.068	578
Assisted services expenses	259	245
Restructing provision expenses	197	1.367
Rent expenses	27	77
Provision /(cancellation) for impairment on inventory	-	(4.524)
Inventory count differences	-	(739)
Usage of Semi-finished goods	(1.634)	(123)
Usage of products and semi finished products in period	(191.012)	(32.389)
Other expenses	22.701	21.011
	1.805.809	1.414.063

NOTE 22- OTHER OPERATING INCOME / EXPENSE**Other Operating Income**

	1 January- 31 December 2018	1 January- 31 December 2017
Exchange difference income due to trade receivables/payables	511.493	118.465
Raw material sale income(*)	58.889	11.280
Miscellaneous sale income	6.940	9.063
Interest difference income related to receivables	5.924	1.874
No longer requied provisions	127	1.228
	608.311	155.111

(*) Group's revenue from raw material sales is shown in the table above.

Other Operating Expenses

	1 January- 31 December 2018	1 January- 31 December 2018
Exchange difference expenses due to trade receivables/payables	336.451	61.065
Raw material sale expenses(*)	56.390	11.230
Tax, fees and fines	4.168	1.497
Miscellaneous sale expenses	2.166	712
Other expenses	31.772	11.095
	430.947	85.599

(*) The expense of the Group's raw material sales is shown as expense.

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 23 – INVESTMENT INCOME / EXPENSES

	<u>1 January-31 December 2018</u>	<u>1 January-31 December 2017</u>
Gain on sales of property, plant and equipment (*)	3.395	3.849
Rent income	276	442
Loss on sales of property, plant and equipment	(4.642)	(3.535)
	(971)	756

(*) The Grup includes the sale of various machinery and equipment in idle condition.

NOTE 24 - FINANCIAL INCOME

	<u>1 January-31 December 2018</u>	<u>1 January-31 December 2017</u>
Foreign exchange income	38.799	15.014
Interest income	20.562	13.843
	59.361	28.857

NOTE 25 - FINANCIAL EXPENSES

	<u>1 January-31 December 2018</u>	<u>1 January-31 December 2017</u>
Foreign exchange expenses	324.825	75.409
Interest expenses	33.087	14.568
	357.912	89.977

NOTE 26 – ANALYSIS OF OTHER COMPREHENSIVE INCOME

	<u>31 December 2018</u>	<u>31 December 2017</u>
Revaluation fund of Property, Plant and Equipment	512.592	512.592
Defined benefit plans remeasurement gains	(4.109)	(4.109)
	508.483	508.483

Revaluation fund of Property, Plant and Equipment

	<u>1 January-31 December 2018</u>	<u>1 January-31 December 2017</u>
Balance at the beginning of the year	512.592	-
Increase arising from revaluation of property, plant and equipment (Note 11)	-	569.547
Deferred tax liability arising on revaluation	-	(56.955)
Balance at the end of the year	512.592	512.592

Remeasurement gain on defined benefit plans

	<u>1 January-31 December 2018</u>	<u>1 January-31 December 2017</u>
Balance at the beginning of the year	(4.109)	(2.073)
Increase during the year	-	(2.544)
Deferred tax effect	-	508
Balance at the end of the year	(4.109)	(4.109)

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 27 – TAX ASSETS AND LIABILITIES**Deferred taxes**

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Accounting Standards and their statutory tax financial statements.

These differences usually result in the recognition of revenue and expenses in different reporting periods for International Financial Reporting Standards and tax purposes.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2017: 20%).

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2018 and 2017 using the enacted tax rates are as follows:

	<u>Accumulated</u> <u>temporary differences</u>		<u>Deferred</u> <u>tax assets/(liabilities)</u>	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
The clear difference between the registered values of tangible and intangible assets and the tax values	159.021	(29.801)	31.804	(5.960)
Exchange rate adjustment to given investment advance	48.595	-	10.691	-
Tangible Asset Revaluation Difference	(569.546)	(569.546)	(56.955)	(56.955)
Investment discount to be exploited (*)	300.889	-	300.889	-
Provision for Severance	39.792	31.826	7.958	6.365
Valuation difference to Inventories				
Adjustment to insurance compensation income	570	7.794	125	1.714
Adjustment to unrealized sales	(3.618)	(200)	(796)	(44)
Provision to accumulated vacation	3.668	2.922	807	643
Provision to litigation	877	2.453	193	540
Valuation difference of investment properties	-	-	-	-
Provision for doubtful receivables	171	1.370	38	301
Provision for export expense	1.825	1.493	402	328
Adjustment to finance expense to non- accrued	(2.403)	(2.955)	(529)	(650)
Adjustment to finance income to non- accrued	12.110	6.199	2.665	1.364
Assets to deferred tax			355.572	11.255
Liabilities to deferred tax			(58.280)	(63.609)
Deferred tax assets/(liabilities)			297.292	(52.354)

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

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at 1 January	(52.354)	3.737
Deferred tax income for the year	48.757	356
Deferred tax benefit within incentive certificate	300.889	-
Deferred tax expense recognized at equity	-	(56.447)
Balance at 31 December	297.292	(52.354)

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 27 – TAX ASSETS AND LIABILITIES (cont'd)**Corporate Tax**

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent Group 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. 2018 yılında uygulanan efektif vergi oranı %22'dir (2017: %20).

The effective tax rate in 2018 is 22% (2017: 20%) for the Group.

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

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

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

The Group makes advance tax calculations at the rate of 22% on its quarterly financial income and declares on 14th day of the second month after period and pays till 17 April (including Income Tax Law No. 5615, which was enacted on April 4, 2007 and the law related to amendments on the Laws, and declarations must be given related to March 2007).

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

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

Total taxes income for 31 December 2018 and 2017 have been reconciled to the current year tax income as follows:

	<u>1 January- 31 December 2018</u>	<u>1 January- 31 December 2017</u>
Current year tax expense	(3.227)	(47.080)
Deferred tax income	349.646	356
Total tax expense	346.419	(47.080)
	<u>31 December 2018</u>	<u>31 December 2017</u>
Corporate tax to be paid	107.197	47.080
discount used under incentive certificate	(103.970)	-
Prepaid taxes	-	(29.752)
Total tax expense	3.227	17.328

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 27 – TAX ASSETS AND LIABILITIES (cont'd)**Corporate Tax (cont'd)**

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

Government Incentives and Aids

The Group's T.C. As a result of the application for incentive certificate applied by the Ministry of Economy to the General Directorate of Incentive Implementation and Foreign Investment, the application for incentives for Polymer Production Plant Investment has been included in the scope of the Project Provided State Aid to the Investments entered into force upon the decision of the Council of Ministers. Date of June 2018 Published in the Official Gazette. The investment amount subject to incentive has reached to TL 2,799,830 after revisions and the incentives that the investment will benefit from are:

- VAT exemption,
- Customs Duty Exemption,
- VAT refund
- Corporate Tax Reduction (tax discount rate: 100%, investment contribution rate: 104%, ratio of investment contribution to investment period: 100%),
- Insurance Premium Employer's Share Support (without maximum amount limit 10 years),
- Income Tax Withholding Support (10 years)
- Qualified Personnel Support (maximum 10.000 TL),
- Interest and / or Profit Share Support (maximum 10 years from the date of credit usage, not exceeding TL 105.000),
- Energy Support (up to 10 years from the date of commencement, 50% of energy consumption expenditures should not exceed 300.000 TL.)

TL 103.970 of the deduction right of the Group amounting to TL 404.859 has been deducted from financial profit as of the balance sheet date. As of 31 December 2018, the Group has a tax deduction of TL 300.889 to be used in the subsequent periods.

NOTE 28 - EARNINGS PER SHARE

	<u>1 January- 31 December 2018</u>	<u>1 January- 31 December 2017</u>
Net profit	597.406	203.566
<i>Weighted average number of shares:</i>		
Weighted average number of ordinary shares (*)	60.500.000.000	60.500.000.000
Earnings per share with a nominal value of 1 TL (uncut TL)	0,9874	0,3365

(*) Between 24 November 2017 and 29 November 2017, the Group has repurchased a total of 159,388,400 shares with-in a price range of TL 6.40 - TL 6.69 (TL-Exact) with the total transaction amounting exactly to 10,532,055 (Note 18).

NOTE 29 - RELATED PARTY DISCLOSURES**a) Receivables from related parties:**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Özerdem Mensucat San. Tic. A.Ş.	51.920	30.502
Merinos Halı San. Tic. A.Ş.	19.986	1.744
Merinos Mobilya Tekstil San. Tic. A.Ş.	-	29
	71.906	32.275

Trade receivables from related parties are due to the sales of poy and fiber made by the Group.

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 29 - RELATED PARTY DISCLOSURES (cont'd)**b) Other receivables from related parties:**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Dinarsu İmalat ve Ticaret T.A.Ş.	171.967	91.426
Merinos Halı San. Tic. A.Ş.	158.009	232.036
	329.976	323.462

It is the amount valued in group companies to make use of the Group's excessive funds in the most optimal way. As of 31 December 2018, average of other receivables from related parties is 114 days (2017 : 161 days). The currency of the Group's all types of receivables from related parties is determined as Euro and receivables' annual weight rate is 5.48 % (2017 : 4.20 %).

c) Sales to related parties:

	<u>1 January - 31 December 2018</u>	<u>1 January - 31 December 2017</u>
	Product	Product
Özerdem Mensucat San. Tic. A.Ş.	94.114	63.629
Merinos Halı San. Tic. A.Ş.	31.245	18.602
Zeki Mensucat Sanayi ve Tic. A.Ş.	8.181	400
Dinarsu İmalat ve Ticaret T.A.Ş.	297	11
Merinos Mobilya Tekstil San. Tic. A.Ş.	33	117
	133.870	82.759

d) Purchases from related parties:

	<u>1 January - 31 December 2018</u>	<u>1 January - 31 December 2017</u>
	Product	Product
Merinos Mobilya Tekstil San. Tic. A.Ş.	460	38
Merinos Halı San. Tic. A.Ş.	50	-
	510	38

e) Interest income from related parties:

	<u>1 January - 31 December 2018</u>	<u>1 January - 31 December 2017</u>
Merinos Halı San. Tic. A.Ş.	13.728	6.347
Dinarsu İmalat ve Ticaret T.A.Ş.	6.772	3.820
	20.500	10.167

The Group has calculated interest rates. Other receivables from related parties are denominated in EUR and the annual weighted average rate applied in 2018 is 5,48%. (2017: %4,20).

f) Financial foreign exchange income from related parties:

	<u>1 January - 31 December 2018</u>	<u>1 January - 31 December 2017</u>
Merinos Halı San. Tic. A.Ş.	79.213	27.467
Özerdem Mensucat San. Tic. A.Ş.	12.854	1.143
Dinarsu İmalat ve Ticaret T.A.Ş.	4.280	11.436
Zeki Mensucat San. Tic. A.Ş.	69	-
Merinos Mobilya Tekstil San. Tic. A.Ş.	-	30
	96.416	40.076

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 29 - RELATED PARTY DISCLOSURES (cont'd)**g) Remuneration of directors and key management personnel amounts:**

The remunerations and similar benefits paid to the Board of Directors and senior management during the periods ended at 31 December 2018 and 2017 are as follows:

	<u>1 January - 31 December 2018</u>	<u>1 January - 31 December 2017</u>
Short-term benefits provided to key management	1.625	1.638
	1.625	1.638

NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**Financial Risk Management***Financial risk factors*

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

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

Market risk*Foreign exchange risk*

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

Foreign Currency Position Table

Assets and liabilities denominated in foreign currencies at 31 December 2018 and 2017 are as follows:

	<u>31 December 2018</u>			
	<u>TL Equivalent</u>	<u>USD</u>	<u>Euro</u>	<u>GBP</u>
Trade receivables	469.507	55.098	29.804	-
Monetary financial assets (Including cash and banks)	45.881	1.629	6.182	7
Other	582.136	2.058	94.776	-
Current assets	1.097.524	58.785	130.762	7
Total assets	1.097.524	58.785	130.762	7
Trade payables (Including other payables)	257.324	9.701	34.211	10
Financial liabilities	723.769	2.044	118.284	-
Other	2.743	510	10	-
Short-term liabilities	983.836	12.255	152.505	10
Financial liabilities	1.186.328	-	196.803	-
Long-term liabilities	1.186.328	-	196.803	-
Total liabilities	2.170.164	12.255	349.308	10
Net foreign currency position	(1.072.640)	46.530	(218.546)	(3)

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**Foreign Currency Position Table (cont'd)**

	31 December 2017			
	TL Equivalent	USD	Euro	GBP
Trade receivables	357.970	66.913	17.861	-
Monetary financial assets (Including cash and banks)	83.088	1.640	17.026	4
Other	528.862	4.389	118.976	-
Current assets	969.920	72.942	153.863	4
Total assets	969.920	72.942	153.863	4
Trade payables (Including other payables)	181.600	3.432	37.342	7
Financial liabilities	329.704	-	73.016	-
Other	21.168	315	4.425	-
Short-term liabilities	532.472	3.747	114.783	7
Financial liabilities	567.517	-	125.682	-
Long-term liabilities	567.517	-	125.682	-
Total liabilities	1.099.989	3.747	240.465	7
Net foreign currency position	(130.069)	69.195	(86.602)	(3)

Foreign Currency Sensitivity Analysis

As of 31 December 2018;	Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
10% change in US Dollar /TL parity:		
US Dollar net asset	24.478	(24.478)
US Dollar net hedged amount	-	-
US Dollar net effect	24.478	(24.478)
10% change in EUR /TL parity:		
EUR net asset	(131.739)	131.739
EUR net hedged amount	-	-
EUR net effect	(131.739)	131.739
10% change in GBP /TL parity:		
GBP net asset	(2)	2
GBP net hedged amount	-	-
GBP net effect	(2)	2
Total	(107.263)	107.263

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**Foreign Currency Sensitivity Analysis**

As of 31 December 2017;	Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
10% change in US Dollar /TL parity:		
US Dollar net asset	26.100	(26.100)
US Dollar net hedged amount	-	-
US Dollar net effect	26.100	(26.100)
10% change in EUR /TL parity:		
EUR net asset	(39.105)	39.105
EUR net hedged amount	-	-
EUR net effect	(39.105)	39.105
10% change in GBP /TL parity:		
GBP net asset	(2)	2
GBP net hedged amount	-	-
GBP net effect	(2)	2
Total	(13.007)	13.007

Fair value of financial instruments:

Financial assets and liabilities are also considered to reflect their fair values.

Interest rate risk

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

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

Interest Rate Risk

Financial instruments with fixed interest rate	31 December 2018	31 December 2017
<i>Capital</i>	1.039.792	630.412
<i>Interest</i>	28.994	19.319
Total fixed financial liabilities	1.068.786	649.731
Variable rate financial instruments	31 December 2018	31 December 2017
<i>Capital</i>	970.879	270.209
<i>Interest</i>	1.764	865
Total variable financial liabilities	972.643	271.074



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

Credit risk

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

Receivables

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

Credit Risk Exposure according to Financial Instruments Types

	Receivables			
	Trade Receivables		Other Receivables	
	Related Party	Third Party	Related Party	Third Party
31 December 2018				
Maximum credit risk exposure as of balance sheet date	71.906	388.694	329.976	2.002
- Guaranteed maximum risk by commitment or etc (*)	-	291.937	-	-
Net book-value of non-overdue of unimpaired financial asset	71.906	368.589	329.976	2.002
Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-
Net book value of overdue assets that are not impaired	-	20.105	-	-
- The part that is guaranteed by commitment or etc	-	12.554	-	-
Net book value of impaired assets	-	-	-	-
- Overdue (gross book value)	-	171	-	-
- Impairment	-	(171)	-	-

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

	Receivables			
	Trade Receivables		Other Receivables	
	Related Party	Third Party	Related Party	Third Party
31 December 2017				
Maximum credit risk exposure as of balance sheet date	32.275	349.221	323.462	2.078
- Guaranteed maximum risk by commitment or etc (*)	-	300.276	-	-
Net book-value of non-overdue of unimpaired financial asset	32.275	322.110	323.462	2.078
Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-
Net book value of overdue assets that are not impaired	-	31.156	-	-
- The part that is guaranteed by commitment or etc	-	22.838	-	-
Net book value of impaired assets	-	-	-	-
- Overdue (gross book value)	-	(3.100)	-	-
- Impairment	-	(3.100)	-	-

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



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

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

As of 31 December 2018 and 2017, table for overdue but not impaired assets is as follows:

Trade Receivables	31 December 2018	31 December 2017
1-30 days past due date	18.752	29.793
1-3 months past due date	1.270	1.097
3-12 months past due date	254	266
Total	20.276	31.156
Portion secured by financial instruments such as collateral, morgage etc.(*)	12.554	22.838

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

Liquidity risk

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

As of 31 December 2018;

Contractual maturities

	Book Value	Non- Derivative Financial Liabilities				
		Total Cash Outflow	Less than 3 months	3-12 months	1-5 years	Longer than 5 years
Bank Loans	2.041.429	2.197.885	356.674	538.974	982.522	319.715
Trade Payables	195.116	196.764	178.893	17.871	-	-

Expected maturities

	Book Value	Non- Derivative Financial Liabilities				
		Total Cash Outflow	Less than 3 months	3-12 months	1-5 years	Longer than 5 years
Trade Payables	121.461	121.461	87.309	34.152	-	-
Other Payables	3.638	4.392	4.392	-	-	-

As of 31 December 2017;

Contractual maturities

	Book Value	Non- Derivative Financial Liabilities				
		Total Cash Outflow	Less than 3 months	3-12 months	1-5 years	Longer than 5 years
Bank Loans	920.803	1.001.502	82.662	277.533	459.073	182.234
Trade Payables	69.210	69.210	14.521	54.689	-	-

Expected Maturities

	Book Value	Non- Derivative Financial Liabilities				
		Total Cash Outflow	Less than 3 months	3-12 months	1-5 years	Longer than 5 years
Trade Payables	132.280	132.280	91.218	41.062	-	-
Other Payables	3.210	3.210	3.210	-	-	-

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousand Turkish Lira (TL))

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

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

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. As of 31 December 2018 and 2017, the gearing ratio is as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Financial payables	2.041.429	920.803
Less: Cash and cash equivalents	(56.411)	(90.065)
Net payable	1.985.018	830.738
Total equity	1.735.230	1.137.824
Total capital	3.720.248	1.968.562
Net debt/total capital ratio	53%	42%

NOTE 31 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

	Loans and receivables (including cash and cash equivalents)	Financial assets held for sale	Financial liabilities at amortized cost	Financial liabilities at amortized cost	Book value	Note
31 December 2018						
<u>Financial assets</u>						
Cash and cash equivalents	-	-	28.272	-	28.272	3
Trade receivables	-	-	388.694	-	388.694	5
Receivables from related parties	-	-	71.906	-	71.906	5
Other financial assets	-	-	399.642	-	399.642	7-17
<u>Financial liabilities</u>						
Financial borrowings	-	-	-	2.041.429	2.041.429	4
Trade payables	-	-	-	316.577	316.577	5
Other financial liabilities	-	-	-	3.646	3.646	7
31 December 2017						
<u>Financial assets</u>						
Cash and cash equivalents	-	-	84.933	-	84.933	3
Trade receivables	-	-	349.221	-	349.221	5
Receivables from related parties	-	-	32.275	-	32.275	5
Other financial assets	-	-	376.974	-	376.974	7-17
<u>Financial liabilities</u>						
Financial borrowings	-	-	-	920.803	920.803	4
Trade payables	-	-	-	198.987	198.987	5
Other financial liabilities	-	-	-	3.210	3.210	7

The group management believes that the carrying values of the financial instruments reflect their fair values.



AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 31 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

NOTE 32 - EVENTS AFTER THE BALANCE SHEET DATE

None.

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