SASA POLYESTER
SANAYİ A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2021 AND
THE INDEPENDENT AUDITOR’S REPORT

(CONVENIENCE TRANSLATION OF
INDEPENDEN AUDITOR’S REPORT
ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of SASA Polyester A.Ş. ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

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

3) Key Audit Matters

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

3) Key Audit Matters (cont'd)

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

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

Key Audit Matter	**How The Matter Was Addressed In The Audit**
Deferred Tax Assets Calculated for Investment Incentives The Group's investment incentive certificate within the scope of Project-Based Incentive System has the advantages of corporate tax on investment expenditures within the scope of investment incentive documents. Within the scope of these investment incentive documents, there is a deferred tax asset of TL 3,271,149 to be used as of 31 December 2021. Deferred tax calculated for the Incentive Certificate has been determined as the key audit matter since the accuracy of the expenditures made within the scope of the incentive system taken into account in deferred tax asset is significant and the recoverability of the deferred tax asset is based on estimations and assumptions. Please refer to Note 2.6.13 and Note 26 to the financial statements for the Group's disclosures on deferred tax assets, including the related accounting policy and amounts.	During our audit on the project-based investment incentive system, we focused on the validity of investment expenditures, the appropriateness of the incentive system and the mathematical accuracy of the calculation and the recoverability of the deferred tax asset calculated. The following audit procedures are implemented accordingly. - Analysis have been performed to understand the deferred tax assets, temporary differences that constitute the basis of these assets and the scope of investment incentives. - The validity of the expenditures subject to the deferred tax calculation is assessed for reasonableness and the accuracy of the deferred tax calculation. - In order to examine the impact on corporate tax calculation and investment incentive practices, tax specialists were included in the audit team which were in the same audit network of our organization. The measurement of the related deferred tax assets reviewed and evaluated by our tax experts. -The business model and the significant management estimates to ensure that the investment incentives can be used in the future are examined by considering the following: • Related business model's mathematical accuracy is checked. • Sales tonnage and price assumptions used in the model 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 regarding the deferred tax assets and liabilities with TAS 12 has been checked.

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

Key Audit Matter	**How The Matter Was Addressed In The Audit**
Capitalization of Borrowing Costs As explained in Note 11, the Group capitalizes qualified borrowing costs, including significant exchange rate fluctuations for main investment projects in progress, including investments under constructions. In accordance with TAS 23, since the cost of capitalization shall be capitalized and financing costs which do not meet the capitalization criteria is expensed, this issue has been determined as key audit matter.	The design and implementation of the controls for the process of capitalizing the finance expense have been tested. In addition, substantive testing of capitalized financing costs with their supporting documents, recalculation of qualified exchange rate differences, recalculation of interest expense and accounting of the amounts that exceeds the limit is performed. Understanding the nature of the capitalized costs and their evaluation of whether they are compatible with the scope of TAS 23 is also performed through substantive testing procedures.

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

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

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

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

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

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

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

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

- Identify and assess the risks of "material misstatement" of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control).

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

- 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.

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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 24 February 2022.

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 2021 does not comply with TCC and the provisions of the Group’s articles of association in relation to financial reporting.

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

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

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

Osman Arslan
Partner

İstanbul, 24 February 2022

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SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

	Notes	Current Period 31 December 2021	Prior Period 31 December 2020
ASSETS			
Current Assets		**8,984,006**	**2,782,309**
Cash and Cash Equivalents	3	2,170,396	428,395
Financial Investments	4	3,132	46,982
Trade Receivables	5	2,218,391	700,339
- Trade Receivables from Third Parties	5	*2,213,401*	*663,151*
- Trade Receivables from Related Parties	28	*4,990*	*37,188*
Other Receivables	7	8,277	4,208
- Other Receivables from Third Parties	7	*8,277*	*4,208*
Inventories	8	3,903,250	1,338,235
Derivative Instruments	29	3,668	-
Prepaid Expenses	9	31,150	15,457
Other Current Assets	16	645,742	248,693
Non - Current Assets		**13,210,157**	**8,007,886**
Other Receivables	7	117	114
Investment Properties	10	45	120
Property, Plant and Equipment	11	8,701,243	5,864,428
Intangible Assets	12	3,853	852
Prepaid Expenses	9	692,437	205,609
Deferred Tax Asset	26	3,812,462	1,936,763
TOTAL ASSETS		**22,194,163**	**10,790,195**
LIABILITIES			
Current Liabilities		**9,151,729**	**4,447,945**
Short-Term Borrowings	4	3,206,990	2,506,765
- Bank Loans	*4*	*1,716,033*	*1,535,171*
- Short-Term Portion of Long-Term Borrowings	*4*	*1,438,203*	*947,962*
- Lease Liabilities	*4*	*52,754*	*23,632*
Trade Payables	5	3,958,781	1,215,789
- Trade Payables to Third Parties	5	*3,958,781*	*1,215,789*
Payables Related to Employee Benefits	6	26,253	21,589
Other Payables	7	50,267	2,315
- Other Payables to Third Parties	7	*50,267*	*2,315*
Deferred Income	7	1,860,460	700,899
- Deferred Income from Third Parties	7	*1,406,609*	*700,899*
- Deferred Income from Related Parties	28	*453,851*	-
Current Tax Liabilities	26	47,518	-
Short-term Provisions	13	1,460	588
- Other Short-term Provisions	*13*	*1,460*	*588*
Non-current Liabilities		**8,879,807**	**3,455,900**
Long-Term Borrowings	4	8,791,882	3,399,207
- Bank Loans	*4*	*5,850,176*	*3,313,238*
- Convertible Bonds	*4*	*2,822,264*	-
- Lease Liabilities	*4*	*119,442*	*85,969*
Long-Term Provisions	15	87,925	56,693
- Long-Term Provisions for Employee Benefits	*15*	*87,925*	*56,693*
EQUITY		**4,162,627**	**2,886,350**
Share Capital	17	1,120,000	830,000
Adjustments to Share Capital	17	13	13
Repurchased Shares	17	(14,993)	(5,707)
Restricted Reserves Appropriated from Profit	17	213,747	191,559
Other Reserves	17	83,902	-
Accumulated Other Comprehensive Income (Expenses) that will not be Reclassified to Profit or Loss	17	1,178,323	508,483
- Remeasurement Losses on Defined Benefit Plans	17	*(4,109)*	*(4,109)*
- Revaluation Gain on Property, Plant and Equipment	17	*1,182,432*	*512,592*
Prior Years' Profits	17	884,200	1,049,814
Net Profit for the Year	17	697,435	312,188
TOTAL LIABILITIES AND EQUITY		**22,194,163**	**10,790,195**

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

	Notes	1 January - 31 December 2021	1 January - 31 December 2020
Revenue	18	14,644,953	5,040,948
Cost of Sales (-)	18	(10,942,436)	(3,952,541)
GROSS PROFIT		**3,702,517**	**1,088,407**
General Administrative Expenses (-)	19	(113,170)	(45,888)
Marketing Expenses (-)	19	(469,867)	(149,665)
Research and Development Expenses (-)	19	(8,546)	(3,802)
Other Income from Operating Activities	20	2,605,532	600,043
Other Expenses from Operating Activities (-)	20	(3,176,453)	(465,776)
OPERATING PROFIT		**2,540,013**	**1,023,319**
Income from Investing Activities	22	4,215	50,459
Expenses from Investing Activities (-)	22	(1,132)	(2,240)
OPERATING PROFIT BEFORE FINANCE EXPENSE		**2,543,096**	**1,071,538**
Finance Income	23	1,189,517	408,002
Finance Expenses (-)	24	(4,920,603)	(1,754,560)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(1,187,990)**	**(275,020)**
Tax Income from Continuing Operations		**1,885,425**	**587,208**
- Current Tax Expense (-)	26	(64,701)	-
- Deferred Tax Income	26	498,991	122,351
- Deferred Tax Income with Incentive Certificate	26	1,451,135	464,857
PROFIT FOR THE YEAR		**697,435**	**312,188**
Other comprehensive income		**669,840**	**-**
Items that will not be Reclassified to Profit or Loss		669,840	-
Gain on revaluation Property, Plant and Equipment	*25*	*744,267*	-
Tax Effect of Gain on revaluation Property, Plant and Equipment (-)	*25*	*(74,427)*	-
TOTAL COMPREHENSIVE INCOME		**1,367,275**	**312,188**
Distribution of Profit for the Year:			
Attributable to the Parent		697,435	312,188
Non - Controlling Interests		-	-
Earnings Per Share	**27**	**0.6719**	**0.2997**
Distribution of Total Comprehensive Income:			
Attributable to the Parent		1,367,275	312,188
Non - Controlling Interests		-	-

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

	Notes	Share capital	Inflation adjustment to share capital	Other Reserves	Repurchased Shares	Gain on Revaluation of Property, Plant and Equipment	Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Prior years' Profits / (Losses)	Net Profit for the Year	Total Equity
1 January 2020		**830,000**	**13**	**-**	**(2,594)**	**512,592**	**(4,109)**	**191,559**	**(6,540)**	**1,064,180**	**2,585,101**
Transfers to Accummulated Profit		-	-	-	-	-	-	-	1,064,180	(1,064,180)	-
Total Comprehensive Income		-	-	-	-	-	-	-	-	312,188	312,188
Effect of Share Repurchase Transactions	17	-	-	-	(3,113)	-	-	-	(7,826)	-	(10,939)
31 December 2020	**17**	**830,000**	**13**	**-**	**(5,707)**	**512,592**	**(4,109)**	**191,559**	**1,049,814**	**312,188**	**2,886,350**
1 January 2021	**17**	**830,000**	**13**	**-**	**(5,707)**	**512,592**	**(4,109)**	**191,559**	**1,049,814**	**312,188**	**2,886,350**
Capital Increase from Distributable Profit	17	290,000	-	-	-	-	-	22,188	-	(312,188)	-
Total Comprehensive Income		-	-		-	669,840	-	-	-	697,435	1,367,275
Equity Component of Convertible Bond	4	-	-	83,902	-	-	-	-	-	-	83,902
Effect of Share Repurchase Transactions	17	-	-	-	(9,286)	-	-	-	(165,614)	-	(174,900)
31 December 2021	**17**	**1,120,000**	**13**	**83,902**	**(14,993)**	**1,182,432**	**(4,109)**	**213,747**	**884,200**	**697,435**	**4,162,627**

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

	Notes	Current Period 1 January - 31 December 2021	Prior Period) 1 January - 31 December 2020
Cash Flows From Operating Activities:			
Loss For The Period Before Tax from Continuing Operations		**(1,187,990)**	**(275,020)**
Adjustments Related to Reconciliation of Net Profit for the Year		**2,746,483**	**1,298,532**
Adjustments Related to Depreciation and Amortization Expenses	10,11,12	243,414	142,836
Adjustments Related to Interest Income/Expenses		418,564	221,227
Adjustments Related to Interest Expenses	24	*445,091*	*225,263*
Adjustments Related to Interest Income	23	*(20,567)*	*(3,479)*
Unearned Finance Income Related to Credit Sales		*(5,960)*	*(557)*
Adjustments Related to Gain on Disposal of Property, Plant and Equipment		(2,739)	(47,925)
Adjustments Related to Gain on Disposal of Property, Plant and Equipment	*22*	*(2,739)*	*(351)*
Adjustments Related to Gains on Disposal of Investment Properties	*22*	-	*(47,574)*
Adjustments Related to Provisions		36,976	13,076
Adjustment Related to Provisions for Employee Benefits	*15*	*36,976*	*13,076*
Adjustments Related to Free Provisions for Legal Cases	13	882	195
Adjustments Related to the Valuation of Derivative Instruments	29	(3,668)	1,042
Adjustments Related to Impairment / (Reversal)		1,402	(681)
Adjustments for Impairment / (Reversal) of Receivables	5	*1,402*	*(681)*
Adjustments Related to Unrealized Foreign Exchange Difference	4	2,356,735	1,011,311
Adjustments Related to Cash and Cash Equivalents Foreign Exchange Difference	2.1	(305,083)	(42,549)
Changes in Working Capital:		**(729,930)**	**141,712**
Adjustments Related to Increase in Trade Receivables		(1,540,745)	(210,863)
Increase in Trade Receivables from Third Parties		*(1,588,226)*	*(273,131)*
Decrease in Trade Receivables from Related Parties		*47,481*	*62,268*
Adjustment Related to (Increase) / Decrease in Operational Other Receivables		(3,422)	737
(Increase)/ Decrease in Other Receivables		*(3,422)*	*737*
Adjustments Related to Increase in Inventories		(2,565,015)	(586,698)
Adjustments Related to Decrease / (Increase) in Prepaid Expenses		54,745	(97,262)
Adjustments Related to Increase in Other Current Assets		(397,051)	(32,820)
Adjustments Related to Increase in Trade Payables to Third Parties		2,509,391	455,835
Adjustments Related to Increase / (Decrease) in Other Payables		47,942	(10,093)
Adjustments Related to Increase in Deferred Income		1,159,561	611,476
Adjustments Related to Increase in Payables Related to Employee Benefits		4,664	11,400
Cash Flows Generated from Operating Activities:		**828,563**	**1,165,224**
Payments Related to Provisions for Employee Benefits	15	(5,744)	(4,844)
Tax Paid	26	(17,183)	(685)
Net Cash Generated from Operating Activities		**805,636**	**1,159,695**
Cash Flows Used in Investing Activities:			
Payment for Purchase of Property, Plant and Equipment and Intangible Assets		(2,498,179)	(661,175)
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets	11-12	*(2,498,179)*	*(661,175)*
Cash Inflows from Sale for Property, Plant and Equipment and Property, Plant and Equipment	11-22	4,446	1,846
Cash Inflows from Sale of Property, Plant and Equipment		*4,446*	*1,846*
Cash Inflows from Sale of Investment Properties	10-22	-	50,371
Interest Received	23, 2.1	20,567	3,479
Net Cash Used in Investing Activities		**(2,473,166)**	**(605,479)**
Cash Flows from Financing Activities:			
Cash Inflows from Borrowings	4	7,847,052	2,913,498
Cash Inflows from Bank Loans	*4*	*5,785,572*	*2,913,498*
Cash Inflows from Convertible Bond	*4*	*2,061,480*	-
Cash Outflows Related to Debt Payments	4	(4,116,379)	(2,909,737)
Cash Outflow on Repayment of Bank Loans	*4*	*(4,075,697)*	(2,882,516)
Cash Outflow on Repayment of Lease Liabilities	*4*	*(40,682)*	*(27,221)*
Interest Paid	4	(495,175)	(243,406)
Cash Outflows for Repurchased Shares		(174,900)	(10,939)
Other Cash Outflows	4	43,850	(19,134)
Net Cash Generated / (Used) from Financing Activities		**3,104,448**	**(269,718)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		1,436,918	284,498
EFFECT OF FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	2.1	305,083	42,549
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	428,395	101,348
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	**2,170,396**	**428,395**

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE GROUP

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

The address of the registered office is:

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

As of 31 December 2021, number of employees of the Company is 4,477 (31 December 2020: 4,022).

Subsidiary

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

Approval of Consolidated Financial Statements

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 24 February 2022. General Assembly has the authority to modify the consolidated financial statements.

The Company has continued to evaluate effects of coronavirus outbreak as defined by the World Health Organization ("WHO") on 11 March 2020 on its operations. Liabilities in foreign currency, increased due to economic conditions because of pandemic and foreign exchange differences. No new effects of Covid 19 are foreseen in the current conditions for 2021. Due to the economic conditions that emerged due to the epidemic and foreign currency exchange rate differences in TRY, there was an increase in foreign currency liabilities. No new impact of Covid 19 is foreseen for the Group in the current conditions for 2021.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

<u>Compliance to TFRS</u>

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 consolidated financial statements have been prepared in accordance with the formats of "TFRS Taxonomy Announcement" published by POA and Financial Statement Examples and Guidelines for Use published by CMB, on 15 April 2019.

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

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

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

2.1 Basis of Presentation (cont'd)

Currency Used

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

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" ("TAS 29") was not applied.

Comparative Information and Reclassification of Prior Period Financial Statements

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

For the year ended 31 December 2020, the Group separated foreign exchange differences arising from cash and cash equivalent amounting to TL 42,549 in consolidated cash flow under adjustments related to reconciliation of net profit for the period.

The Group presented interest received amount under "cash flows used in investing activities" in the statement of cash flows for the year ended 31 December 2021. For comparative purposes TL 3,479 of interest received amount is reclassified to "cash flows used in investing activities" in the statement of cash flows for the year ended 31 December 2020.

Going Concern

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

Basis of Consolidation

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

	31 December 2021	**31 December 2020**
Sasa Dış Ticaret A.Ş.	100%	100%

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. 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 of acquisition to the date of disposal.

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 Offsetting

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

2.3 New and Revised Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2021

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

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

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

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

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

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

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

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

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

TFRS 17	*Insurance Contracts (*)*
Amendments to TAS 1	*Classification of Liabilities as Current or Non-Current (*)*
Amendments to TFRS 3	*Reference to the Conceptual Framework (*)*
Amendments to TAS 16	*Property, Plant and Equipment – Proceeds before Intended Use (*)*
Amendments to TAS 37	*Onerous Contracts – Cost of Fulfilling a Contract (*)*
Annual Improvements to TFRS Standards 2018 – 2020	*Amendments to TFRS 1, TFRS 9 and TAS 41 (*)*
Amendments to TFRS 4	*Extension of the Temporary Exemption from Applying TFRS 9 (*)*
Amendments to TFRS 16	*COVID-19 Related Rent Concessions beyond 30 June 2021 (*)*
Amendments to TAS 1	*Disclosure of Accounting Policies*
Amendments to TAS 8	*Definition Accounting Estimates*
Amendments to TAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

Amendments to TAS 1 *Disclosure of Accounting Policies*

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

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

Amendments to TAS 8 *Definition of Accounting Estimates*

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

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

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

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

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

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

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

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

The possible effect of the standards, amendments and improvements on the financial position and performance of the Group are being evaluated.

2.4 Changes in the Accounting Policies and Errors

The accounting policy changes arising from the first time application of a new standard are applied retrospectively or prospectively in accordance with the transitional provisions, if any. The changes that take place of any transitional provision, significant changes made optional in accounting policies or determined accounting errors are applied retrospectively by restating prior period financial statements. If changes in accounting estimates are related to only one period, they are applied both in the current period when the amendment is made and for the future periods, both in the current period and in the future. The accounting estimates used in the preparation of these consolidated financial statements for the year ended 31 December 2021 are consistent with those used in the preparation of financial statements for the year ended 31 December 2020.

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

2.5.1 Deferred tax

The Group recognizes deferred tax on the temporary differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements. The Group has deferred tax assets resulting from investment incentives and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; investment incentives and other tax assets expiring. (Note 26).

2.5.2 Liabilities for employee benefits

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

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

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

2.5.3 Impairment on assets

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

2.5.4 Impairment on financial assets

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

2.5.5 Fair values of derivative instruments

The Group evaluates derivative financial instruments based on estimated market value estimates as of the reporting date calculated based on exchange rate and interest estimates at the date of realization (Note 29).

2.6 Summary of Significant Accounting Policies

2.6.1 Revenue

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

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

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

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

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.1 Revenue (cont'd)

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

<u>Dividend, interest and rental income</u>

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

2.6.2 Inventories

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

2.6.3 Property, Plant and Equipment

<u>Revaluation Method</u>

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

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

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.3 Property, Plant and Equipment (cont'd)

Cost Method

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

The estimated useful lives of these assets are as follows:

	YEARS
Land improvements	5-25
Buildings	18-40
Machinery, plant and equipment	5-25
Motor vehicles	3-5
Furniture and fixtures	4-25

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

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

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

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

2.6.4 Intangible Assets

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

	YEARS
Rights	5-25
Development costs	5

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.4 Intangible Assets (cont'd)

Internally-generated intangible assets – research and development expenditure

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

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

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

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

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5-25 years).

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

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

Derecognition of intangible assets

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.5 Leases

The Group as Lessee

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

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2.6.6 Borrowing Costs

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

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.6 Borrowing Costs (cont'd)

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

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

2.6.7 Financial Instruments

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

Financial assets

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

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

<u>Classification of financial assets</u>

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

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.7 Financial Instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

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

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

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

(i) Amortised cost and effective interest method

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

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

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.7 Financial Instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

(ii) Financial assets at FVTOCI

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.7 Financial Instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

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.

Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.7 Financial Instruments (cont'd)

Financial Liabilities

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

A financial liability is subsequently classified at amortized cost except:

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

<u>Convertible bonds</u>

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

<u>Derecognition of financial liabilities</u>

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

Derivative financial instruments

In order to keep the risks associated with foreign exchange and interest rates under control, the Group uses various derivative financial instruments, including foreign exchange forward contracts, options and interest rate swap contracts. Detailed information on derivative financial instruments is given in Note 29 and Note 30.

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.7 Financial Instruments (cont'd)

Derivative financial instruments (cont'd)

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

2.6.8 The Effects of Foreign Exchange Rate Changes

<u>Foreign Currency Transactions and Balances</u>

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

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

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

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

2.6.9 Earnings Per Share

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

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.10 Events After the Reporting Period

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

In the case that events occur requiring an adjustment, the Group adjusts the amounts recognized in its financial statements to reflect the adjustments after the balance sheet date.

2.6.11 Provisions, Contingent Assets and Liabilities

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

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

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

2.6.12 Related Parties

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

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

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.12 Related Parties (cont'd)

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 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)

(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.

2.6.13 Government Incentives and Aids

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

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

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

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

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.13 Government Incentives and Aids (cont'd)

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

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.

2.6.14 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, for the land improvements is between 15-25 years.

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

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

2.6.15 Taxation

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

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.15 Taxation (cont'd)

Current tax

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

Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.16 Employee Benefits

Termination benefits:

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

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

2.6.17 Statement of Cash Flows

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

2.6.18 Capital and Dividends

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

2.6.19 Segment Reporting

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

Detailed information for sales revenue of the Group is provided in Note 18. In 2021, 13% of sales revenue of the Group is generated from one third party customer (2020: 14%).

NOTE 3 – CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash	122	97
Cash at banks	2,170,274	428,298
-Demand deposit	930,677	78,298
-Time deposit	1,239,597	350,000
	2,170,396	**428,395**

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

As of 31 December 2021, the details of the Group's time deposits are as follows (31 December 2020: TL 350,000 Maturity 4 January 2021 Interest rate 18.60%):

Currency	Interest Rate (%)	Maturity	31 December 2021
US dollar (*)	0.75	3 January 2022	93,000

(*) The amount is expressed in thousand USD.

NOTE 4 – FINANCIAL INSTRUMENTS

Short-Term Financial Investments	31 December 2021	31 December 2020
Blocked deposits with maturity longer than 3 months (*)	3,132	46,982
Total	**3,132**	**46,982**

(*) As of 31 December 2021, the Group has blocked deposits with maturity more than 3 months amounting to TL 3,132 (31 December 2020: TL 46,982) within bank deposits arising from Türkiye İhracat Kredi Bankası ("Türk Eximbank").

Short-term Financial Borrowings

	31 December 2021	31 December 2020
Short-term bank loans	1,716,033	1,535,171
Short-term portion of the long-term borrowings	1,438,203	947,962
Lease liabilities	52,754	23,632
	3,206,990	**2,506,765**

Long-term Financial Borrowings

	31 December 2021	31 December 2020
Long-term bank loans	5,850,176	3,313,238
Convertible bonds issued	2,822,264	-
Lease liabilities	119,442	85,969
	8,791,882	**3,399,207**
	11,998,872	**5,905,972**

NOTE 4 – FINANCIAL INSTRUMENTS (cont'd)

a) Bank loans

As of 31 December 2021 and 31 December 2020, bank loans and interest accruals related to these loans are as follows:

Principal	**31 December 2021**			**31 December 2020**		
Original currency	**Weighted average effective interest rate (%)**	**Original amount (*)**	**TL**	**Weighted average effective interest rate (%)**	**Original amount (*)**	**TL**
TL	25.04	-	1,637,557	17.49	-	1,083,201
US Dollar	2.54	24,960	333,294	2.52	69,325	514,351
Euro	2.90	459,497	6,944,794	2.03	453,863	4,137,600
			8,915,645			**5,735,152**
Interest Accrued						
TL		-	50,209		-	36,669
US Dollar		28	378		51	376
Euro		2,526	38,180		2,652	24,174
			9,004,412			**5,796,371**

(*) USD and EUR expressed in thousands.

The repayment schedule of the bank loans as follows:

	31 December 2021	**31 December 2020**
Within 1 year	3,154,236	2,483,133
Within 1–2 year	1,316,022	885,532
Within 2 - 3 year	1,115,876	587,690
Within 3 - 4 year	882,300	490,206
Within 4 - 5 year	831,406	312,463
5 + years	1,704,572	1,037,347
	9,004,412	**5,796,371**

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

NOTE 4 – FINANCIAL INSTRUMENTS (cont'd)

b) Lease liabilities

Distribution of lease liabilities	31 December 2021	31 December 2020
Short term	52,754	23,632
Long term	119,442	85,969
	172,196	**109,601**

Repayment schedule	31 December 2021	31 December 2020
Within 1 year	52,754	23,632
Within 1–2 years	52,863	20,477
Within 2-3 years	52,763	21,657
Within 3-4 years	13,816	32,882
Within 4-5 years	-	10,953
	172,196	**109,601**

Leases are related to the purchase of production equipment with a lease term of 4-5 years. The Group's liabilities regarding financial leasing are secured by the ownership right of the lessor on the leased asset. On the contract date, interest rates for financial leasing transactions are fixed for the entire lease period. Average effective contract interest rate is approximately 3.56% annually (2020: 3.56%). Lease contracts currency is Euro.

c) Convertible Bonds

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

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

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

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

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

NOTE 4 – FINANCIAL INSTRUMENTS (cont'd)

c) Convertible bond (cont'd)

	31 December 2021			31 December 2020		
Currency type	**Interest rate (%)**	**Currency amount (*)**	**TL**	**Interest rate (%)**	**Currency amount (*)**	**TL**
Euro	3.25	186,653	2,822,264	-	-	-
			2,822,264			**-**

(*) The amount is expressed as thousand Euro.

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

As of 31 December 2021 the carrying amount of the convertible bonds liability is as below:

	31 December 2021	31 December 2020
The nominal value of the convertible bond on the day of issue	2,061,480	-
Equity component of convertible bond on the day of issue	(83,902)	-
The liability component of the convertible bond on the day of issue	1,977,578	-
Interest accruals (*)	57,029	-
Interest payments	(107,811)	-
Unrealized foreign exchange difference	895,468	
Liability component of convertible bond as of 31 December	2,822,264	-

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

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

NOTE 4 – FINANCIAL INSTRUMENTS (cont'd)

d) Reconciliation of the liabilities arising from financial activities

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

	31 December 2021	31 December 2020
Opening balance	**5,905,972**	**4,329,643**
Interest expense	445,091	225,263
Interest paid	(495,175)	(243,406)
Foreign exchange difference	2,356,735	1,011,311
Capitalized borrowing costs (Note 11)	139,478	463,606
Property, plant and equipment acquired by lease (Note 11)	-	115,794
Payments for lease liabilities	(40,682)	(27,221)
Loans received	5,785,572	2,913,498
Repayments of loans	(4,075,697)	(2,882,516)
Cash Inflows from Issued convertible bond	2,061,480	-
Reclassification of cash inflows from convertible bond to equity (Note 17)	(83,902)	-
Closing balance	**11,998,872**	**5,905,972**

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

Trade Receivables

	31 December 2021	31 December 2020
Trade receivables (*)	1,612,795	489,311
Notes received (**)	602,008	173,840
Provision for doubtful receivables	(1,402)	-
	2,213,401	**663,151**
Receivables from related parties (Note 28)	4,990	37,188
	2,218,391	**700,339**

(*) As of 31 December 2021, trade receivables are discounted by using monthly 2.09% for TL, 0.21% for US Dollar, 0.25% for Euro (As of 31 December 2020: 1.75% for TL, 0.50% for US Dollar, 0.33% for Euro).

(**) Notes received constitute the notes obtained from customers and kept in portfolio as a result of trade activities and consist of TL 320,335 with maturities of less than three months (31 December 2020: TL 115,542).

Aging of receivables that are due but not impaired:

Overdue period	31 December 2021	31 December 2020
Up to 1 month	183,498	60,484
1 - 3 months	22,685	9,852
Over 3 months	3,906	4,241
	210,089	**74,577**

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

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

Trade Receivables (cont'd)

As of 31 December 2021 and 31 December 2020, due to existence of direct debiting system, bank guarantee, mortgage and customer cheques, the Group has not allocated any provision in the consolidated financial statements relation to trade receivables that were past due but not impaired.

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

Overdue Period	**31 December 2021**	**31 December 2020**
Over 6 months	1,402	-
	1,402	**-**

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

	1 January - 31 December 2021	**1 January - 31 December 2020**
Balance at 1 January	**-**	**(681)**
Provision for the period (Note 19)	(1,402)	-
Provision written-off during the period (Note 19)	-	681
Balance 31 December	**(1,402)**	**-**

Trade Payables

	31 December 2021	**31 December 2020**
Trade payables (*)	3,958,781	1,215,789
	3,958,781	**1,215,789**

(*) As of 31 December 2021, trade payables are discounted by using monthly 2.09% for TL, 0.21% for USD, 0.25% for EUR (31 December 2020: 1.75% for TL, 0.50% for USD, 0.33% for EUR).

As of 31 December 2021, average turnover for trade receivables and trade payables are 54 days and 66 days, respectively (31 December 2020: 29 days and 81 days, respectively).

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

NOTE 6 – PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables Related to Employee Benefits

	31 December 2021	31 December 2020
Social security premiums payable	13,369	11,325
Due to personnel	12,884	10,264
	26,253	**21,589**

NOTE 7 – OTHER RECEIVABLES, PAYABLES AND DEFERRED INCOME

Other Current Receivables

	31 December 2021	31 December 2020
Work and services advances	5,465	2,604
Prepaid taxes and funds	2,021	717
Deposits and guarantess given	317	96
Other receivables	474	791
	8,277	**4,208**

Other Non-Current Receivables

	31 December 2021	31 December 2020
Deposits and guarantees given	117	114
	117	**114**

Other Payables

	31 December 2021	31 December 2020
Taxes, duties and charges	50,267	2,315
	50,267	**2,315**

Deferred Income

	31 December 2021	31 December 2020
Order advances received from third parties (*)	1,406,609	700,899
Order advances received from related parties (*)	453,851	
	1,860,460	**700,899**

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

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

NOTE 8 – INVENTORIES

	31 December 2021	31 December 2020
Raw materials and supplies	1,215,899	386,514
Working in progress	36,445	15,594
Finished goods	648,064	471,454
Spare parts	78,912	46,739
Goods in Transit (*)	1,841,843	379,165
Others	82,087	38,769
	3,903,250	**1,338,235**

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

NOTE 9 - PREPAID EXPENSES

Prepaid Expenses (Short-term)

	31 December 2021	31 December 2020
Prepaid insurance expenses	29,722	14,515
Other prepaid expenses	1,428	942
	31,150	**15,457**

Prepaid Expenses (Long-term)

	31 December 2021	31 December 2020
Given advances for fixed asset purchases (*)	692,437	205,609
	692,437	**205,609**

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

NOTE 10 - INVESTMENT PROPERTIES

The movement of investment properties and related depreciation for the years ended 31 December 2021 and 2020 are as follows:

	1 January 2021	Additions	31 December 2021
Cost			
Land	5	-	5
Building	3,780	-	3,780
	3,785	**-**	**3,785**
Accumulated depreciation			
Buildings	3,665	75	3,740
	3,665	**75**	**3,740**
Net book value	**120**		**45**

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

NOTE 10 - INVESTMENT PROPERTIES (cont'd)

As of 31 December 2021, the Group has investment properties with the net book value of TL 45 (31 December 2020: TL 120) leased to the third parties through lease agreements. The Group has not incurred any expenses other than depreciation during the period related to these contracts, and the rental income it has earned is TL 344 (31 December 2020: TL 294) (Note 22).

The fair value of the Group's investment properties is determined as TL 12,260. Fair value is determined in accordance with market comparable apporoach that reflects recent transaction prices for similar properties.

	1 January 2020	**Additions**	**Disposals**	**31 December 2020**
Cost:				
Land	19	-	(14)	5
Buildings	10,319	-	(6,539)	3,780
Land improvements	1,256	-	(1,256)	-
	11,594	**-**	**(7,809)**	**3,785**
Accumulated depreciation				
Buildings	7,525	96	(3,966)	3,655
Land improvements	1,022	34	(1,046)	10
	8,547	**130**	(5,012)	**3,665**
Net book value	**3,047**		**(2,797)**	**120**

The Group generated TL 47,574 gain from sales of investment properties in 2020. The Group does not have any sales of investment property in current year.

The income statement related accounts for total depreciation expense incurred for the accounting periods ended on 31 December 2021 and 2020 are associated are given in Note 11.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and related accumulated depreciation for the accounting periods ended 31 December 2021 and 2020 is as follows:

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

(*) During the period ended 31 December 2021, capitalized borrowing costs for construction in progress is amounting to TL 139,478 (31 December 2020: TL 463,606) (Note 4).

Trade payables related to purchases for which no payment has been made yet amounting to TL 260,204 (31 December 2020: TL 90,889). The prepaid advance amount deducted for the purchases in 2021 is amounting to TL 486,828 (31 December 2020: TL 46,971).

As of 31 December 2021, the Group has mortgage on property, plant and equipment amounting to TL 5,653,332 (31 December 2020: TL 3,978,652) (Note 14).

.

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

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

	1 January 2020	Additions	Transfers	Disposals	31 December 2020
Cost					
Land	714,261	-	-	-	714,261
Land improvements	7,455	567	4,164	-	12,186
Buildings	365,677	251	315,564	(1,113)	680,379
Machinery, plant and equipment	1,592,766	19,076	2,461,398	(12,967)	4,060,273
Vehicles	5,765	2,226	3,057	(19)	11,029
Furniture and fixtures	12,125	8,073	2,597	(85)	22,710
Construction in progress (*)	2,340,116	1,347,341	(2,786,780)	-	900,677
	5,038,165	**1,377,534**	**-**	**(14,184)**	**6,401,515**
Accumulated depreciation					
Land improvements	3,064	196	-	(819)	2,441
Buildings	49,659	19,181	-	(5,199)	63,641
Machinery, plant and equipment	346,450	118,588	-	(6,639)	458,399
Vehicles	3,192	1,326	-	-	4,518
Furniture and fixtures	6,124	1,996	-	(32)	8,088
	408,489	**141,287**	**-**	**(12,689)**	**537,087**
Net book value	**4,629,676**				**5,864,428**

The movements of leased machinery and equipment and related accumulated depreciation included in propoerty plant and equipment for the periods ended 31 December 2021 and 2020 are as follows:

	1 January 2021	Additions	Transfers	31 December 2021
Cost				
RoU - Machinery and equipment	-	-	115,794	115,794
RoU - Contruction in progress	115,794	-	(115,794)	-
	115,794	**-**	**-**	**115,794**
Accummulated depreciation				
Machinery, plant and equipment	**-**	15,201		15,201
	-	**15,201**		**15,201**
Net book value	**115,794**			**100,593**

	1 January 2020	Additions		31 December 2020
Cost				
RoU - Contruction in progress	18,740	97,054	-	115,794
	18,740	**97,054**	**-**	**115,794**
Accummulated depreciation				
RoU - Contruction in progress	-	-	-	-
	-			**-**
Net book value	**18,740**			**115,794**

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

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

Fair value measurement of the Group's freehold lands

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

Details of the Group's freehold lands and information about the fair value hierarchy as of 31 December 2021 are as follows:

		Fair value level as of the reporting date		
	31 December 2021	**Level 1**	**Level 2**	**Level 3**
Land	1,657,008	-	-	1,657,008
	1,657,008	**-**	**-**	**1,657,008**

There were no transfers between levels during the period.

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

	1 January - 31 December 2021	**1 January - 31 December 2020**
Opening balance	714,261	714,261
Additions	198,566	-
Disposals	(86)	-
Fair value increase	744,267	-
- Recognized in equity (Note 25)	*744,267*	-
Closing balance	**1,657,008**	**714,261**

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

	31 December 2021	**31 December 2020**
Lands	343,195	144,715
	343,195	**144,715**

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

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

Income statement accounts related to depreciation and amortization of total (property, plant and equipment, intangible assets, investment property) during the periods ended 31 December 2021 and 2020 are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Production cost (Note 18)	235,344	137,418
Marketing expenses (Note 19)	3,514	2,862
General administrative expenses (Note 19)	4,162	2,094
Research expenses (Note 19)	394	462
	243,414	**142,836**

NOTE 12 – INTANGIBLE ASSETS

The movement of intangible assets and related accumulated amortization for the periods ended 31 December 2021 and 2020 is as follows:

	1 January 2021	Additions	31 December 2021
Cost			
Software	9,547	4,073	13,620
Development costs	8,210	-	8,210
	17,757	**4,073**	**21,830**
Accumulated amortization			
Software	8,695	1,072	9,767
Development costs	8,210	-	8,210
	16,905	**1,072**	**17,977**
Net book value	**852**		**3,853**

	1 January 2020	Additions	31 December 2020
Cost			
Software	8,646	901	9,547
Development costs	8,210	-	8,210
	16,856	**901**	**17,757**
Accumulated amortization			
Software	7,276	1,419	8,695
Development costs	8,210	-	8,210
	15,486	**1,419**	**16,905**
Net book value	**1,370**		**852**

The income statement accounts related to the total amortization for the accounting periods ending on 31 December 2021 and 2020 are given in Note 11.

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

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for Restructuring and Demand of Other Receivables

	31 December 2021	31 December 2020
Provision for restructuring and demand of other receivables (*)	1,460	588
	1,460	**588**

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

As of 31 December 2021 and 2020, the movement tables of the provision for expenses related to restructuring and other receivable requests are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Balance at 1 January	**588**	**585**
Provision for the period (Note 19)	882	195
Provision written-off within the period (Note 19)	(10)	(192)
Balance at 31 December	**1,460**	**588**

NOTE 14 – COMMITMENTS

As of 31 December 2021 and 31 December 2020, the total of commitments not included in the liabilities:

Commitments based on export incentive certificates

	31 December 2021	31 December 2020
Total amount of export commitment of certificates	18,817,838	9,250,363
Total amount of export commitment of documents which are presently fulfilled but closing transactions are not concluded yet	6,066,520	5,480,898
Total amount of registered open export incentives	12,751,318	3,769,465
Other open export incentives	6,248,382	2,671,079

	31 December 2021	31 December 2020
Open Letter of Credits	3,581,796	862,514

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

NOTE 14 – COMMITMENTS (cont'd)

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

	31 December 2021				31 December 2020		
	TL Equivalent	TL	US Dollar	Euro	TL Equivalent	TL	Euro
A. CPMs given for Company's own legal entity (*)	6,796,332	1,676,389	19,300	321,706	5,031,245	1,439,047	393,325
B. CPMs given on behalf of fully consolidated companies	-	-	-	-	13,301		2,000
C. CPMs given in the normal course of business activities on behalf of third parties	-	-	-	-	-	-	-
D. Total amount of other CPMs							
- Total amount of CPMs given on behalf of the parent	-	-	-	-	-	-	-
- Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-	-
- Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-	-	-	-	-	-
Total CPM	**6,796,332**	**1,676,389**	**19,300**	**321,706**	**5,044,546**	**1,439,047**	**395,325**

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

Collaterals are given for bank loans and suppliers for purchases regarding to investments. Additionally, collaterals including mortgage is amounting to TL 5,653,332 (2020: TL 3,978,652).

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

Guarantees received as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Letters of guarantess received	395,758	55,646
Cheques and notes of guarantess received	-	3,656
	395,758	**59,302**

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

NOTE 15 - PROVISIONS FOR EMPLOYEE BENEFITS

Provisions for long-term employee benefits

	31 December 2021	31 December 2020
Provision for employee termination benefits	77,228	50,417
Accumulated provision for unused vacation	10,697	6,276
	87,925	**56,693**

Accumulated provision for unused vacation

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

Movements of accumulated provision for unused vacation as of 31 December 2021 and 2020 are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Balance at 1 January	**6,276**	**5,377**
Provision for the period	4,512	2,475
Provision released during the period	(91)	(1,576)
Balance at 31 December	**10,697**	**6,276**

Provision for Employment Termination Benefits

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

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

The liability is not funded, as there is no funding requirement. The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

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

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

Provision for Employment Termination Benefits (cont'd)

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

	31 December 2021	31 December 2020
Discount rate (%)	4.50	4.75
Retention rate to estimate probability of retirement (%)	98.06	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 10.85 (1 January 2021: TL 7.64), which is expected to be effective from 1 January 2022, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

Movements of provision for employment termination benefits:

	1 January - 31 December 2021	1 January - 31 December 2020
Balance at 1 January	**50,417**	**43,084**
Charge for the period	32,555	12,177
Payment within the period	(5,744)	(4,844)
Balance at 31 December	**77,228**	**50,417**

NOTE 16 - OTHER ASSETS AND LIABILITIES

Other Current Assets

	31 December 2021	31 December 2020
Deferred VAT (*)	332,338	158,929
VAT return receivables from export and domestic market sales	313,404	89,764
	645,742	**248,693**

(*) TL 80,278 of the relevant amount is related to the construction works of the PTA Facility, the construction of which was started in 2021, and will be completed in 2022. The remaining part is related to continuous investments and stock purchases and will be net off in 2022.

(**) As of 31 December 2021, the Group has completed the application process for TL 203,931 of its VAT receivable amounting to TL 313,404, and TL 161,373 of the refund application has been collected as of the report publication date (31 December 2020: TL 11,013).

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

NOTE 17 - EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each Kr 1 nominal value of 112,000,000,000 shares (31 December 2020: 83,000,000,000). The shareholders and shareholding structure of the Group as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	Share amount	Share percentage	Share amount	Share percentage
Erdemoğlu Holding A.Ş.	703,403	62.80	521,272	62.80
Merinos Halı San. ve Tic. A.Ş.	164,925	14.73	120,350	14.50
Dinarsu İmalat ve Ticaret T.A.Ş.	164,222	7.81	62,250	7.50
Other	87,450	14.66	126,128	15.20
Share Capital	**1,120,000**	**100**	**830,000**	**100**
Adjustments to share capital (*)	13		13	
Total Capital	**1,120,013**		**830,013**	

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

Based on the Group's Ordinary General Assembly held on 25 March 2021; share capital is increased from TL 830,000 to TL 1,120,000; and TL 290,000 of the increase is covered from accumulated profits.

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

	31 December 2021	31 December 2020
Share Capital	1,120,000	830,000
Adjustments to Share Capital	13	13
Repurchased Shares (*)	(14,993)	(5,707)
Restricted Reserves Appropriated from Profit	213,747	191,559
Other Reserves (Note 4)	83,902	-
Prior Years' Profits	884,200	1,049,814
Loss on Remeasurement of Defined Benefit Plans	(4,109)	(4,109)
Gain on Revaluation of Property, Plant and Equipment	1,182,432	512,592
Net Profit for the Period	697,435	312,188
Total Equity	**4,162,627**	**2,886,350**

(*) At the Board of Directors meeting of Sasa Polyester Sanayi A.Ş., one of the group companies, on 21 November 2017, it was decided to repurchase Sasa shares up to a maximum of TL 50,000,000; in 2017, 1,593,884 lots with a transaction amount of TL 10,532,055, 1,000,000 lots and a transaction amount of TL 5,155,926 in 2019, and 1,500,000 lots with a transaction amount of TL 10,341,940 in 2020 were bought back. A total of 3,607,245 lots of new shares were acquired as part of the free dividend distribution transactions completed on 17 May 2018, 3 May 2019 and 29 April 2021. Thus, the owned shares reached 7,701,130 lots. At the Board of Directors meeting of the Company held on 4 December 2020; a decision has been taken to repurchase Sasa shares up to a maximum of TL 200,000,000, and within the scope of this decision, a total of 7,292,172 shares have been repurchased with a transaction amount of TL 200,000,000 as of the report date. Thus, the Company's Sasa shares reached to 14,993,302 lots as of the report date (1,3387% to the Company's capital).

NOTE 17 – EQUITY (cont'd)

Restricted Reserves Appropriated from Profit

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

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

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

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves Appropriated from Profit" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences (such as differences arising from inflation adjustments) shall be disclosed as follows:

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

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

Other Reserves

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

NOTE 17 – EQUITY (cont'd)

Dividend Distribution (cont'd)

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

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

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

Resources that can be Subject to Profit Distribution:

As of the reporting date, the Group's profit for the period in its legal records is TL 1,361,801 (31 December 2020: TL 308,947) and the total amount of other resources that may be subject to profit distribution is TL 1,361,801 (31 December 2020: TL 308,947).

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

NOTE 18 - REVENUE AND COST OF SALES

Revenue

The Group derives its revenue from the transfer of goods and services at a point in time in the following major product lines. The amount that will be recognized in the future from the remaining performance obligation of the Group is amounting to TL 1,860,460 (2020: TL 700,899).

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

NOTE 18 - REVENUE AND COST OF SALES (cont'd)

Revenue (cont'd)

	1 January- 31 December 2021	1 January- 31 December 2020
Polyester Fiber	4,804,534	2,348,140
Domestic	*3,286,287*	*1,805,782*
Foreign	*1,518,247*	*542,358*
Polyester Chips (SPC)	5,337,690	1,472,528
Domestic	*3,491,087*	*942,794*
Foreign	*1,846,603*	*529,734*
Polyester Yarn (Filament)	2,238,347	743,001
Domestic	*2,230,914*	*742,899*
Foreign	*7,433*	*102*
Poy-Texturized (Filament)	2,128,373	389,653
Domestic	*2,128,334*	*389,653*
Foreign	*39*	-
DMT (SPC)	120,094	23,351
Domestic	*201*	*2,012*
Foreign	*119,893*	*21,339*
Other	15,915	64,275
Domestic	*1,888*	*57,451*
Foreign	*14,027*	*6,824*
Revenue	**14,644,953**	**5,040,948**

Cost of Sales

	1 January- 31 December 2021	1 January- 31 December 2020
Raw materials expense	9,277,042	3,190,506
Energy expenses	645,888	291,728
Labour expenses	400,107	193,880
Depreciation and amortization expenses (Note 11)	228,815	127,935
Spare parts and maintenance expenses	96,914	50,682
Insurance expenses	21,314	11,420
Usage of semi-finished goods	(20,850)	(9,649)
Other expenses	184,376	56,817
Production Cost for the Period	**10,833,606**	**3,913,319**
Usage of WIP and finished goods	37,350	(56,406)
Cost of trade goods sold	-	41,949
Cost of waste goods sold	45,837	26,400
Other idle period expense	19,114	17,796
Depreciation and amortization of idle period (Note 11)	6,529	9,483
Cost of Goods Sold During the Period	**10,942,436**	**3,952,541**

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

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

General Administrative Expenses

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	44,694	21,595
Consultancy expenses	34,887	6,703
Insurance expenses	6,563	4,044
Depreciation and amortization expenses (Note 11)	4,162	2,094
Supplies, repair and maintanence expenses	6,355	1,961
Assisted services expenses	2,982	1,539
Severance and notice pay	7,833	1,050
Energy expenses	761	743
Restructuring expense provision (Note 13)	882	195
Doubtful receivable provision expense / (reversal) (Note 5)	1,402	(681)
Provisions released (Note 13)	(10)	(192)
Other expenses	2,659	6,837
	113,170	**45,888**

Marketing Expenses

	1 January- 31 December 2021	1 January- 31 December 2020
Export and freight expenses	411,501	111,122
Personnel expenses	31,650	15,617
Taxes and duties expenses	5,986	11,515
Depreciation and amortization expenses (Note 11)	3,514	2,862
Insurance expenses	5,504	2,338
Other expenses	11,712	6,211
	469,867	**149,665**

Research and Development Expenses

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	7,801	3,013
Depreciation and amortization expenses (Note 11)	394	462
Other expenses	351	327
	8,546	**3,802**

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

NOTE 20 – OTHER INCOME / EXPENSE FROM OPERATING ACTIVITIES

Other Operating Income

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange expense from trade receivables/payables	2,456,365	300,486
Miscellaneous sales income	53,807	38,347
Income from sale of raw materials (*)	43,686	121,358
Interest income from incentive	32,077	47,378
Assembly delay compensation income (**)	-	88,724
Other income	19,597	3,750
	2,605,532	**600,043**

(*) As of 31 December 2021, the Group has sold raw materials amounting to TL 43,686 in line with the requests from third parties (31 December 2020: TL 121,358).

(**) The related amount consists of the reimbursement income arising from the delay in the assembly of the planned storage system and reflected as a delay penalty to the supplier.

Other Operating Expense

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange expense from trade receivables/payables	3,074,149	310,888
Raw materials sales costs (*)	38,082	107,202
Taxes, duties and charges	14,542	4,981
Cost of miscellaneous sales	10,944	16,749
Other expenses	38,736	25,956
	3,176,453	**465,776**

(*) The related amount consists of the sales costs arising from the raw material sales of the Group to third parties as of 31 December 2021.

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

NOTE 21 – EXPENSES BY NATURE

	1 January- 31 December 2021	1 January- 31 December 2020
Direct raw materials expense	9,277,042	3,190,506
Energy expenses	646,909	292,479
Personnel expenses	484,252	234,105
Export and freight costs	411,501	111,122
Depreciation and amortization expenses (Note 11)	243,414	142,836
Spare parts and maintenance expenses	96,914	50,682
Cost of waste goods sold	45,837	26,400
Usage of finished goods and WIP in the period	37,350	(56,406)
Consultancy expenses	34,887	6,703
Insurance expenses	33,381	17,802
Other idle period expense	19,114	17,796
Severance and notice pay	7,833	1,050
Spare parts and maintenance expenses	6,355	1,961
Taxes, duties and charges	5,986	11,515
Auxiliary service expenses	2,982	1,539
Cost of trade goods sold	-	41,949
Usage of semi-finished goods	(20,850)	(9,649)
Other expenses	201,112	69,506
	11,534,019	**4,151,896**

NOTE 22 – INCOME / EXPENSE FROM INVESTING ACTIVITIES

	1 January- 31 December 2021	1 January- 31 December 2020
Gain on sales of property, plant and equipment (*)	3,871	1,737
Loss on sales of property, plant and equipment (*)	(1,132)	(1,386)
Gains on sales of investment property	-	48,428
Loss on sales of investment property	-	(854)
Rent income (Note 10)	344	294
	3,083	**48,219**

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

NOTE 23 - FINANCE INCOME

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange income	1,165,282	404,523
Interest income	20,567	3,479
Fair value difference of derivative financial instruments	3,668	-
	1,189,517	**408,002**

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

NOTE 24 - FINANCE EXPENSES

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange expenses	4,389,715	1,489,402
Interest expenses	388,062	225,263
Interest expenses of convertible bonds (Note 4)	57,029	-
Commission expenses	85,797	39,895
	4,920,603	**1,754,560**

NOT 25 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	31 December 2021	31 December 2020
Revaluation fund of property, plant and equipment	1,182,432	512,592
Gain on remeasurement of defined benefit plans	(4,109)	(4,109)
	1,178,323	**508,483**

Revaluation fund of property, plant and equipment

	1 January- 31 December 2021	1 January- 31 December 2020
Opening balance	512,592	512,592
Value increase due to revaluation of property, plant and equipment	744,266	-
Deferred tax liability arising from revaluation	(74,426)	-
Period end balance	**1,182,432**	**512,592**

Gain on remeasurement of defined benefit plan

	1 January- 31 December 2021	1 January- 31 December 2020
Opening balance	(4,109)	(4,109)
Closing balance	**(4,109)**	**(4,109)**

NOTE 26 - TAX ASSETS AND LIABILITIES

Deferred Taxes

The Group calculates its deferred income tax assets and liabilities by taking into account the effects of temporary differences that arise as a result of different evaluations in the financial statements prepared in accordance with the Turkish Accounting Standards and the financial statements prepared in accordance with the Turkish Commercial Code and tax laws. These differences usually result in the recognition of revenue and expenses in different reporting periods for Turkish Financial Reporting Standards and tax purposes. Tax rate used in the calculation of deferred tax assets and liabilities was 23% over temporary differences expected to be reversed in 2022, and 20% over temporary differences expected to be reversed in 2023 and the following years (2020: 22%).

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

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

Deferred Taxes (cont'd)

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as of 31 December 2021 and 31 December 2020 using the enacted tax rates are as follows:

	Cumulative temporary difference		Deferred tax asset / (liabilities)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Net difference between recorded value of property, plant and equipment and intangible assets and tax value	2,692,297	667,028	538,458	133,406
Revaluation differences of plant, property and equipment	(1,313,813)	(569,546)	(131,381)	(56,955)
Investment incentives deduction to be used (*)	3,271,149	1,820,014	3,271,149	1,820,014
Provision for employment termination benefits	77,228	50,418	15,446	10,084
Valuation differences of inventories	235,636	(892)	51,839	(178)
Adjustment of unrealized sales	31,793	12,459	6,994	2,492
Provision for unused vacation	10,697	6,276	2,353	1,255
Provision for litigation	1,460	588	321	118
Provision for doubtful receivables	1,402	-	308	-
Provision for export expense	14,310	6,350	3,148	1,270
Adjustment for not accrued financial income	(27,251)	(8,782)	(5,995)	(1,756)
Adjustment for not accrued financial expenses	21,291	8,225	4,684	1,645
Adjustments to the valuation of derivative financial instruments	(3,668)	-	(807)	-
Adjustments for foreign currency exchange difference	352,361	77,131	67,852	15,427
Adjustments for convertible bonds	(59,535)	-	(11,907)	-
Raw material cost adjustments	-	49,704	-	9,941
Deferred tax assets			3,962,552	1,995,652
Deferred tax liabilities			(150,090)	(58,889)
Deferred tax assets			**3,812,462**	**1,936,763**

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

	31 December 2021	31 December 2020
Sasa Polyester San. A.Ş.	3,802,320	1,933,001
Sasa Dış Ticaret A.Ş.	10,142	3,762
	3,812,462	**1,936,763**

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

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

Deferred Taxes (cont'd)

Movement table of deferred taxes is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Balance at 1 January	**1,936,763**	**1,349,555**
Deferred tax income for the period	498,991	122,351
Deferred tax income from incentive certificate	1,451,135	464,857
Deferred tax expense recognized in equity (Note 25)	(74,427)	-
Balance at 31 December	**3,812,462**	**1,936,763**

Reconciliation of tax provision

	1 January- 31 December 2021	1 January- 31 December 2020
Loss before tax from activities	(1,187,990)	(275,020)
Income tax rate: 25% (2020: 22%)	296,998	60,504
Tax effects:		
- Non-deductible expenses	(64,054)	(2,182)
- Income subject to investment incentive expenditures	1,451,135	464,857
- Exemption used within the scope of the incentive certificate	257,353	66,200
- Other adjustments	8,694	(2,171)
Tax income recognised in the income statement	**1,950,126**	**587,208**

Corporate Tax

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

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

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

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

Corporate Tax (cont'd)

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

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

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

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

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

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 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.

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

Corporate Tax (cont'd)

Total tax income for the periods ended 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 Deember 2020
Current period tax expense	(64,701)	-
Deferred tax income	1,950,126	587,208
Total tax income	**1,885,425**	**587,208**

	31 December 2021	31 December 2020
Corporate tax payable	64,701	-
Prepaid taxes and funds	(17,183)	-
Provision for current tax	**47,518**	**-**

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

Government Grants and Incentives

As a result of, a Company of the Group, Sasa Polyester Sanayi A.Ş.'s application to Ministry of Economy General Directorate of Incentive Practices and Foreign Capital for incentive certificate, the incentive application related to the Polymer Production Facility Investment is included in the Project-Based Government Incentives for Investments that is enacted with the resolution of the Council of Ministers, and it is approved by the 30 April 2018 dated Council of Ministers and published on the 23 June 2018 dated Official Gazette. The investment amount related to the incentive is TL 2,906,596 (thousand), and the incentives for the investment are as follows:

- Corporate Tax Reduction (tax reduction rate: 100%, investment contribution rate: 104%, available rate of the investment contribution amount for the investment period: 100%),
- VAT Exemption
- Custom Duty Exemption,
- VAT Return,
- Employer's National Insurance Contribution (10 years without a minimum amount limit),
- Income Tax Withholding Contribution (10 years),
- Qualified Personnel Contribution (maximum TL 10,000),

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

Corporate Tax (cont'd)

Government Grants and Incentives (cont'd)

- Interest and/or Dividend Contribution (maximum 10 years as of loan usage date providing not exceeding TL 105,000),
- Energy Contribution (50% of energy consumption up to 10 years from the startup date providing not exceeding TL 300,000).

As a result of, a Company of the Group, Sasa Polyester Sanayi A.Ş.'s application to Ministry of Economy General Directorate of Incentive Practices and Foreign Capital for incentive certificate, the incentive application related to the PTA facility is included in the Project-Based Government Incentives for Investments that is enacted with the resolution of the Council of Ministers, and it is approved by the 4 January 2021 dated Council of Ministers. The investment amount related to the incentive is TL 10,874,829 (thousand), and the incentives for the investment are as follows:

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

As of 31 December 2021, the Group has TL 3,271,149 tax deduction benefit to be used in the following periods (2020: TL 1,820,014).

NOTE 27 - EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit by the weighted average number of shares outstanding during the year. Companies in Turkey can increase their capital through "bonus shares" that they distribute to their shareholders from retained earnings. Such "bonus shares" distributions are treated as issued shares in earnings per share calculations. Accordingly, the weighted average number of shares used in these calculations has been calculated by taking into account the retrospective effects of the aforementioned share distributions. The Company is not presenting the diluted earnings per share since the convertible debt is antidilutive as of 31 December 2021.

	1 January- 31 December 2021	**1 January- 31 December 2020**
Net profit	697,435	312,188
Weighted average number of shares:	1,037,977,000	1,041,793,000
Weighted average number of ordinary shares (lot)	1,047,500,000	1,047,500,000
Weighted average number of repurchased shares	(9,523,000)	(5,707,000)
Earnings per share with a nominal value of 1 TL (full TL)	0.6719	0.2997

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

NOTE 28 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties:

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

	31 December 2021	31 December 2020
Dinarsu İmalat ve Ticaret T.A.Ş.	4,990	25
Merinos Halı San. Tic. A.Ş.	-	37,163
	4,990	**37,188**

b) Deferred Income from related parties

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

	31 December 2021	31 December 2020
Özerdem Mensucat San. Tic. A.Ş.	276,436	-
Merinos Halı San. Tic. A.Ş.	161,506	-
Zeki Mensucat Sanayi ve Tic. A.Ş.	15,909	-
	453,851	-

c) Sales to related parties:

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

	1 January - 31 December 2021	1 January - 31 December 2020
	Product	**Product**
Merinos Halı San. Tic. A.Ş.	369,048	161,100
Özerdem Mensucat San. Tic. A.Ş.	346,299	157,780
Zeki Mensucat Sanayi ve Tic. A.Ş.	257,167	93,969
Dinarsu İmalat ve Ticaret T.A.Ş.	8,024	71
	980,538	**412,920**

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

NOTE 28 - RELATED PARTY DISCLOSURES (cont'd)

d) Purchases from related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
	Product	**Product**
Erdemoğlu Holding A.Ş.	2,413	-
Merinos Halı San. Tic. A.Ş.	815	406
Zeki Mensucat Sanayi ve Tic. A.Ş.	-	36
Özerdem Mensucat San. Tic. A.Ş.	-	1,916
	3,228	**2,358**

d) Foreign exchange and late interest charge to related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
Merinos Halı San. Tic. A.Ş.	21,039	15,314
Zeki Mensucat San. Tic. A.Ş.	2,413	659
Dinarsu İmalat ve Ticaret T.A.Ş.	802	1
Özerdem Mensucat San. Tic. A.Ş.	781	6,463
	25,035	**22,437**

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

For the year ended 31 December 2021 and 2020, remuneration of the Board of Directors and key management personnel amounts are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Short-term benefits provided to key management	6,810	3,971
	6,810	**3,971**

NOTE 29 – DERIVATIVE INSTRUMENTS

	31 December 2021	31 December 2020
Derivative financial assets		
Presentation of derivative instruments at fair value:		
Option	3,479	-
Swap	189	
	3,668	**-**

NOTE 29 – DERIVATIVE INSTRUMENTS (cont'd)

Classification of derivative instruments

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

Fair value measurement of derivative instruments

Information on the methods and assumptions used in determining the fair values of derivatives is explained in Note 30.

Amounts recognized in profit or loss

The following amounts are reflected in profit or loss regarding forward foreign currency purchase/sale contracts during the year:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains presented in financing income	3,668	-

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

a) Capital risk management

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

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

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

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

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

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

a) Capital risk management (cont'd)

As of 31 December 2021 and 2020, the debt-to-equity ratio calculated by dividing net debt, calculated by deducting cash and cash equivalents and short-term financial investments from financial liabilities, by total capital is as follows:

	31 December 2021	31 December 2020
Financial Borrowings (Note 4)	11,998,872	5,905,972
Less: Cash and Cash Equivalents		
and Financial Investments (Note 3-4)	(2,173,528)	(475,377)
Net Debt	9,825,344	5,430,595
Total Equity	4,162,627	2,886,350
Total Capital	13,987,971	8,316,945
Net Debt/Total Capital Ratio	70%	65%

b) Financial Risk Management

Financial risk factors

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

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

b.1) Credit risk management

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

Receivables

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

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

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

b) Financial Risk Management (cont'd)

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

Receivables (cont'd)

	Receivables				
	Trade Receivables		Other Receivables	Bank	Derivative
31 December 2021	**Related Party**	**Third Party**	**Third Party**	**Deposits**	**Instruments**
Maximum credit risk as of reporting date	4,990	2,213,401	8,277	2,170,274	3,668
Secured portion of the maximum credit risk by guarantees (*)	-	2,162,282	-	-	-
Net book value of financial assets finansal that are neiter past due nor impaired	4,990	2,003,312	8,277	2,170,274	3,668
Net book value of financial assets whose conditions have been renegotiated otherwise would be deemed to be overdue or impaired	-	-	-	-	-
Net book value of financial assets that are past due but not impaired net book value of assets	-	210,089	-	-	-
The part under guarantee with colleteral etc.	-	158,970	-	-	-
Net book value of the assets impaired	-	-	-	-	-
- Overdue (gross carrying amount)	-	1,402	-	-	-
- Impairment	-	(1,402)	-	-	-

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

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

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

b) Financial Risk Management (cont'd)

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

Receivables (cont'd)

	Receivables			
	Trade Receivables		Other Receivables	Bank
31 December 2020	**Related Party**	**Other Party**	**Other Party**	**Deposits**
Maximum credit risk as of reporting date	37,188	663,151	4,208	428,298
Secured portion of the maximum credit risk by guarantees (*)	-	622,903	-	-
Net book value of financial assets finansal that are neiter past due nor impaired	37,188	588,574	4,208	428,298
Net book value of financial assets whose conditions have been renegotiated otherwise would be deemed to be overdue or impaired	-	-	-	-
Net book value of financial assets that are past due but not impaired net book value of assets	-	74,577	-	-
The part under guarantee with colleteral etc.	-	34,329	-	-
Net book value of the assets impaired	-	-	-	-
- Overdue (gross carrying amount)	-	-	-	-
- Impairment	-	-	-	-

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

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

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

b) Financial Risk Management (cont'd)

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

Receivables (cont'd)

As of 31 December 2021 and 2020, the table of overdue but not impaired assets is as follows:

Trade receivables	**31 December 2021**	**31 December 2020**
Past due 1 - 30 days	183,498	60,484
Past due 1 - 3 months	22,685	9,852
Past due 3 - 12 months	3,906	4,241
Total	**210,089**	**74,577**
The part secured by financial instruments such as collateral, mortgage etc. (*)	158,970	34,329

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

b.2) Liquidity risk management

Liquidity risk

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

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

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

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

b) Financial Risk Management (cont'd)

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

Liquidity risk (cont'd)

As of 31 December 2021,

Contractual maturities

Non-derivative Financial Liabilities						
	Carrying value	Total Cash Outflows	Less than 3 months	3 to 12 months	1 to 5 years	5 years +
Bank loans	9,004,412	10,029,592	1,071,617	2,497,506	4,663,633	1,796,836
Financial lease obligations	172,196	182,827	13,735	41,998	127,094	-
Convertible bond	2,822,264	3,471,138	24,560	75,045	3,371,533	-
Trade payables	129,583	129,583	129,583	-	-	-

Expected maturities

	Carrying value	Total Cash Outflows	Less than 3 months	3 to 12 months	1 to 5 years	5 years +
Trade payables	3,840,487	4,044,792	3,842,988	201,804	-	-
Other payables	50,267	50,267	50,267	-	-	-

As of 31 December 2020,

Contractual maturities

Non-derivative Financial Liabilities						
	Carrying value	Total Cash Outflows	Less than 3 months	3 to 12 months	1 to 5 years	5 years +
Bank loans	5,796,371	6,260,872	549,409	2,104,407	2,531,971	1,075,085
Financial lease	109,601	138,702	8,752	26,256	103,694	-
Trade payables	116,141	116,141	116,141	-	-	-

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

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

b) Financial Risk Management (cont'd)

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

Liquidity risk (cont'd)

Expected terms

	Carrying value	Total Cash Outflows	Less than 3 months	3 to 12 months	1 to 5 years	5 years +
Trade payables	1,099,648	1,111,577	999,235	112,342	-	-
Other payables	2,315	2,315	2,315	-	-	-

b.3) Market risk management

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

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

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

There has been no change in the market risk that the Group is exposed to in the current year, or in the management and measurement methods of the risks it is exposed to, compared to the previous year.

b.3.1) Foreign exchange risk management

The Group is subject to foreign exchange risk due to foreign currency denominated liabilities and assets' conversion to Turkish Lira. Foreign exchange risk is traced through regular analysis of foreign currency position and minimized mostly with hard currency sales.

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

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

b) Financial Risk Management (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Assets and liabilities denominated in foreign currencies as of 31 December 2021 and 2020 are as follows:

	31 December 2021		
	TL Equivalent	**US Dollar**	**Euro**
Trade receivables	1,443,513	101,295	6,188
Monetary financial assets			
(including cash, bank accounts)	1,897,204	130,164	10,754
Other	971,667	36,388	32,257
Total assets	**4,312,384**	**267,847**	**49,199**
Trade payables (including other payables)	3,726,001	245,312	30,241
Financial liabilities	1,810,032	23,844	98,929
Other	72,158	1,416	3,532
Short term liabilities	**5,608,191**	**270,573**	**132,682**
Financial libilities	8,481,316	1,144	561,161
Long term liabilities	**8,481,316**	**1,144**	**561,161**
Total liabilities	**14,089,507**	**271,716**	**693,843**
Foreign currency position	**(9,777,123)**	**(3,869)**	**(644,644)**
Derivative contracts net foreign currency position	3,668	-	-
Net foreign currency position	**(9,773,455)**	**(3,869)**	**(657,991)**

	31 December 2020		
	TL Equivalent	**USD**	**Euro**
Trade receivables	653,764	53,925	27,826
Monetary financial assets			
(Including cash and banks)	107,158	8,577	4,774
Other	120,005	8,952	5,878
Current assets	**880,927**	**71,454**	**38,478**
Total assets	**880,927**	**71,454**	**38,478**
Trade payables (Including other payables)	1,000,759	114,298	16,754
Financial liabilities	1,833,017	67,865	145,836
Other	34,838	239	3,627
Short-term liabilities	**2,868,614**	**182,402**	**166,217**
Financial liabilities	2,929,452	1,511	320,109
Long-term liabilities	**2,929,452**	**1,511**	**320,109**
Total liabilities	**5,798,066**	**183,913**	**486,326**
Foreign currency asset position	**(4,917,139)**	**(112,459)**	**(447,848)**
Derivative contracts net foreign currency position	-	-	-
Net foreign currency position	**(4,917,139)**	**(112,459)**	**(447,848)**

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

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

b) Financial Risk Management (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

	Profit / (Loss)	
As of 31 December 2021;	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change in USD against TL:		
USD net asset	(5,157)	5,157
Part of hedged from the USD risk	-	-
USD net effect	**(5,157)**	**5,157**
10% change in EUR against TL:		
EUR net asset	(967,337)	972,585
Part of hedged from the EUR risk	-	-
EUR net effect	**(967,337)**	**972,585**
Total	**(972,494)**	**977,742**

	Profit / (Loss)	
As of 31 December 2020;	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change in USD against TL:		
USD net asset	(83,438)	83,438
Part of hedged from the USD risk	-	-
USD net effect	**(83,438)**	**83,438**
10% change in EUR against TL:		
EUR net asset	(408,276)	408,276
Part of hedged from the EUR risk	-	-
EUR net effect	**(408,276)**	**408,276**
Total	**(491,714)**	**491,714**

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

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

b) Financial Risk Management (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Forward foreign exchange purchase/sale contracts

The Group makes forward foreign currency contracts for foreign Exchange rate fluctuations. The table below gives the details of forward foreign currency purchase/sale contracts that have not been matured as of the report date.

	Average rate		Nominal amount: Foreign currency		Nominal amount: Turkish Lira		Carrying values (liabilities)/assets of hedging instruments	
Hedging instruments - open contracts:	31 December 2021 TL	31 December 2020 TL	31 December 2021 FC	31 December 2020 FC	31 December 2021 TL	31 December 2020 TL	31 December 2021 TL	31 December 2020 TL
US dollar purchase less than 3 months	13.30	-	1,000	-	13,300	-	189	-
TL Purchase / EUR Sell 3 to 6 months	11.70	-	15,319	-	179,232	-	3,479	-
							3,668	-

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

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

b) Financial Risk Management (cont'd)

b.3) Market risk management (cont'd)

b.3.2) Interest rate and risk management (cont'd)

The Group is exposed to interest rate risk due to the impact of changes in interest rates on interest bearing assets and liabilities. The Group considers its cash assets, which it holds and does not use, as time deposits. Apart from these, their income and cash flows from operations are largely independent of changes in market interest rates.

In order to minimize the interest rate risk, the Group carries out efforts to borrow at the most favorable rates.

Interest Position Table

Fixed interest rate instruments	**31 December 2021**	**31 December 2020**
Principal	5,923,155	2,863,826
Interest	50,491	42,457
Fixed financial liabilities total	**5,973,646**	**2,906,283**

Variable rate financial instruments	**31 December 2021**	**31 December 2020**
Principal	5,986,594	2,984,811
Interest	38,632	18,762
Variable financial liabilities total	**6,025,226**	**3,003,573**

If the interest rate in TL currency was 10% higher/lower at 31 December 2021 and all other variables remained constant, profit before tax and non-controlling interest would have been lower/higher by TL 19,487 (31 December 2020: TL 11,448).

Funding risk

The funding risk of current and prospective debt requirements is managed by maintaining the availability of sufficient number of high-quality lenders.

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

NOTE 31 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

31 December 2021	Financial assets / liabilities amortized cost	Financial instruments at FVTPL	Carrying value	Note
Financial assets				
Cash and cash equivalents	2,170,396	-	2,170,396	3
Trade receivables	2,213,401	-	2,213,401	5
Receivables from related parties	4,990	-	4,990	5
Other financial assets	654,136	-	654,136	7-16
Derivative financial instruments	-	3,668	-	29
Financial liabilities				
Financial borrowings	11,998,872	-	11,998,872	4
Trade payables	3,958,781	-	3,958,781	5
Other financial liabilities	50,267	-	50,267	7
31 December 2020				
Financial assets				
Cash and cash equivalents	428,395	-	428,395	3
Trade receivables	663,151	-	663,151	5
Receivables from related parties	37,188	-	37,188	5
Other financial assets	253,015	-	253,015	7-16
Financial liabilities				
Financial borrowings	5,905,972	-	5,905,972	4
Trade payables	1,215,789	-	1,215,789	5
Other financial liabilities	2,315	-	2,315	7

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

NOTE 31 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

<u>Fair Value of Financial Instruments</u>

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: Financial assets and liabilities are valued at stock prices traded in active markets for identical assets and liabilities.

- Level 2: Financial assets and liabilities are valued from inputs used to find the price of the related asset or liability that can be observed in the market directly or indirectly, other than the market price specified in the first level.

- Level 3: Financial assets and liabilities are valued from inputs that are not based on market observable data used to determine the fair value of the asset or liability.

The Group's financial assets and liabilities have been calculated at their fair values during the reporting period. The table below shows how the fair values of financial instruments are determined.

	Fair value			
Financial assets	31 December 2021	31 December 2020	Fair value level	Valuation technique
Option	3,479	-	2	It is determined using the generally accepted pricing model in observable current market transactions.
Swap	189	-		
	3,668	**-**		

NOTE 32 – FEES RELATED TO SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

The fees related to the services received by the Group from the Independent Audit Firm for the periods 1 January – 31 December 2021 and 1 January – 31 December 2020 are as follows:

	31 December 2021	**31 December 2020**
Audit fee for the reporting period	294	200
Fee for other assurance services	60	67
		-
	354	**267**

NOTE 33 - EVENTS AFTER THE BALANCE SHEET DATE

Our EIA (Environmental Impact Assessment) application regarding the "Additional Polymer Chips and Polyester Production Facilities and Auxiliary Facilities (Wastewater Treatment Plant, Storage and Thermal Power) Capacity Increase Project" planned by the Company to be made in Adana province Seyhan District Sarıhamzalı Mahallesi got approved by the TR Ministry of Environment and Urbanization, and the "Environmental Impact Assessment Positive" decision was made.

In accordance with the decision of Board of Directors dated 26 January 2022, the Group made application to Capital Markets Board on 1 February 2022 for Eurobond issuance in abroad amounting to USD 500,000,000 (five hundred million USD).

The Group has applied for the closing of the Project Based Incentive Certificate numbered 300005, which it has used for the polymer chips production facilities that it completed its investment in 2021, and as of 11 February 2022, the related incentive certificate was closed.

In accordance with the Tax Procedure Law No. 7352 and the Law on the Amendment of the Corporate Tax Law published in the Official Gazette dated 29 January 2022 and numbered 31734, the application of inflation adjustment in the financial statements prepared according to the tax procedure law was postponed to 31 December 2023.