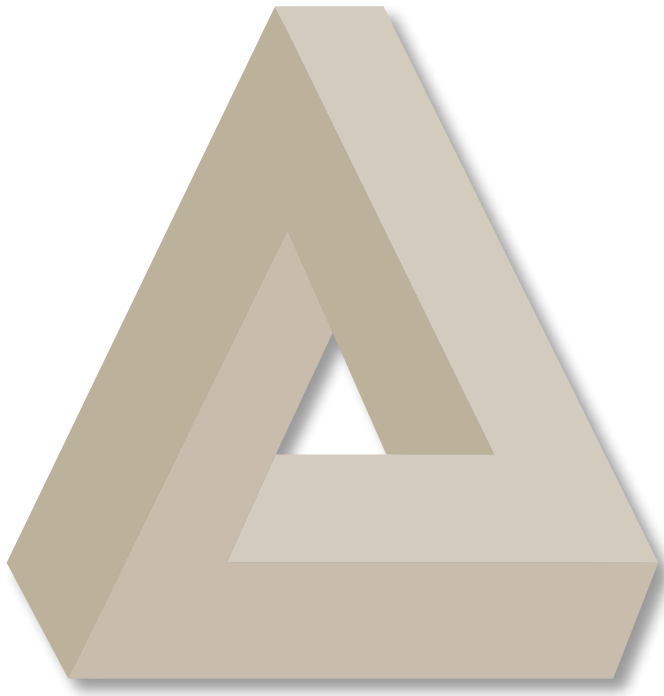




Annual Report 2016



WE BECAME ONE

WE BECAME ONE IN ORDER TO INTRODUCE TURKISH ACRYLIC FIBER TO THE WORLD.

WE BECAME ONE FOR QUALITY AND RELIABILITY.

WE BECAME ONE TO BE A PIONEER ON 5 CONTINENTS.

WITH OUR MANAGEMENT AND MORE THAN 1250 EMPLOYEES.

WE BECAME ONE FOR OUR MANAGEMENT APPROACH;

WE BECAME ONE FOR OUR ENVIRONMENTAL PRACTICES;

WE BECAME ONE FOR OUR OHS AND SEVESO WORKS.

WE BECAME ONE FOR SOCIAL RESPONSIBILITY;

WE BECAME ONE TO DEVELOP PRODUCTS, EMBRACE INNOVATION AND SHAPE THE FUTURE.

WE BECAME THE FIRST

WITH THE HIGHEST CORPORATE GOVERNANCE RATING

AT THE CORPORATE GOVERNANCE ASSOCIATION OF TURKEY'S AWARDS.



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AKSA DEVELOPS AND STRIDES TOWARDS NEW GOALS WITH THE CHANGING WORLD. ALL ALONG THIS EPIC VOYAGE, THE COMPANY TRANSFERS ITS POWER TO NEW BRANDS, CONNECTING TO CUSTOMERS. THE 2016 ANNUAL REPORT FOCUSES ON ACRYLUNA, ACRYSOLE, ACRYLUSION, AND ACRYTERNA, CREATORS OF A NEW VISION FOR ACRYLIC FIBER.



acryluna



acrysole



acrylusion



acryterna

ACRYLUNA IS ALWAYS THERE FOR YOU WITH COLORFUL, SOFT AND WARM KNITWEAR FOR VARIOUS WALKS OF DAILY LIFE.



ORDINARY GENERAL ASSEMBLY AGENDA

Agenda for the 2016 Ordinary General Assembly Meeting of Aksa Akriklik Kimya Sanayii Anonim Şirketi

1. Opening of the meeting and election of the Presiding Board of the General Assembly,
2. Reading and discussing the 2016 Annual Report prepared by the Board of Directors,
3. Reading the Auditors' Report for the year 2016,
4. Reading, discussing and approval of the Financial Statements for the year 2016,
5. Releasing the members of the Board of Directors individually with regard to the Company's activities in 2016,
6. Determining the usage of profit, percentages of profit distribution and profit sharing,
7. Determining the number and the duty terms of the Members of the Board of Directors and, according to the decided number of members, electing the Members of the Board of Directors and the Members of the Independent Board of Directors,
8. Determination of remuneration for the Board Members and Independent Directors,
9. Submitting the selection of the Independent Auditor for approval pursuant to the Turkish Commercial Code, the 'Communiqué on Independent Auditing Standards in Capital Markets' issued by the Capital Markets Board of Turkey, and the decision of the Board of Directors on the matter,
10. Pursuant to the Capital Markets Board's Communiqué on Corporate Governance, in the event that controlling shareholders, members of the Board of Directors, executive management and their first and second degree relatives by blood or by marriage have carried out significant transactions that may result in conflict of interest either with the Company or its subsidiaries, and/or have carried out commercial transactions in the same line of business with the Company or its subsidiaries either by themselves or on behalf of others, or have become partners without limits of liability in a company that is engaged in the same line of business, informing the shareholders with regard to such transactions,
11. Pursuant to articles 395 and 396 of the Turkish Commercial Code, granting permission and authority to the members of the Board of Directors,
12. Submitting the issue of raising the upper limits for donations and aids determined under the Company's donation and aid policy, as per the Capital Markets Law and the Capital Markets Board's 'Dividend Communiqué' number (II-19.1), for the approval of the General Assembly,
13. Pursuant to the Capital Markets Law, informing the shareholders about the donations and aid made by the Company in 2016,
14. Pursuant to Article 12 of the Communiqué on Corporate Governance, informing the shareholders about the sureties, pledges, mortgages and guarantees given by the Company in favor of third parties and on the income and benefits acquired by the Company in 2016.
15. Presenting the amendment draft with regard to article 4, "Headquarters and Branches", and article 14, "Meeting Venue", of the Company's Articles of Association, in the format approved by the Energy Market Regulatory Authority, the Capital Markets Board and the Turkish Republic Ministry of Customs and Trade, and provided that the necessary permissions are obtained from the Energy Market Regulatory Authority, the Capital Markets Board and the Turkish Republic Ministry of Customs and Trade, for the approval of the General Assembly.

Message From the Chairman of the Board of Directors

Dear Shareholders,

2016 will be remembered for a series of crises in the economic and political arenas. With ambiguous commodity and oil prices both in Turkey and worldwide, 2016 was a year in which all expectations were upended, and reliable forecasts were at a premium. While uneasiness regarding global economic growth dominated the agenda, the news about fluctuations in the Chinese market, the UK's decision to leave the EU, and Donald Trump's victory in the USA presidential election dominated the markets. In Turkey, the domestic markets suffered several shocks, especially with the coup attempt on July 15, the Russian crisis, a spate of terror incidents, and the docked ratings from international financial institutions.

Analysts claim that the dollar will be the main agenda in 2017. In the event that President Trump fulfills his promises to his electors, the value of the dollar is projected to continue rising. As in 2016, markets will again be unsteady in 2017. However, we hope that the effects of these fluctuations will be minor. Regarding Turkey, it is predicted that the constitutional referendum will be the determining factor for 2017.

As for our company, apart from events shaking the world and our country, it can be observed that last year was very successful. Aksa Akrilik came out with several novelties. New products were introduced on the market, and research and development activities, as well as innovative investments, continued at full steam. These innovative investments include modacrylic fiber, which is flame-retardant, or non-flammable, and can only be produced by a few companies worldwide. Furthermore, investments on the sector's first pigment-dyed acrylic filament yarn, developed by Aksa, march on.

Aksa Akrilik, a world-leading acrylic fiber producer with nearly 50 years experience and a customer-focused approach, introduced four new brands that touch every aspect of life in the last activity year. Being ever present for our business partners, offering expertise, product quality, technical service and reliability, Aksa Akrilik sustained growth while considering the needs of its customers. The company aims to offer a new vision for acrylic fiber, and to raise acrylic fiber to its rightful level, as the world's leading acrylic fiber producer, with our new brands: Acryluna accentuates the softness, warmth, and colorful and joyful world of acrylic fiber; Acrysole is our solution for canopies and outdoor applications; Acryterna is customized for use in industrial areas; and Acrylusion brings out the innovative and superior aspect of our acrylic filament product. With a new brand understanding, Aksa Akrilik has completely turned the focus towards quality and customer expectations.

Another development that we, as a company, are proud of is that Aksa Akrilik maintained its place among Turkey's 500 Largest Industrial Enterprises, as in the previous years. In the Capital 500 list of Turkey's largest 500 private companies, our company took first place in Textile and Clothing, and maintained its prominence among Turkey's largest companies. According to data obtained in 2015, Aksa Akrilik, the world's largest and Turkey's only acrylic fiber producer, stood in 35th place on the ISO 500 list. Climbing from third to first place in "Corporate Governance Rating" was another key achievement and source of pride for us in 2016. DowAksa, our joint venture based on equal partnership with Dow Chemical, gained ground in wind turbine supply in 2016. The Company continues to take firm strides towards agreements with the sector's large power plant producers, on the back of producing turbines with unique technology.

IN THE CAPITAL 500 LIST OF TURKEY'S LARGEST 500 PRIVATE COMPANIES, OUR COMPANY TOOK FIRST PLACE IN TEXTILE AND CLOTHING, AND MAINTAINED ITS PROMINENCE AMONG TURKEY'S LARGEST COMPANIES.



"Holding its position as the sector leader, Aksa remains determined to sustain its productivity-based approach and innovative production investments in business processes, supported by modern technology."

Mehmet Ali Berkman
Chairman of the Board of Directors

In spite of the uncertainties in the financial markets, political crises and ever changing agenda items, it is neither fortune nor coincidence that Aksa Akrilik had a successful year. Aksa Akrilik, once again, stood out with constant development, an innovative product range, and an emphasis on the operational efficiency brought about by our business processes. Our trust-worthy, experienced and innovative structure, as well as our sustainable profitability strategy and outstanding human resources, will continue to be the driving force behind all our initiatives, and our greatest investment for the future.

Holding its position as the sector leader, Aksa remains determined to sustain its productivity-based approach and innovative production investments in business processes, supported by modern technology. We operate with the principle of respect for nature, and a sense of social responsibility, which will continue to offer value to the Turkish and global economy in 2017.

I extend my sincere thanks to all the members of the Aksa Family, who always work devotedly, as well as our shareholders, customers, financiers, and all stakeholders supporting us under all circumstances.

Mehmet Ali Berkman
Chairman of the Board of Directors

A Message From the General Manager

Dear Aksa Family,

We have finally emerged from 2016, a year of many difficulties in Turkey and worldwide. Uncertainties in the world's economic policies marked the year 2016. In particular, the fact that developed countries abstained from making investment decisions so as to reduce possible risk, withdrawing their finances from developing countries, constituted one of the main reasons for the stagnation. Global trade was heavily impeded by the decline in commodity prices. In spite of all the negative conditions in the world and Turkey, the Aksa Akrilik Family provided added value to our exports with our rich product portfolio, and managed to achieve a successful and profitable year.

One of the fundamental developments observed in 2016 was the branding activities undertaken by our product groups. We introduced 4 new brands to the sector that touch every aspect of life. We chose the name Acryluna for our textile fiber products, which offer the softness, warmth and joyful and colorful world of acrylic fiber; Acrysole for our technical fibers that provide the best solution for canopies and outdoor applications; and Acryterna for our acrylic fiber products used in industrial areas. Acrylusion was decided as the brand displaying the innovative and superior side of our acrylic filament product.

Included in the pigment-dyed acrylic fiber product group, Acrysole expanded its sales volume and market share, which played a significant role in making

2016 profitable. Our energy efficiency created a cost advantage, boosting our profitability. Last year, we initiated our New Turbine project, which will provide the safest electricity supply, improved conversion cost, and enhanced capacity.

Moreover, we forged on with our investments at full steam. Our newly developed pigment-dyed acrylic filament yarn, Acrylusion, became a product in high demand, particularly in the hand-woven carpet sector, thanks to its silky softness, touch and superior color brightness. We initiated capacity-expanding investments for the hiked demand in the carpet sector, as it is anti-dust and bleach cleanable. We also completed R&D works for the flame-retardant, or nonflammable, modacrylic fiber. At the moment, further work is under way in order to make it more environment-friendly and eco-friendly. We intend to start industrial-scale supply of modacrylic fiber in 2017. Modacrylic, a high added value product, can only be produced by a limited number of producers around the world, and it is primarily used in protective work uniforms, the plastic sector, and artificial hair production.

Our company achieved several successes in 2016. We reached TL 161 million, the highest dividend payout to date. As for production, we set a new record of 315,000 tons. Our EBITDA level closed 2016 with growth of 11%. We reached the summit in corporate governance. We won the grand prize for the company with "the Highest Corporate Governance Rating" as part of the Corporate Governance Association of Turkey's (TKYD) traditional Corporate Governance Awards.

"OUR COMPANY ACHIEVED SEVERAL SUCCESSES IN 2016. WE REACHED TL 161 MILLION, THE HIGHEST DIVIDEND PAYOUT TO DATE. AS FOR PRODUCTION, WE SET A NEW RECORD OF 315,000 TONS. OUR EBITDA LEVEL CLOSED 2016 WITH GROWTH OF 11%. WE WON THE GRAND PRIZE FOR THE COMPANY WITH "THE HIGHEST CORPORATE GOVERNANCE RATING"



"In spite of all the negative conditions in the world and Turkey, the Aksa Akrilik Family provided added value to our exports with our rich product portfolio, and managed to achieve a successful and profitable year."

Cengiz Taş
General Manager

Throughout the world, the atmosphere is dominated by cautious expectations for economic developments. No matter the conditions, our objectives for the company will stay as they are. In order to surpass the lofty levels we have reached in the world's acrylic market, we will carry on working with our colleagues, committed to their jobs, with love and respect, without compromising on our principles. I extend my sincerest gratitude to our shareholders, financiers, and all stakeholders supporting us under all circumstances, and my wishes for a good year with further new successes.

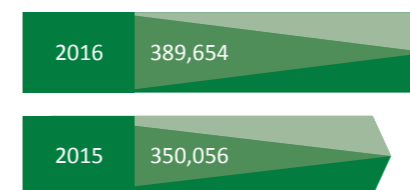
Cengiz Taş
General Manager

ACRYLUNA IS ALWAYS THERE FOR YOU WHENEVER YOU NEED COLOR AND WARMTH IN A BALL OF WOOL FOR HAND-KNITTING.



KEY INDICATORS

EBITDA(*)

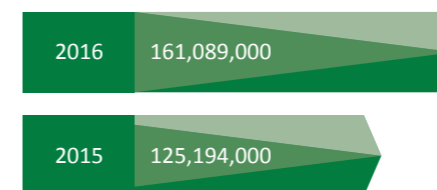


Aksa's 2016 EBITDA(*) growth was 11%, reaching TL 390 million.

(*) Earnings Before Interest Taxes Depreciation and Amortization

%11

Dividend

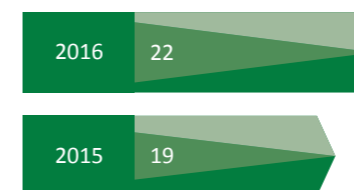


Aksa's Dividend went up by 29% to TL 161 million in 2016.

(*) The dividend of the relevant year consist of the number for the dividend distribution of the previous year.

%29

Gross Profit Margin



Aksa's Gross Profit Margin went up by 3 percentage points to 22%.

%3



ACRYLUNA IS ALWAYS THERE FOR YOU WITH SCARVES, BERETS AND JUMPERS TO KEEP YOU WARM.



**AKSA
IN BRIEF**

Aksa Akrilik Kimya Sanayii A.Ş. ("Aksa" or "Company"), affiliated to Akkök Holding, commenced operations in Yalova in 1971, with an annual capacity of 5,000 tons, to meet Turkey's acrylic fiber need. It became the world's largest acrylic fabric producer, through constant growth and by developing its own technology. Aksa Akrilik was responsible for 1/6 of the world's acrylic fiber production last year.

With a headcount of more than 1,200, Aksa is established on an area of 502,000 square meters. It is the world's largest and Turkey's only acrylic fiber producer, with an annual capacity of 315,000 tons. Focusing on active marketing activities in the domestic market throughout the year, Aksa Akrilik managed to maintain its market share and sales volume, owing to its 100% capacity utilization rate. As of 2016 year-end, the Company has a share of 17% in the global market, and 69% in the domestic market.

Aksa Akrilik performs daily production of circa 850,000 kilos. That is to say, it produces acrylic fiber to meet the knitwear needs of 2 million people per day. Possessing a power generation license with a capacity of 142.5 MWe, the Company is known for its ability to generate its own energy without interruption.

Aksa exports to more than 300 customers in no less than 50 countries on 5 continents. 61% of 2016 sales were made to the domestic market, and 39% were made to foreign markets.

Aksa as a result of research and development activities entered the carbon fiber market in 2009. Subsequently in 2012, the Company established DowAksa as a 50% joint venture with Dow Europe Holdings B.V., a subsidiary of the Dow Chemical Company. Today, the Company carries out carbon fiber production under the roof of DowAksa, with an annual capacity of 3,500 tons.



Major Developments in 2016

AKSA AKRİLİK REACHES THE PEAK OF CORPORATE GOVERNANCE

Traditionally organized by the Corporate Governance Association of Turkey (TKYD), this was the 7th year of the Corporate Governance Awards. In a ceremony on January 19, 2017, Aksa Akrilik won the grand prize for the company with “the Highest Corporate Governance Rating”. According to the rating conducted by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., Aksa Akrilik raised its rating to 9.60 from 9.50, thanks to the works completed in the last year. The biggest acrylic fiber producer in the world, Aksa became the company with the highest rating in the Corporate Governance Index.

The corporate governance rating obtained by Aksa Akrilik clearly stated that the Company complied with the “CMB Corporate Governance Principles”, practiced all the policies and measures, determined and actively managed the corporate governance risks, correctly oversaw the rights of shareholders and stakeholders, managed public disclosure and transparency activities at the highest level, and ran the structure and functioning of the Board of Directors in the best practice category.



Corporate Governance Rating: 9.60

Main parts: App. 95.98

Sub-Categories	Rating Obtained	Rating Allocated
Shareholders	0.25	9.73
Public Disclosure and Transparency	0.25	9.84
Stakeholders	0.15	9.88
Board of Directors	0.35	9.21

AKSA AKRİLİK'S FOUR NEW BRANDS

The world's leading acrylic fiber producer with 50 years experience and a customer focused approach, Aksa Akrilik introduced its customers to four new brands touching every aspect of life.

Being ever present for our business partners with our specialty, product quality, technical service and reliability, Aksa Akrilik continues to grow while considering the needs of our customers. Aksa Akrilik aims to offer a new vision for acrylic fiber, and to raise acrylic fiber to its rightful level as the world's leading acrylic fiber producer, by means of its new brands: Acryluna, Acrysole, Acryterna and Acrylusion. With a new brand understanding, Aksa Akrilik completely turns its focus towards quality and customer expectations.

Including textile fiber products produced with advanced technology and dyed in all sorts of colors, ranging from sweaters to socks, sportswear, children's wear, blankets and furnishing fiber, Acryluna offers the natural feel and warmth of wool everywhere your hands may touch. Eliminating problematic factors in outdoor applications such as sunlight, wind humidity and dust, Acrytema promotes itself as a symbol of the environment friendly Aksa technology, owing to its high heat-resistance, non shrinking and high-filtering features. Acrylusion, Aksa's pigment-dyed acrylic filament yarn, produces carpets with a high quality silk carpet appearance, owing to its superior color brightness.

• Aksa Akrilik's 2015 Sustainability Report was issued in accordance with the GRI G4 standard

Reinforcing the significance it places on sustainability with its applications in business processes, Aksa Akrilik reported its sustainability performance between January 1 and December 31, 2015. Prepared in compliance with the basic option of Global Reporting Initiative GRI G4, the report also constitutes a Development Declaration Report as part of the “United Nations Global Principles Agreement”.

The Aksa Akrilik Sustainability Report for 2015 was prepared according to the requirements of the Borsa Istanbul (BIST) Sustainability Index, which lists the companies traded on Borsa Istanbul (BIST) that have a high level of corporate sustainability performance. The 2015 Sustainability Report, which shares more performance data and provides a more transparent platform, was the tenth sustainability report prepared by Aksa Sustainability Committee.

Other Developments

• New Turbine Project was initiated

Aksa Akrilik started the “New Turbine Project” with a view to improving energy supply reliability, reducing the conversion cost, and raising the profitability of the energy department. As part of the project, the investment of a budget amounting to USD 35 million was initiated.

• “ISO 14064-1 Certificate” was renewed

Aksa Akrilik obtained the “ISO 14064-1 - Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals” Certificate. As the first institute to receive this certificate in Turkey, Aksa Akrilik was audited by BSI between July 25 and July 27, 2017, as part of the activities performed in relation to the risks and opportunities created by the impact of climate change. Once again certified with “comprehensive assurance” following the auditing, within the scope of legal liability, the greenhouse gas monitoring plan was uploaded to the online system of the Ministry of Environment and Urbanization.

• Aksa obtained the “Information Security Management System Certification”

Aksa successfully completed the certification auditing for “TS ISO/ IEC 27001 Information Security Management System”, which was conducted by TSE and included all of the company's processes.

• Aksa Akrilik is listed among Turkey's 500 Largest Industrial Enterprises

Aksa Akrilik, the world's largest and Turkey's only acrylic fiber producer, stood in 35th place on the list, with net sales from production worth TL 2,131,600,393 in 2015.

• Aksa Akrilik maintains its place as the sector leader

In the Capital 500 list for Turkey's largest 500 private companies, Aksa Akrilik took first place in Textile and Clothing, and maintained its foremost position among Turkey's largest companies.

Capital and Shareholding Structure

OPERATIONAL EXCELLENCE, PROFITABLE INVESTMENT.

Aksa accepted the registered capital system outlined in the provisions of Law No. 2499, and on the basis of Permission No. 90 granted by the Capital Markets Board on February 20, 1992, the Company adopted this system. The Company's registered capital is TL 425,000,000 (valid for 2016-2020), and its paid in capital stands at TL 185,000,000.

The Company increased its paid-in capital in 2009 by TL 75,000,000, from TL 110,000,000 to TL 185,000,000. A sum of TL 60,000,000 was paid out of the reserves for inflation adjustments, while TL 15,000,000 was paid along with the sum added to the capital from the first dividends set aside from 2008 profit. The Company issued shares corresponding to the capital increase, although no securities or financial bonds were issued.

Company shareholders and their respective shareholding are as provided in the table:

Capital and Shareholding Structure

Shareholder	Share (%)	Nominal Value (TL)
Akkök Holding A.Ş.	39.59	73,237,497
Emniyet Ticaret ve Sanayi A.Ş.	18.72	34,638,843
Other (*)	41.69	77,123,660
Total	100.00	185,000,000

(*) 37.19% of Aksa's shares are traded on BİST, de facto, as of December 31, 2016, and 5.41% of the shares are owned by Somerset em.mar.d.v.ge.f, established in Britain.

Subsidiaries

Subsidiaries Title	Country	Operation	Subsidiary Amount ^(*)	Subsidiary (%)	Dividend Amount (TL)		
					2014	2015	2016
Fitco B.V.	The Netherlands	Foreign Investment	7,150,069	100.00	-	-	-
Aksa Egypt Acrylic Fiber Industry S.A.E.	Egypt	Textile	5,126	0.50	927	6,592	-

Joint Venture	Country	Operation	Subsidiary Amount ^(*)	Subsidiary (%)	Dividend Amount (TL)		
					2014	2015	2016
DowAksa Advanced Composites Holding B.V.	The Netherlands	Foreign Investment	325,292,645	50.00	-	-	-

(*) Composed of amounts that are included in the financial tables that are in line with the Tax Procedure Law.

Companies, the shares of which are owned indirectly

Trade Name	Country	Field of Operation
Aksa Egypt Acrylic Fiber Industry S.A.E	Egypt	Textile
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.	Turkey	Chemical
DowAksa Switzerland GmbH	Switzerland	Investment
DowAksa USA LLC	USA	Chemical
LLC NCC-Neftemehnika	Russia	R&D/Chemical
LLC NCC-Alabuga	Russia	R&D/Chemical
Nanotechnology Centre of Composites c-m-p GmbH	Russia	R&D/Chemical
DowAksa Deutschland GmbH	Germany	Chemical
DowAksa Tianjin Trading Company	Germany	Investment
LLC NCC-EVOPRO	China	Chemical
LLC NCC-SIM-R	Russia	R&D/Chemical
LLC NCC-TVF	Russia	R&D/Chemical

Aksa Akrilik Kimya Sanayii A.Ş.	2016
Market Value	1,698 million TL
BIST Trading Ratio	37.19%
Foreign Investor Shares ^(*)	54%

(*) Foreign investor stake among shares traded on the BIST.



“As a result of our business development and operational excellence over the last five years, Aksa Akrilik managed to double its EBITDA level. Feeling indebted towards its shareholders regarding profit sharing, the Company proposed a nominal dividend that is 3 times higher than that in 2012, and distributed TL 161 million.”

Eren Ziya Dik
Director of Financial Affairs

ACRYLUNA IS ALWAYS THERE FOR YOU WITH WARM, COMFORTABLE AND LASTING SCHOOL UNIFORMS.



AKSA VISION MODEL

Mission

Why do we exist?

To direct the sector that we lead, to create value for our stakeholders, and carry forward the values we create.

High Targets

Where will we go?

In order to attain sustainable profitability:

- To achieve the highest level of operational excellence by investing in technology,
- To create new end-uses for acrylic fiber,
- To grow by way of new products or strategic collaborations.

Core Values

What are the values that determine our stance?

- Health, Safety and Environment
- Compliance with Ethical Values
- Team Work and Cooperation
- Customer Oriented Approach

Main Qualifications

What are our best qualifications?

- Participative Management
- Lock on Common Goals
- Continuous Learning
- Experience and know-how
- Willing, Loyal, Result Oriented Employees

Milestones

ROBUST AND RELIABLE COMPANY IN THE INDUSTRY SECTOR, TURKEY'S SOURCE OF PRIDE...

- 1968**
 - ▶ Aksa was established under the same roof of Akkök Holding Companies, to meet Turkey's acrylic fiber requirements.
- 1969**
 - ▶ A license agreement was signed and executed with the Italian acrylic producer company Chatillon (now Montefiber), and the Monsanto technology was acquired by Aksa. Construction of the Aksa plant commenced in Yalova.
- 1971**
 - ▶ The plant founded in Yalova began to operate with an annual capacity of 5,000 tons to produce staple fiber and tops.
- 1974**
 - ▶ Capacity was enhanced for the first time.
- 1976**
 - ▶ Four new high capacity fiber spinning machines were added, raising the annual capacity to 35,000 tons, and two gas turbines were installed to meet the energy requirements of the plant.
- 1977**
 - ▶ In addition to staple fiber and tops, tow was also offered to the market.
 - ▶ The Company opened up to foreign markets with AKSA® products, and first export was made to Italy.
- 1978**
 - ▶ Technical assistance agreement with Chatillon ended.
 - ▶ Aksa started to develop its own technology, supported by independent foreign consultants.
- 1982**
 - ▶ Online Control System was established for the first time in Turkey, and the entire processing system monitored from a single centre.
- 1985**
 - ▶ Gel dyeing technology was developed, and producer dyed tow production was initiated.
- 1986**
 - ▶ Acrylic fiber production capacity reached 116,000 tons/year.

- 1991**
 - ▶ Conducted the first CCE steam generation in Turkey.
- 1992**
 - ▶ The Fiber Pilot Plant and the R&D Lab were established to promote polymer research, and to develop new products.
- 1997**
 - ▶ Microfiber production commenced. Open end type fiber, the major input for cotton type yarn production, was also offered to the market.
 - ▶ Acrylic fiber production capacity reached 190,000 tons/year.
- 2000**
 - ▶ Began manufacturing outdoor fiber. Switched to biological treatment with the Deep Tank system, the most advanced technology in water treatment, breaking new ground in Turkey.
- 2002**
 - ▶ Accelerated new product development activities by refurbishing the Pilot Plant and the R&D Lab that were established in 1992.
- 2004**
 - ▶ A pilot plant for textiles was established, in addition to existing pilot plants, to provide more efficient customer service in the post-processing of fiber.
- 2006**
 - ▶ Began investments and initiated R&D work on carbon fiber.
- 2007**
 - ▶ Acrylic fiber production capacity reached 308,000 tons/year.
 - ▶ With its performance in developing technology, Aksa reached a position from where it was able to establish a new acrylic fiber manufacturing facility in any part of the world, or alternatively to sell technological licenses.
- 2008**
 - ▶ Began manufacturing carbon fiber at a pilot level.
 - ▶ Received the National Grand Prize for Quality Award.

- 2009**
 - ▶ With the launch of the 1,500 tons/year capacity carbon fiber production line, Aksa became the first Turkish company in the industry to provide raw input. With this production line, it also secured its position as the ninth largest carbon fiber manufacturer in the world.
 - ▶ Certified by the Ministry of Science, Industry and Technology, became a registered R&D Centre.
 - ▶ In addition to the existing power plant, a decision was made to invest in a new power plant with an electricity capacity of 100 MW, and 350 tons/hour steam production, within the Yalova plant.
- 2010**
 - ▶ In line with its 10% market share target in the carbon fiber industry, Aksa decided to establish a second carbon fiber production line.
- 2011**
 - ▶ Decision was made to establish a new company by the partial separation of the carbon fiber business line.
 - ▶ A preliminary joint venture agreement was signed between Aksa and the Dow Chemical Company for the production and marketing of carbon fiber and carbon fiber based products.
- 2012**
 - ▶ On January 2, 2012, the carbon fiber business line became a separate company through partial separation, and Aksa Karbon Elyaf Sanayi A.Ş. established as a wholly owned subsidiary of Aksa.
 - ▶ On June 29, 2012, DowAksa Ltd. was established as a 50:50 joint venture of Aksa and DowEurope.
 - ▶ First phase of the power plant investment was completed and activated.
- 2013**
 - ▶ Aksa completed and commissioned the second phase of the power plant.
 - ▶ Aksa was included in the Turquality Program, the world's first and only state-sponsored brand development initiative promoted by Turkey's Ministry of Economy, with the vision of "Creating 10 Global Brands in 10 years."
 - ▶ Aksa merged with Ak-Tops TekstilSanayi A.Ş., the Company's wholly owned subsidiary since August 2013, by taking over all of its assets and liabilities. The merger was registered on December 31, 2013.
 - ▶ In 2013, Aksa started pilot production of pigment-dyed acrylic filament yarn, using its proprietary technology. This new product boasts excellent color brightness, high-quality appearance, and

ultra-high water resistance, as well as self-cleaning properties.

- 2014**
 - ▶ Aksa's Corporate Governance Rating, which is calculated as a result of evaluating the company as per CMB Corporate Governance Principles, was determined at 9.22, and the Company was included in the Corporate Governance Index.
 - ▶ Aksa ranked second in Turkey, and FIRST among the Borsa Istanbul and Industry Sector, obtaining TS ISO 31000 "Risk Management System Verification Certification".
 - ▶ Working efficiently and in tune with the environment since its establishment, Aksa carried its implementation level to Level B, with its 9th Sustainability report published to date, as a model for the sector by means of practices based on a voluntary approach.
- 2015**
 - ▶ Upon recent modernization and efficiency projects and investments, Aksa's annual production capacity of 308,000 tons reached 315,000.
 - ▶ Aksa's Corporate Governance Rating, which is calculated in consequence of the assessment as per the CMB's Corporate Governance Principles, was updated to 9.5 and the Company took 3rd place in the BIST Corporate Governance Index as of year-end.
 - ▶ Yalova Composite and Chemical Expertize Improvement Organized Industrial Zone, the founders of which are the Acrylic Based Composite, Advanced Materials and Technology Producers Association, including Aksa, as well as Yalova Provincial Special Administration, Taşköprü Municipality and Yalova Chamber of Trade and Industry, was established in Yalova's Çiftlikköy district, within the boundaries of Taşköprü, on an area of 113 hectares, with registration number 308, by the Ministry of Science, Industry and Technology, on July 6, 2015.
- 2016**
 - ▶ Aksa's CMB Corporate Governance Rating, which is calculated according to the assessment as per the CMB's Corporate Governance Principles, was updated to 9.6, and the Company won an award as the "Company with the Highest Rating" in the BIST Corporate Governance Index as of year-end.
 - ▶ A world-leading acrylic fiber producer, with nearly 50 years experience and a customer-focused approach, Aksa Akrilik introduced customers to four new brands that touch every aspect of life in the last activity year.

Akkök Holding in Brief

IN ADDITION TO FULFILLING THEIR FINANCIAL OBLIGATIONS, ALL GROUP COMPANIES ACT AS GOOD CORPORATE CITIZENS, AND STRIVE TO ADD VALUE TO SOCIETY, THE NATURAL ENVIRONMENT, AND THE ECONOMY AS A WHOLE IN ALL THEIR OPERATIONS.

Founded in 1952 by the late Raif Dinçkök, and with deep know-how spanning 65 years, Akkök Holding ranks among the most well established industrial groups in Turkey. The Group conducts operations in the fields of chemicals, energy and real estate, with 18 commercial and industrial enterprises, one of which is overseas, and with 18 production plants. By closely following the trends in the world's markets and in its operating industries, Akkök Holding aims to catch up with the global competition, and achieve world-class standards together with all the companies under its roof.

With an annual installed production capacity of 315,000 tons, Aksa is the only domestic acrylic fiber manufacturer in Turkey. The Company holds a 17% global market share in acrylic fiber production, and supplies the textile and industrial textile industries in more than 50 countries across five continents. In 2009, after improving its technology infrastructure, Aksa commenced production of carbon fiber, which is considered one of the most vital raw materials of the 21st century.

DowAksa was established in 2012 as a joint venture of the Dow Chemical Company and Aksa Acrylic San A.Ş., with the aim of providing a wide range of products and technical services to the global composites industry, whose raw material is carbon fiber. Thanks to Dow's knowledge and experience in resins, and Aksa's infrastructure, which allows for growth, today DowAksa is one of the strongest companies vying for leadership in the production of carbon fiber and carbon fiber intermediate materials market. Moreover, DowAksa is the first and only Turkish company in the carbon fiber industry. DowAksa provides carbon fiber composite solutions to industrial sectors, namely the energy, transportation, defense and infrastructure sectors. The Company develops solutions aiming to reduce total costs, and offers a wide range of products to the fast-growing carbon fiber composite sector. With the support of technical service, DowAksa expanded its product range, and the Company also conducts global scale business development activities.

Turkey's pioneer chemicals company Ak-Kim was established in Yalova in 1977, and over time it expanded its production activities in various locations around Turkey. Ak-Kim is a global chemicals company serving customers on 5 continents with its broad product portfolio, including Chlor Alkali and derivatives, Methylamines, Persulfates, Hydrogen Peroxides, Bisulfites, Textile auxiliaries, Paper and Water treatment chemicals,

Cement and concrete additives. With a total capacity of 600,000 tons, Ak-Kim produces more than 500 chemical substances and auxiliary materials, and it produces with high environment friendly technology. Since 2002, the Company has sold its know-how and technologies to companies abroad, and offers different types of services from engineering engagements to key-ready commitments. In line with its growth strategy, Ak-Kim established AKFERAL in 2013, on an equal partnership basis with the Feralco Group, the second major producer of water treatment chemicals and coagulants in Europe. In 2015 Ak-Kim, acquired Gizem Frit, one of the world's leading enamel and ceramic frit producers, and thus entered a new market. Expanding its activities in water treatment solutions with the Ultrafiltration Module, which uses perforated fiber made from high quality PVDF materials, and is produced by Ak-Kim with a formula it developed in 2015, Ak-Kim has also been the leader of the Ultrafiltration Module production sector with this investment in Turkey and its near periphery.

Akiş REIT, the real estate investment company operating under Akkök Holding, continues to develop projects that help improve quality of life in the regions where it operates. The Company runs Akbatı Shopping Mall and Life Center, as well as the Akasya projects, and it is also developing street retail projects on Bağdat Street as an alternative to shopping mall investments. The Company aims to provide consistent dividend income to shareholders through regular rental incomes, which will be augmented by these investments. Akiş REIT became one of the key players of the sector upon the merger with Saf REIT, registered on January 18, 2017. Akiş REIT consistently follows changing sector trends and socio-economic developments closely, and aims to sign off on prominent projects in the real estate sector.

Since its opening, Akmerkez has been investing in the future and has been the leader in creating new values. Akmerkez has been a hotspot for intimate experiences, and the most popular meeting point in the city, with distinguished brands and stores, shopping, entertainment facilities and food court, since 1993.

Another company belonging to Akkök Holding, whose success in the real estate industry has been inscribed with the Akmerkez Shopping Mall investment, is SAF REIT, which has reinforced the holding's reputation in the real estate industry

with activities that add value to society as a whole. Akasya, opened in the first quarter of 2014, bringing a breath of fresh air to the Anatolian Side, and the KidZania Istanbul is a vital social platform to teach children, while also entertaining them. Akiş REIT and Saf REIT have become the key players of the sector, merging under Akiş REIT.

Starting its activities as an auto-producer group in the Akkök Group of Companies in 1989, Akenerji has been operating as an independent power generation company since 2005. The Company, a 50:50 strategic joint venture of Akkök Holding and CEZ Group, Europe's leading energy company, has the sole capacity to meet 3.2% of Turkey's energy need, with total installed capacity of 1,211 MW. Having made notable strides in sustainable energy, Akenerji, with a total installed capacity of 307 MW, has raised the share of sustainable energy sources to 25%, with 7 hydroelectric power plants and one wind power plant. Project design works for the Kemah Hydroelectric Power Plant, with a capacity of 198 MW, and which is planned to be built in Erzincan, are ongoing.

Sepaş Enerji was separated from the distribution companies as per the Energy Market Regulatory Authority's decision, "Practices and Principles on Legal Separation of Distribution and Retail Sales Activities", and was established on January 1, 2013. Sepaş Enerji extends its services across Turkey, mainly in Bolu, Düzce, Sakarya and Kocaeli, the supply region, to a total portfolio of 1.6 million, with combined domestic and international strength. In 2016, Sepaş Enerji supplied energy to an average portfolio of 1,026 MW, and its total sales volume reached 8.989 GWh.

Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) has been running power distribution services 24 hours a day in Sakarya, Kocaeli, Bolu and Düzce, covering a total area of 19,421 square kilometers across 4 provinces, 45 districts, 47 municipalities, 1,441 villages, 1.6 million consumers and a population of 3.4 million, with 1,700 employees. Within the scope of power distribution activities, SEDAŞ aims to provide high-quality, uninterrupted power distribution services to the subscribers in its region, and immediately intervenes in the event of breakdowns. SEDAŞ conducts power distribution services through 33 distribution centers and 21 Customer Service Centers.

For a sustainable future

The understanding of "Sustainable Development" is a key component in creating Akkök Holding's future perspectives and strategies. Akkök Holding prepared its first Sustainability Report in 2012, with detailed information on the performances and practices regarding the environment and society, as well as ethics and the economy. The report applied international reporting standards in accordance with GRI (Global Reporting Initiative), and acquired an approval of level C. In the 2013-



2014 period, a second sustainability report, which consisted of the operations of Akkök Holding, Aksa Akrilik, Ak-Kim Kimya, Akenerji and Akiş REIT, was prepared and published within the framework of G4 reporting. Akkök Holding continues to share its sustainability engagements with the public through the Global Compact Progress Report.

Akkök Holding signed the United Nations Global Compact in 2007, and thus further strengthened the principles of openness and accountability that are adopted by all Group companies. In the Group's relationships with all social stakeholders, particularly employees, customers, suppliers and shareholders, Akkök Holding adheres to these two fundamental principles. In addition to fulfilling their financial obligations, all Group companies act as good corporate citizens, and strive to add value to society, the natural environment, and the economy as a whole in all their operations.

Akkök Business Ethics Principles

"Akkök Holding Business Ethics Principles" are determined in line with the corporatization process, both in personal attitude and business ethics rules, with its long-established practices.

Akkök Holding Business Ethics Principles and supporting policies are instructive in relations with employees, shareholders, suppliers, customers, vendors, other stakeholders and the public. Acting in accordance with Akkök Holding Business Ethics Principles means a working environment with cooperation involving mutual respect, as well as reputation and compliance with the law.

Employer Brand

Today, Akkök Holding has a total of 5,000 employees. As part of Employer Brand engagements, values are internally reinforced, while the brand is expanded with external activities.

**ACRYLUNA IS ALWAYS THERE FOR YOU WITH BLANKETS
OFFERING WARMTH, SOFTNESS AND COMFORT IN
DAILY LIFE.**



2016 ACTIVITIES



“Aksa Akrilik aims to offer a new vision for acrylic fiber, and to raise acrylic fiber to its rightful level as the world’s leading acrylic fiber producer, by means of its new brands: Acryluna, Acrysole, Acryterna and Acrylusion. With a new brand understanding, Aksa Akrilik completely turns its focus towards quality and customer expectations.”

Sabri Arca
Marketing, Sales and New Business
Development Director

Marketing and Sales

2016 was a year of uncertainties owing to the jet crisis between Turkey and Russia, as well as collection difficulties in the market. Two key facts emerged; the market was convinced that commodity prices were at the lowest level possible, and the entire supply chain had low stock levels. This led to much greater demand than expected in the Domestic Market in the first half of the year. As a result of the abominable coup attempt in July, and subsequent concerns about the heightened terror threat, demand regressed through to the end of the year owing to the ongoing collection difficulties, rampant foreign exchange rates, and financing supply difficulties created by the banking sector.

When it comes to global markets, having grown in 2015, Acrylic Fiber consumption continued its boom, particularly in the Far Eastern markets, in the first half of 2016. A contraction of Chinese demand, and the Chinese Antidumping applications, caused Korean and Japanese producers, and even Chinese producers, to apply very aggressive pricing in the Turkish and Iranian markets, Aksa’s normal target markets, resulting in an attempt to seize a share. The minor recovery observed in the European and US markets in the first half of the year failed to generate the expected demand, especially after August, which is considered as the high season. Based on the decline in the embargo effects, and the excitement of opening into foreign markets, the Iranian market particularly triggered high demand in the carpet sector throughout the year, and consumed a high volume of acrylic fiber, especially considering recent years in the market. The fact that Iranian local producers failed to maintain continuity, and that certain Far Eastern players extended beyond their markets, created significant share growth for Aksa. The demand growth in the Iranian carpet sector was also reflected in demand for carpet thread in the Turkish market, and Turkish carpet yarn producers were compensated for their domestic market loss.

During a year of frequent changes in demand in all the critical acrylic markets, Aksa managed to work at full capacity with its market, product diversity and sales policies, and to close out the year standing firm.

**ACRYLUNA IS ALWAYS THERE FOR YOUR
ENDURANCE AND COLOR NEEDS IN CARPETS.**



PRODUCTION



“In 2016, Aksa set a new record by reaching capacity utilization of 100% and production of 315,000 tons, thus reinforcing its pre-eminent position in the Acrylic Fiber market, due to its production efficiency.”

İsmail Murat İncoğlu
Deputy General Manager - Technical

Acrylic Fiber

By using the entire nominal capacity in 2016, Aksa manufactured 315,000 tons of products. The company maintained its leading position in the market thanks to its record production tonnage and production efficiency.

New Product Development / R&D Operations

Based on the unique technology knowledge obtained from the R&D works conducted in Aksa, new areas of business are targeted.

R&D works were completed for modacrylic fiber, which is flame-retardant, or non-flammable, and can only be produced by a limited number of companies in the world. Meanwhile, several studies have been conducted to enhance it in tune with environment and ecological life. Industrial-scale production supply will commence in 2017. Modacrylic, a high added value product, can be primarily used in protective work uniforms, the plastic sector, and artificial hair production.

Apart from establishing new areas of utilization for Acrylic Fiber, works towards diversifying acrylic continue successfully. Laboratory studies are ongoing to highlight acrylic's warmth and comfort in underwear and performance sportswear. Tests have been performed with the world's foremost firms, and the results have been positive.

Thanks to filament yarn's silky softness and feel, Acrylusion has been a sought-after product, especially in the hand-woven carpet sector. Regarding high demand in the carpet sector, the required investments have been planned for capacity growth.

Energy

Aksa generates electricity energy and process steam, meeting its own energy need, and also sells the surplus. While gross power generation was 786 GWh in 2015, this figure grew by 3%, reaching 811 GWh in 2016. Owing to the projects and operational excellence works developed in the coal power plant, the plants have been operated in the most economical and efficient manner, securing a major reduction in energy generation costs.



ACRYLUNA IS ALWAYS THERE FOR YOU WHENEVER YOU SEEK LUXURY, COMFORT AND ENDURANCE IN HOME TEXTILE AND FURNISHING FIBERS.



INVESTMENTS



“R&D works for flame-retardant, or non-flammable, modacrylic fiber, which can only be produced by a limited number of companies in the world, were completed, and a project was initiated towards building a production plant with 1,000 ton/year capacity.”

*Ceyhan Arık
Investment Director (Deputy)*

Investments

In 2016, Aksa maintained its operational excellence concept, and focused on efficiency and quality enhancing projects. Moreover, the Company conducted projects within the scope of new business and new product development strategy. Accordingly, it is expected that similar projects will be incrementally sustained in the coming years. Distribution of the 2016 investment expenses, worth TL 107 million, as per contents of the projects is as follows:

Project	Number
TEXTILE INVESTMENT	24
INFRASTRUCTURE - FACILITIES - MAINTENANCE	20
SEVESO INVESTMENT	20
RENEWAL MODERNIZATION PROJECTS	13
PROJECTS ORIENTED TO ENHANCE ENERGY EFFICIENCY	12
PROCESS AND PRODUCT DEVELOPMENT INVESTMENTS	6
NEW PRODUCT INVESTMENTS	4
QUALITY IMPROVEMENT	3
WAREHOUSE MATERIAL AND PORT	2
TOTAL	104

In 2016, Aksa continued creating new products and utilization areas, as well as operational excellence, for acrylic fiber, and conducting R&D works towards process development and enhancement.

In 2016, work continued on the “New Turbine” project, which will provide more and safer electricity supply with the same operating conditions for boilers, improved conversion cost and capacity growth. The new turbine is slated to go into operation in 2017.

In 2016, Aksa also invested in process security projects as per the alignment with the “Regulation on Prevention of Major Industrial Accidents and Mitigation of their Impacts”, enacted in 2011; and presented the Turkish Ministry of Labor and Social Security with a “Safety Report” prepared for the adaptation process on June 29, 2016.

In line with the objective of creating new products and utilization areas for acrylic fiber, in 2016:

- a project was initiated to Construct a Modacrylic Fiber Production Plant with 1,000 ton/year capacity. The project aims to offer modacrylic fiber to the flame-retardant fiber sector and the artificial hair sector.
- a project to Construct New Filament Machinery was initiated. The project aims at capacity growth for filament yarn, a first in the sector.

These projects are slated for completion in 2017.



FROM TENTS TO INDOOR AND OUTDOOR FURNITURE, ACRYSOLE IS ALWAYS THERE FOR YOU WHENEVER YOU NEED LASTING COLORS AND QUALITY.



SUBSIDIARIES



“Thanks to filament yarn’s silky softness and feel, Acrylusion has been a sought-after product, especially in the hand-woven carpet sector. Regarding high demand in the carpet sector, the required investments have been planned for capacity growth.”

*Gürcan Koman
Chemical Director (Deputy)*

ACHIEVING CAPACITY UTILIZATION OF 82% IN 2016, AKSA EGYPT CONSOLIDATED ITS POSITION AS THE ONLY ACRYLIC FIBER PRODUCER OPERATING IN EGYPT.

DowAksa Carbon Fiber

DowAksa offers carbon fiber composite solutions that are integrated into industrial sectors, namely the energy, transportation and infrastructure sectors. The Company develops solutions aiming to reduce the total cost, and offers a wide range of products to the rapidly growing carbon fiber composite sector. Diversifying its product range with technical service support, DowAksa conducts global scale business development activities. Today, DowAksa is among the strongest companies racing to the top in the production of carbon fiber and carbon fiber intermediate materials. At the same time, it is the only Turkish company operating in the carbon fiber sector.

Carbon fiber is a high value added, strategic product, providing innovative solutions to the most significant problems faced by the world, by enhancing the energy generation volume of wind turbines, reducing fuel consumption in automobiles, and reinforcing and prolonging infrastructure and buildings.

Aksa Egypt

Aksa Egypt is a key subsidiary for Aksa as it expands the Company’s North Africa operations, primarily in Egypt. Planning to use its resources in the most optimized way, based on signals that the positive atmosphere in the country will continue, Aksa Egypt aims to achieve the same capacity utilization rate by making use of its potential export market in Africa. Moreover, the most challenging conditions in the country include the volatility of the Egyptian money markets, and an economic regime that is dependent on foreign support.

Fitco

Fitco is the direct investor of Aksa Egypt at a rate of 99%, and no change was observed in its 2016 operations.



**FROM SPORTS CARS TO BOATS,
ACRYSOLE IS ALWAYS THERE FOR A LONGER-
LASTING EXPERIENCE.**



SUSTAINABILITY



“As a result of the emphasis on employee satisfaction, and the ongoing related works, the Textile Directorate completed the transition to four-shift, and a single system was adapted in the entire factory.”

*Haydar İnan
Textile Director*

Society

Aksa adopted, as a fundamental notion, to sustainably carry into the future the value that it created with a Vision Model, for all of its shareholders, as the sector leader. With each passing day, we strive to scale up the positive value we created in the social, economic and environmental areas, as well as the achievements we have attained with this concept. We aspire to implement works that set a model for our sector and our country, with our pioneering practices. Every activity that we execute in corporate and social sustainability matters is supported by an efficient organizational structure, formed as a result of Akkök Holding's corporate know-how and Aksa's sector experience.

We support our transparency and accountability concept, the key components of our corporate culture, as well as the way of reflecting this notion in our processes, by means of annually published sustainability reports. Therefore, we reflect our performance in related areas as transparently as possible to different stakeholder groups. We have presented our performance concerning the primary matters that we determined for sustainability along with the sustainability committee in 2016, under the 2015 Sustainability Report that we prepared as per GRI G4 standard, for the assessment of the shareholders. While this report represents our abidance by the 10 principles stipulated under the United Nations Global Compact that we signed, it also serves as a progress report.

Spread of Vision and Strategies

Having systematically conducted its strategic planning activities for more than a decade, Aksa develops new approaches that improve implementation performance in the area each year. In this scope, in order to enhance Aksa's vision and strategies awareness among employees in 2016, “spread of vision and strategies workshops” were organized under the leadership of our General Manager.

During the course of the workshops completed by the end of November 2016, Aksa's vision model, its bold objectives, fundamental values and main characteristics were imparted to all high level employees, and the data for the comparative strategic plan for the last 5 years and the next 5 years were presented to the employees.

2016 Corporate Communication Projects

ORCHESTRA OF THE FUTURE WITH AKSA ENABLED THE STUDENTS TO RECEIVE TRAINING FROM THE BEST TRAINERS IN THEIR FIELDS, AND THE PROJECT CONCLUDED WITH A CONCERT AT TAŞKÖPRÜ CULTURAL CENTER, AS THE FRUIT OF THE CHILDREN'S INTENSIVE WORK.

► “Orchestra of the Future with Aksa” Social Responsibility Project was completed

“Orchestra of the Future with Aksa”, a corporate social responsibility project to help society in the regions of operation, was completed. The trainings were organized at Mevlana Primary School, Taşköprü Secondary School, and Aksa Industrial Vocational High School, with the participation of nearly 200 interested students.

The project was carried out to help primary and high school students gain a stronger relationship with music. The students were given the opportunity to get familiar with different musical instruments and music types from all around the world. Orchestra of the Future with Aksa enabled the students to receive training from the best trainers in their fields, and the project concluded with a concert at Taşköprü Cultural Center, as the fruit of the children's intensive work. Celebrated as a festival, the concert welcomed Şerafettin Turan, Yalova Provincial Director of National Education, Nedret Gülen, Taşköprü Mayor, as well as Aksa Akrilik officials, students, their parents, school administrators and project partners.

Carried out as a corporate social responsibility project in cooperation with the Association of Free Musicians and Producers, Orchestra of the Future with Aksa trainings were organized with the aim of helping school-age children and youths learn about music, and display their potentials in the subject. The participants received courses on percussion instruments, wind instruments and juggling. Large musical instruments, such as bongos and hand drums, were donated to the schools, while melodicas, tambourines and juggling balls were presented to the children to sustain their relationship with music.

► Aksa made children happy on April 23

Aksa Akrilik continued its traditional film event in 2016, and presented children in Yalova a movie for April 23, National Sovereignty and Children's Day. More than 2,000 children spent a fun afternoon with “Huevos: Little Rooster's Egg-cellent Adventure”, free of charge, at Özdilek Cinetime movie theater.

► Open Door Days Continue

In 2016, Open Door Days continued more intensively. Throughout the Open Door Days; NGOs, local people, schools, employees' families, customers, comparison teams, and domestic and foreign visitors had a chance to tour and collect information that aroused their curiosity

about the production site. The results obtained from questionnaires following the visits were evaluated within the scope of Aksa's enhancement strategies.

► Aksa Akrilik's promotional film came to life with Çetin Tekindor's voice

Aksa Akrilik's new corporate promotional film was published. The clip, “My Name is Acrylic Fiber”, narrates the 45-year history of acrylic fiber, with voice recording by the talented actor Çetin Tekindor.

Starting with the line, “Some touches affect every moment in life”, the film portrays Aksa Akrilik's factory in Yalova, its production processes, and acrylic fiber's utilization areas in colorful images. The promotional film highlights the softness, flexibility and durability of acrylic fiber that touches every aspect of life.

► Continuing its growth on social media, Aksa is now on Twitter and Instagram!

Connecting with our followers on social networks, Aksa Akrilik recently signed up to Twitter and Instagram. Aksa Akrilik embarked on the digital world with its Facebook and LinkedIn corporate accounts last year and, as of April 2016, opened its doors to followers on Twitter and Instagram, the two biggest social networks in the world.

Through the new accounts, lots of fascinating information is shared online, as well as up-to-date developments, new investments, social responsibility projects and acrylic fiber utilization areas.

The corporate accounts on digital media enable all stakeholders, including customers, partners and press members, to access to up-to-date information and news about the company.

► Aksa TV Started Broadcasting

Covering up-to-date news from Turkey and around the world, in addition to developments directly concerning Aksa Akrilik, Aksa TV started its broadcast career. Operating on a closed circuit broadcasting system, Aksa TV went on the air initially from 4 different broadcasting points in Aksa Akrilik's production plants in Yalova.

Aksa TV aims to spread the number of broadcasting points in the coming periods, and covers many dynamics, including information about the weather forecast, fixtures, traffic, the stock exchange, and currency exchange rates.



“In 2016, the “New Turbine” project, which will provide the safest electricity supply, an improved conversion cost and capacity growth, was initiated.”

Sinan Uğurlu
Energy Director

Charitable Donations and Social Welfare

Aksa is keenly aware that sustainable social development can only be achieved with young generations who are well educated, well-qualified and well-cultured; who are environmentally and socially sensitive; and who are able to take the initiative. With this awareness, the Company provides educational and cultural opportunities to local residents in its operating regions. By means of new corporate social responsibility initiatives in 2016, the Company continued to create value for each and every region where the “Aksa” name is present.

The details of Aksa's “Charitable Donations and Social Welfare” expenditure in 2016, mainly in the areas of education, culture, arts and sports are as follows:

Charitable Donations and Social Welfare	Amount (TL)
Education	1,696,229
Associations, foundations and municipalities	830,367
Total	2,526,596

Corporate Memory and Information Security Management System Works

Today's innovations in communication and information technologies entail the need to protect and reinforce information sources, and to manage corporate information capital in the most efficient possible manner. Operating for approximately 50 years, Aksa completed the Corporate Memory and Information Security Management System project, which began in 2015, in order to manage its long-established knowledge base.

Through the relevant electronic system, the Project made the lists of department based corporate information, the output of the fulfilled project works, into live documents, by making them accessible.

The risk assessment results regarding accessibility, integrity and privacy were also made live by being made accessible on the electronic system. Accordingly, any actions taken beyond acceptable risk levels could be monitored on the same system.

AKSA obtained the TS ISO/IEC 27001:2013 Information Security Management System Certificate.

Including all the processes into the scope of the Information Security Management System, Aksa Akrilik classified its information assets based on the criteria of privacy, integrity and accessibility. The company built risk processing plans with a view to reducing any determined risk to an acceptable level, or eliminating them completely. Aksa also developed proper business continuity plans to ensure the continuity of critical processes, and established the systems required to manage any information security violations.

In-House Entrepreneurship

In line with the objectives of finding new utilization areas for acrylic fiber, which was added to the company's strategies in 2014 for sustainable growth and development, and of expanding with new products or strategic collaborations, in 2016, Aksa continued with the In-House Entrepreneurship Program that was initiated in 2015.

Stripped-Down Six Sigma Practices

Awareness trainings about stripped-down operations and wastage continued, particularly to employees at operational level, in order to help generate ideas for the long-running Suggestion System. Commenced in 2004, Six Sigma project activities continued in 2016. Engineers from different departments received Six Sigma training. Apart from various financial advantages, information to shed light on other projects, and feedback about customer satisfaction were acquired as a result of the performed projects.

Environmental Sustainability

Aksa runs its operations in full awareness of the undertaken responsibilities.

We conduct our operations in all processes in tune with the environment, in order to make them continuous and efficient. We are well aware that we can provide a habitable environment for future generations by minimizing our environmental impact, and using environment-conscious processes.

On every job, we strive to be respectful to the environment and smart in the use of resources. As for our Health, Security and Environment performances, we display a transparent approach for our stakeholders. Holding the ISO 14001 Environment Management System Certificate since 1997, Aksa ensured its continuity in 2016, and our environmental performance even exceeded full compliance with the rules determined by the laws and regulations, implementing exemplary practices for the sector.

Aksa Akrilik was certified with Green Port

Sustaining its investments with an environment-conscious and customer-focused approach, Aksa Akrilik successfully passed the audits for the Green Port/Eco Port Project. Following audits by the Directorate General of Merchant Marine and the Turkish Standards Institute (TSI), Aksa earned the green-eco port certificate.

Standing out with works on topics such as the mitigation of environmental pollution, energy efficiency, and prevention of work-related accidents, Aksa Akrilik sealed another great achievement. Aksa successfully passed the audit conducted by the Ministry of Transport, Maritime, and Communications as part of the Green Port/Eco Port Project.

As a long-time holder of "ISO 9001 Quality Management System", "ISO 14001 Environmental Management System", and "OHSAS 18001 Occupational Health and Safety Management System" certificates, Aksa Akrilik also earned the green-eco port certificate by fully observing "the Green Port/Compatibility to Sector's Criteria", which is specific to port operations. The officials from the Directorate General of Merchant Marine and the Turkish Standards Institute (TSI) who completed the audit underlined that Aksa was the best plant they had seen in Turkey, in terms of the company's measures against coal dust emissions during coal handling operations, and the working performance in this area.

Management of Water

Ensuring the sustainability and efficient use of natural resources and taking the necessary measures are paramount issues for the entire world today. One of the most fundamental of all natural resources, the critical importance of water use and water management comes to the fore even more with the impact of climate change.

Based on our sustainable production approach, we adopted an integrated water management approach, covering the diversity of water sources, efficient consumption of water, and the state of sewage water reaching the environment. Within this scope, in 2016 we worked to enhance the performance of the Reverse Osmosis and Common Refining Plant, which we implemented in 2015 with the aim of ensuring sustainability in water resources and production.

Waste Management

As a production company, we sustain our operations with full awareness of the conscious management of the wastes created by our processes. Wastes emerging from our activities are managed in accordance with the waste management hierarchy. Wastes are reduced, collected separately, and disposed of in

SUSTAINING ITS INVESTMENTS WITH AN ENVIRONMENT-CONSCIOUS AND CUSTOMER-FOCUSED APPROACH, AKSA AKRILIK SUCCESSFULLY PASSED THE AUDITS FOR THE GREEN PORT/ECO PORT PROJECT. FOLLOWING AUDITS BY THE DIRECTORATE GENERAL OF MERCHANT MARINE AND THE TURKISH STANDARDS INSTITUTE (TSI), AKSA EARNED THE GREEN-ECO PORT CERTIFICATE.

compliance with the regulation for that waste type. 97% of our waste is recycled, and utilized as raw material additive in other sectors.

Energy Efficiency and Climate Change

Uninterrupted energy supply and energy management bear special significance in ensuring operational sustainability in Aksa. While ensuring continuity with our energy generation, we also provide energy for sister companies that operate in our field. Extra energy is made available to the electricity market.

In accordance with our process, the efficient use of energy is as fundamental as continuous energy supply for the continuity of our operations. With systematic energy management, supply, efficiency, climate change and other related environmental impacts are managed together. Aksa evaluates climate change within the framework of risks and opportunities, and maintains its operations along with legal applications.

Our greenhouse gas emissions were audited by BSI as part of ISO 14064-1, and certified with comprehensive assurance. Within the scope of our legal liability, our Greenhouse Gas Monitoring Plan was uploaded to the online system of the Ministry of Environment and Urbanization. Following the calculation of our greenhouse gas emissions for 2015 and 2016, the reporting required by the legislation will be prepared by the end of April 2017.

Aksa established the ISO 50001 Energy Management System to create the process and systems required to enhance the performance of energy efficiency works that it has sustained since its establishment. And sustained its continuity in 2016. With the Energy Management System, it is aimed to ensure efficient usage of energy in each phase of the process, and to reduce the amount of energy consumed in unit production. Based on systematic energy management, the reduction of greenhouse emissions, and other related environmental impacts and energy costs, is ensured.

Product Security

Understanding the needs of our customers and market constitute the foundation of our work. Aksa always develops better and new products in order to offer value to customers and the environment. Moreover, huge effort is made so that products can be safely produced and safely utilized during their lifecycles, for employees, customers, society and the environment. With this approach, Aksa conducts operations by complying with international standards ensuring product quality, and environment and personal safety. Our understanding of working in tune with human health and the environment by following both local and international regulations (CLP, REACH, Ca Prop. 65, ETAD, ZDHC, INDITEX etc.) is applied across the entire supply chain, from our suppliers to our customers. Furthermore, in product development processes, each step is taken in harmony with the regulations for human and environmental health.

OEKO-TEX® Standard 100, an independent auditing and certification system including all production processes of textile products, has been applied in Aksa since 1995. Our certificate is renewed every year when products pass the Category 1 compliance tests successfully. Thanks to this application, the audit and certification guarantee that Aksa's products are produced without causing harm to human health and the environment.

On the other hand, in accordance with the Regulation for Chemicals Registration, Evaluation, Authorization and Restriction (KKDİK-REACH), applications in Europe and Turkey are closely monitored, and customer demands are answered so as to determine the limitations of chemicals for the safety of human health and the environment.

Green IT Applications

We carried out almost 41,000 flows in 2016 with the applications developed on eBA (Electronic Document Flow) software, enabling us to carry many transactions found as hard copy into the computer environment (i.e. Project Management, Incoming and Outgoing External Correspondence, Meeting Notes, Announcements, Unit Work Permits, Business Tracking Systems, etc.) and it helped with paper saving.

**ACRYLUSION ACCOMPANIES YOU WITH SILKY SOFTNESS,
SPLENDOR AND VIBRANT COLORS...**



WE WILL ROOT OUT ACCIDENTS IN AKSA!

Occupational Health and Security

We consider the creation of a healthy and secure working environment for our employees as our fundamental responsibility, and we demonstrate efficient Occupational Health and Security management, in which risks related to our operations are periodically analyzed, preventive precautions are taken, and action plans are created for prospective emergency situations. We constantly enhance our performance in OHS, which is among our fundamental sustainability priorities, and we implement pioneering applications covering all stages of our value chain.

Seveso

AKSA came through 2016 with Seveso. AKSA completed the documentation processes on the one hand, and maintained, in increments, the process security investments that it initiated in the fields to comply with the changes upon postponement of the regulation's implementation date. On June 29, 2016, the Aksa Safety Report was submitted to the Ministry of Labor and Social Security. Based on the works conducted, it is an attempt to prevent major industrial accidents with physical precautions. Carrying its existing security to a higher level with each passing day, AKSA aims to reach international standards.

Kök

Our slogan summarizes our philosophy: "We will Root Out Accidents in AKSA!"

Aksa, aims for operational excellence in its activities. When we began this journey, we determined our greatest strength as our employees, rather than our technological facilities spread across extensive areas, and we will continue to do

so. We wish for them to work in a healthy environment and return to their families healthy.

At Aksa, we carry out our projects at full speed under our principle of 'focusing on production and efficiency, while adopting and applying the safest behaviors in the most secure environment'. We take firm steps on our "zero accident" mission, leveraging Safe Working culture to top levels. Occupational health and safety are naturally integrated into the main operations of our company, and these parameters guide our decisions.

In 2015, the KÖK (Accident Prevention Culture) project, which focuses on safe employee behaviors, began along with the world-renowned Behavioral Science Technology (BST). First of all, a questionnaire was conducted to analyze the current status as part of the project. The questionnaire achieved a considerable participation rate of 92%. AKAT (AKSA Accident Mitigation Team) was established through training and preparation. In parallel with these works, a process was put into operation, including another questionnaire (LDI) and coaching interviews, to ensure that our Leader personnel are included in the system. The questionnaire was hugely successful, with a 91% return. These features that we are rightly proud of are confirmed by the results of questionnaires. Items that need to be improved are identified, and swift action is taken.

In 2016, our Labor Safety Leader, AKAT, deployed its works to sites, and the answer to the question, "How can we work more safely?" was sought in a positive environment based on mutual trust. With the resulting observations, we mutually evaluated the problems they faced at work by contacting the employee or the team.

As part of the project, 2,300 observations were made by 50 leaders, and 144 AKAT observers and 3,750 people were contacted.

"Best Place for Safe Work"

- More OBSERVERS means more OBSERVATION.
- More OBSERVATION means more CONTACT with our employees.
- More CONTACT means more SAFE WORK.
- More SAFE WORK means fewer ACCIDENTS.
- Less RISKY BEHAVIOR means more CULTURE CHANGE.

Our major target for 2017 is to ensure AKAT's sustainability



ACRYTERNA, THE SYMBOL OF AKSA'S ENVIRONMENT FRIENDLY FILTRATION TECHNOLOGY IS WITH YOU FOR MORE FRESH AIR AND FOR A HEALTHIER FUTURE:

HUMAN RESOURCES



“Completing 2016 as the ‘Company with the Highest Corporate Governance Rating’ among 50 companies listed on the Corporate Governance Index, Aksa won the grand prize in the 7th Corporate Governance Awards, organized by Turkey’s Corporate Governance Association.”

*Aydın Fethi Baytan
Human Resources, Corporate
Development and Purchasing Director*

Human Resources

Aksa’s main human resources policy is to bring together responsible, creative, participatory, self-confident, self-developing and happy employees, who will serve the fundamental targets of the Company. Applications shaped within the framework of this policy, and investments made in human resources, support Akxa’s main strategies and facilitate the attainment of the targeted business results.

In the applications developed for 2016 and the long-term targets, Human Resources Management focused on talent management, training and improvement, leader development, employee loyalty, spreading ethical values, enhancement of the performance management system, salary and ranking system and shift arrangement works, and promoting operational efficiency.

In 2016, it was decided to adopt the Oracle Cloud system, with the aim of conducting HR work processes off a single system. Within the scope of the project plan, the Core Hr and Performance module, the infrastructure engagements of which were completed in 2016, went live in early 2017.

After Textile Management began 4-shift working, a single-shift working arrangement was adopted across the whole facility. Both integrity and employee satisfaction were improved.

Based on the work assessment project, all work superiorities were revised at Akxa, and the ranking, title and salary structure were established as per Akxa’s needs. For positions that spread across more than one rank, the transition criteria have been set and the system made transparent.

Changes contributing to our organizational development were implemented. Accordingly, the Chemicals Directorate was established, and Maintenance, Production (Acrylic and Technic Fibers), Process and Product Development managements now report to the Chemicals Directorate. The Investment Directorate was established, and Investment and Engineering and Construction and Special Projects managements now report to the Investment Directorate.

WITH THE PURPOSE OF RECOGNIZING AND APPRECIATING THE ACHIEVEMENTS THAT WILL HELP AKKÖK GROUP TO ATTAIN ITS TARGETS, BRINGING MODEL COMPETENCIES AND BEHAVIOR TO THE FOREFRONT, ENHANCING INTERNAL AND INTER-COMPANY SOLIDARITY, RAISING EMPLOYEE LOYALTY, MOTIVATION AND EFFICIENCY, AND SETTING FORTH AND SPREADING THE BEST PRACTICES, THE YILDIZ AKKÖK AWARD PROCESS HAS BEEN IMPLEMENTED, AND THE FIRST AWARDS WERE GRANTED IN 2016.

Assistant General Management (Technical) was established; the Energy, Textile, Chemicals and Investment directorates, as well as R&D, Raw Material Warehousing and Port, Health, Safety and Environment managements now report to Assistant General Management (Technical). Sales Operation administrations were established under Marketing and Sales Management (Acrylic Fibers) and Marketing, Sales and New Business Development Managements; and the Environment Administration was established under Health, Safety and Environment management.

In order to offer employees a double career path, 7 technical expertise roles are identified under the names of "Energy Efficiency, Piping, Raw Material Supply, Occupational Health and Safety, Corrosion, Pigment Dye, and Process Development". In 2016, employees were appointed to technical expertise positions such as "R&D Senior Technical Expert, Raw Material Supply Chain Senior Technical Expert, and Energy Efficiency Technical Expert".

Position-based concrete, effable, comparable technical competencies were determined with the technical competency engagement. The necessary level and criticality assessments were made for these competencies, and basic-medium-advance level criteria were detailed. Thanks to this document, the competencies are identified in terms of behavioral and technical, and Aksa's common competencies were determined. An objective-live inventory has been established for recruitment-appointment-development planning-rotation processes

In 2016, it was decided to establish an R&D Center, and as of January 13, 2017 an official application was made to the relevant authorities.

An "Orientation Program" was initiated for new employees to adapt better to Aksa and Aksa's culture. The aim is to accelerate adaptation, and reduce the adaptation period, by assigning individuals with an employee leader. Employee improvement was accelerated with the position based "Introduction Program".

In 2016, as a result of the "Great Place to Work" Safety Index implementation, Employees' action recommendations were heeded with respect to our enhancement areas. Project groups were formed to carry our company onwards and implement the actions enhancing their working environment, to which the employees trustfully attached, proud of their work and Aksa, and work in full harmonization and collaboration with their colleagues. The actions that were approved in consequence of the engagements of 12 project groups have begun to be implemented.

With the purpose of recognizing and appreciating the achievements that will help Akkök Group to attain its targets, bringing model competencies and behavior to the forefront, enhancing internal and inter-company solidarity, raising employee loyalty, motivation and efficiency, and setting forth and spreading the best practices, the Yıldız Akkök award process has been implemented, and the first awards were granted in 2016.

CORASCI (duty and responsibility matrices), supporting operational excellence and efficiency, were executed for our Management personnel. Duties and responsibilities, as well as processes, were analyzed, areas to be enhanced were identified, and employee job descriptions were restructured and continued to be created on a position basis in 2016.

We emphasized perception-image engagements in our personnel selection process, in accordance with the goal of deploying the right person to the right job, and we continued to visit universities in 2016. Internships were offered to 8 students as part of our Long Term Internship Program, and included in the new graduate process executed in Akkök. During our selection for operational level personnel, the number of qualified applications rose as a result of the collaboration with İşkur (Turkish Employment Agency) and Yalova Municipality. The examinations we applied to this level were transmitted into the electronic environment, and efficiency has been attained owing to the transfer of the assessment process to the system.

As of the year end, the total headcount reached 1,245, and 109 new personnel joined the Aksa Family in 2015, composed of 1 executive level, 28 specialist and engineer level, and 80 operational level staff.

Education Level	Distribution
PhD	0.16%
Master's Degree	2.94%
Undergraduate Degree	15.71%
Associate Degree	25.77%
Vocational high School	32.24%
High School	13.33%
Elementary School	9.85%

Based on our faith in raising internal leaders, 11 individuals from among our current employees were appointed to executive roles/ upper level executive roles in 2016, in line with our organizational needs. 20 employees were deemed eligible for upper level specialist roles, and 10 operators were assessed in upper level operator roles in consequence of Assessment Center applications.

In accordance with the great significance we place on the Talent Management process, employees' competencies and improvement areas are identified by means of modern human resources methods, continuous development of employees is supported, and engagements are conducted to shed light on employees' career development. With this purpose, the competencies determined in Akkök were revised

and updated. 360-degree assessment and assessment center implementations were maintained.

Our employees at and above the roles of specialist prepared their improvement plans in line with the feedbacks they received from their executives, and their improvement needs, to ensure their continuous development. In parallel with our organizational needs, 47 man/hour trainings were organized in 2016, considering regulatory requirements and improvement plans.

2016 Training	Man*Hour	%
Internal Training	31,174	66.1%
External Training	14,979	31.8%
E-Learning Training	955	2.0%
Abroad Training	56	0.1%
Total	47,164	100%

All employees completed the regulatory 16-hour Occupational Health and Safety Training and 2-hour Environment Regulation Training. Regulatory professional competence trainings were completed for the related employees. In addition to these trainings; on-the-job trainings, orientation, personal development, occupational development, and management systems and executive development trainings were organized. 7 employees attended the HR Executive Hat program.

Within the scope of our Mentor – Mentee and coaching practices, a 1-year term Mentor – Mentee relationship was established between our Mentors, composed of our General Manager, Director and Managers, as well as 19 Mentees from Executive level.

A Post-Graduate and Doctorate degree support program became operational to support employees' development and enhance our intellectual capital. Accordingly, two employees started Post-Graduate and Doctor's degree trainings in 2016.

ACRYTERNA IS WITH YOU IN MANY INDUSTRIAL AREAS, FROM CAR BATTERIES TO BRAKE PADS AND CONCRETE REINFORCEMENT...



ACTIVITIES OF THE INVESTOR RELATIONS

The fundamental duty of Aksa Akrilik Investor Relations is to keep in line with legal regulations and transparency to stakeholders, and it adopts an accountable, fair and responsible management model. In order to attain this goal, Aksa uses and manages an investor relations tool for the purpose of providing comprehensive and fully accurate information to stakeholders with regard the course of Aksa shares.

The basic working principles of the Investor Relations can be listed as: availability, providing swift feedback to stakeholders, transparent, consistent and prompt information sharing, and maintaining an updated website. Strict attention is paid so that the unit is composed of competent individuals, who have good command of legal regulations, hold the licenses stipulated by the Capital Markets Board, know the company and sector dynamics intimately, and have the ability to transfer the same. Accordingly, the Investor Relations department knows well and analyzes the company, has an excellent command of company strategies, and thus aims to create differentiation by communicating these strategies through the most efficient methods.

Major Developments in 2016

1- Corporate Governance Rating

The “Corporate Governance Rating Report” was issued for update work is done by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., which holds an operating license to issue ratings in Turkey, in accordance with the Capital Market Board’s (CMB) Corporate Governance Principles.

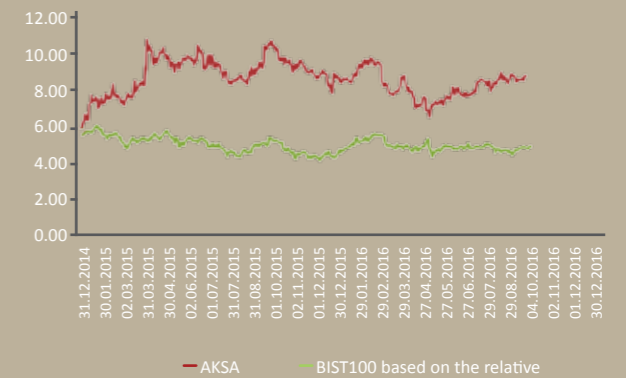
This report, which rates the Company’s alignment with Corporate Governance principles, was prepared based on the current methodology, benefiting from the results obtained from detailed reviews made by Saha at our Company.

The Company’s Corporate Governance Rating was updated at 9.6 out of 10, and the ratings of the sub-headings were identified as Shareholder 97.32, Public Disclosure 98.43, Stakeholders 98.75 and Board of Directors 92.08 out of 100. Our Company received the highest Corporate Governance Rating, at 9.6, and ranked 1st in Corporate Governance Index among 50 companies.

2- Share Performance

Our Company shares are listed in the following indexes of the Borsa Istanbul (BIST) stock market, and our share performance is shown below.

- ▶ Star Market
- ▶ BIST 100-30
- ▶ BIST Chemical, Oil, Plastic
- ▶ BIST Industrial
- ▶ BIST Dividend
- ▶ BIST Dividend 25
- ▶ BIST All
- ▶ BIST Star
- ▶ BIST 100
- ▶ BIST Corporate Governance



Activities of the Investor Relations

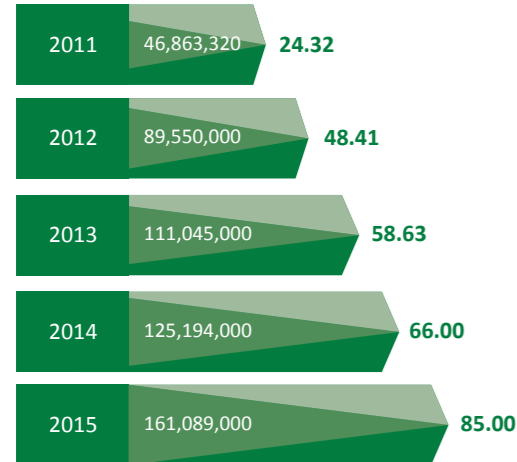
Company share certificates have been traded on IMKB (Istanbul Stock Exchange) and BIST (Borsa Istanbul) since 1986. Performance of the share certificates of the last five years summarized in the table below:

Share	2011	2012	2013	2014	2015	2016
Lowest Price (TL)	2.20	2.69	3.56	5.13	6.31	7.00
Highest Price (TL)	3.85	3.69	7.13	6.97	11.32	10.11
Closing Price (TL)	2.96	3.66	6.27	6.37	9.62	9.18
Issued Capital (thousand TL)	185,000	185,000	185,000	185,000	185,000	185,000
Market Value (thousand TL)	547,600	677,100	1,159,950	1,178,450	1,779,700	1,698,300

3- Dividend

The dividend distribution for the period 2015 was approved during the Ordinary General Assembly on April 4, 2016, and it was paid in cash to the Company shareholders on April 6-8, 2016.

Gross dividend amounts distributed within the past five (5) years, and gross dividend amount distributed per share (kurus), are as follows:



4- General Assembly

The Ordinary General Assembly Meeting of the Company for the year 2015 was held on April 4, 2016 at the Grand Hyatt Hotel. Shareholders representing 77.29% of the Company's shares attended the meeting.

5- Other Activities within the Year

It was aimed to answer questions from the Capital Markets Board completely and accurately, to provide documents and information swiftly, and to establish accurate and efficient communication with the Board. Activities of the Investor Relations were conducted within this scope.

The necessary replies were given to investors' questions with the same information, and retaining the principle of equal treatment for all shareholders. Disclosures made to the public via the Public Disclosure Platform were to be shared on time and in an accurate, complete, comprehensible and interpretable manner, and it was ensured that all shareholders would be informed about any developments, equally and simultaneously.

Other activities performed by the Investor Relations department during the year are summarized as follows:

THE FUNDAMENTAL DUTY OF AKSA AKRİLİK INVESTOR RELATIONS IS TO KEEP IN LINE WITH LEGAL REGULATIONS AND TRANSPARENCY TO STAKEHOLDERS, AND IT ADOPTS AN ACCOUNTABLE, FAIR AND RESPONSIBLE MANAGEMENT MODEL.

- ▶ Fifteen (15) press releases and thirty-seven (37) material disclosures on the Public Disclosure Platform,
- ▶ Five (5) teleconferences with domestic and foreign investors,
- ▶ Face-to-face or over the phone negotiations with forty-two (42) local and foreign investors/analysts,
- ▶ Corporate Governance and Corporate Risk Management seminar in Turkey's Engineering Career Fair, titled "Who will Survive",
- ▶ Corporate Governance seminar in Istanbul University as guest lecturer

Investor Relations Unit Contact:

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(*) Holds a Capital Markets Activities Level 3 (License no: 208881) and Corporate Governance Rating Expertise (License no: 701742) licenses.

(**) Holds a Capital Markets Activities Level 3 (License no: 205781) and Corporate Governance Rating Expertise (License no: 700753) licenses, and assumes the roles, on a full-time basis, of Head of the Investor Relations Unit, and Member of the Corporate Governance Committee.

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Other Developments Within the Period

Amendment to the Articles of Association

During the Ordinary General Assembly meeting dated April 4, 2016 for 2015, the amendments to Article 6 titled “Capital”, Article 9 titled “Authorities of Board of Directors”, Article 12 titled “General Assembly”, Article 14 titled “Meeting Place”, and Article 17 titled “Voting Power” of the Company’s Articles of Association were approved and registered on August 4, 2016.

European Bank for Reconstruction and Development Loan

As part of works related to the financing of investment and modernization projects, an investment loan agreement was executed with the European Bank for Reconstruction and Development (EBRD) for an amount of EUR 25 (twenty-five) million in total. The loan, which has a 1 (one)-year grace period, is a 5 (five)-year term loan, and the interest rate was determined at “3 (three) month Libor + 1.95%”.

DowAksa Capital Payment

In accordance with Article 2 titled Additional Capital Funding of the Side Agreement of Subscription and Shareholders Agreement, dated June 29, 2012, executed between our Company and Dow Europe Holding BV (“Dow”) and DowAksa Advanced Composites Holdings BV (“DowAksa”), it was agreed to pay, at this time, capital to DowAksa for a total amount of USD 10 (ten) million in cash, and the payable cash capital shall be borne by our Company and Dow concurrently and equally as a result of the negotiations with Dow, considering investment expenses in DowAksa’s strategic plan. Accordingly, it was resolved that the USD 5 (five) million falling into our Company’s share related to the cash capital payment worth USD 10 (ten) million in total shall be paid.

Board of Directors

Mehmet Ali Berkman

Chairman of the Board of Directors

Born in Malatya in 1943, Mehmet Ali Berkman graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Industrial Management. After wards, he obtained an MBA in Operations Research from Syracuse University (USA). Mr Berkman joined Koç Group in 1972, and assumed the role of General Manager in MAKÖ, Uniroyal, DÖKTAŞ and Arçelik respectively. Subsequently he worked as Head of Strategic Planning, Human Resources and Industrial Relations, and left the Group on December 31, 2003 due to the Group's retirement policy. In September 2005, he assumed the position of Member of the Board of Directors and Chairman of the Executive Board of Akkök Holding A.Ş. He also served as Member and Chairman of the Boards of Directors of other Group companies. On January 1, 2013, Mr Berkman stepped down from his position as Chairman of the Executive Board, and he continues to serve as a Board Member in Akkök Holding and Akkim, Board Chairman in Aksa, Akenerji, Akış, Aktek and Akcez, and Vice Chairman of DowAksa, in addition to his Akkök Holding Executive Board Consultant duty. He is also a Member of the Turkish American Business Council, and Vice Chairman of İstanbul Erkek Lisesi (High School).

Raif Ali Dinçkök

Deputy Chairman of the Board of Directors

Born in İstanbul in 1971, Raif Ali Dinçkök graduated from Boston University (USA), Department of Business Administration in 1993, and subsequently started working at Akkök Holding. He worked in the Purchasing Department of Ak-Al Tekstil San. A.Ş. between 1994 and 2000, and later served as Coordinator at Akenerji Elektrik Üretim A.Ş. from 2000 to 2003. Apart from being the Chairman of the Board of Directors of Akmerkez GYO, Ak-Pa and Dinkal, Raif Ali Dinçkök, a Member of the Board of Directors and the Executive Board of Akkök Holding, also serves on the Boards of Directors of Akkök Holding and various Akkök Group companies.

Ali Raif Dinçkök

Member of the Board of Directors

Born in İstanbul in 1944, Ali Raif Dinçkök completed his high school studies at the Österreichisches Sankt Georgs-Kolleg in İstanbul and received his undergraduate degree from the Department of Textile Engineering at Aachen University (Germany) in 1969. His business career started at the Akkök Holding. The Chairman of the Board of Directors at Akkök Holding A.Ş., Dinçkök also serves on the Boards of Directors of other Group companies.

Nilüfer Dinçkök Çiftçi

Member of the Board of Directors

Born in İstanbul in 1944, Ali Raif Dinçkök completed his high school studies at the Österreichisches Sankt Georgs-Kolleg in İstanbul, and received his undergraduate degree from the Department of Textile Engineering at Aachen University (Germany) in 1969. His business career started at the Akkök Holding. Chairman of the Board of Directors at Akkök Holding A.Ş., Dinçkök also serves on the Boards of Directors of other Group companies.

Ahmet Cemal Dördüncü

Member of the Board of Directors

Born in İstanbul in 1953, Ahmet C. Dördüncü, graduated from Çukurova University, Department of Business Administration. Later, he pursued his postgraduate studies at Mannheim and Hannover Universities. Mr. Dördüncü began his professional career at Claas OHG Company in Germany, and after returning to Turkey, he worked at Mercedes Benz A.Ş. between 1984 and 1987. He joined Sabancı Group in 1987, and assumed several positions at Kordsa A.Ş. until 1998. Mr Dördüncü served as General Manager/President at DUSA South America, and later at DUSA North America in 1998. After working as Group President of Strategic Planning and Business Development at H.O. Sabancı Holding A.Ş. in 2004, he assumed the position of Chairman of the Executive Board of Sabancı Holding from 2005 to 2010. Mr Dördüncü has served as Chairman of the Executive Board of Akkök Holding since January 2013. He also serves on the Boards of Directors at various Holding companies, as well as at Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş., Coca-Cola İçecek A.Ş., Anadolu Efes Biraçılık ve Malt Sanayii A.Ş., and International Paper Co.

İzer Lodrik

Yönetim Kurulu Üyesi

1971 yılında İstanbul'da doğan İzer Lodrik, öğrenimini Amerika'da Northeastern Üniversitesi Ekonomi bölümünde tamamladıktan sonra Emboy Yüntaş Tekstil Sanayi ve Ticaret A.Ş.'de çalışmaya başlamıştır. Halen Emniyet Ticaret ve Sanayi A.Ş., Emboy Yüntaş Tekstil Sanayi ve Ticaret A.Ş., Eryapı Gayrimenkul A.Ş.'de Yönetim Kurulu Başkanlık görevlerini sürdüren Lodrik'in Akkök Grup Şirketleri'nde Yönetim Kurulu Üyelik görevleri de bulunmaktadır.

Bülent Bulgurlu

Member of the Board of Directors

Born in Ankara in 1947, Bülent Bulgurlu graduated from Ankara Faculty of Engineering and Architecture, and afterwards he received a PhD from Norwegian University of Science and Technology (Norway). He started his professional career at Elliot Strømme A/S, Oslo as a Civil Engineer, and in 1977 he worked as Managing Director at Garanti İnşaat, and then in Garanti-Koza A.Ş. Since 1996,

he has assumed the roles of Head of Tourism and Services Group, Head of Tourism and Construction Group, and Head of Durable Consumption and Construction Group respectively at Koç Holding. Mr Bulgurlu worked as CEO of Koç Holding between May 2007 and April 2010. Since May 2007, he has served as a Member of the Board of Directors in Koç Holding and various Group companies. He is also a member of TÜSİAD (Turkish Industrialists' and Businessmen's Association) and TURMEPA/Association of Clean Sea.

Cengiz Taş

Member of the Board of Directors - General Manager

Born in Bursa in 1966, Cengiz Taş graduated from the Department of Industrial Engineering at Boğaziçi University. He started work at Kordsa as an Investment Planning Engineer in 1989. He joined Ak-Al Tekstil Sanayii A.Ş. in 1991 as a Budget Specialist, and held positions as Budget Chief, Budget Manager, Production Coordinator and Assistant General Manager for Planning, respectively. Between 2004 and 2011, Taş worked as General Manager at Ak-Al Tekstil, and since February 2011 has been working as General Manager and Member of the Board of Directors at Aksa Akrilik Kimya Sanayii A.Ş.

Dr. Ant Bozkaya

Independent Member of the Board of Directors – Chairman of the Corporate Governance Committee – Member of the Audit Committee – Chairman of the Early Risk Detection Committee

Born in 1963, Dr Ant Bozkaya graduated from the Department of Industrial Management at the University of Petroleum and Minerals (Saudi Arabia), and received his MBA from the University of Libre de Bruxelles (Belgium), as well as a second Masters from the same university's Department of Management Science and Finance. Dr Bozkaya completed his doctoral studies in the field of economics at the same university, and later did post-doctoral research at Harvard University (USA). Having assumed the positions of Head and CEO at the Technology, Healthcare, and Energy Enterprise Group at Bilkent Holding between 1992 and 1998, Dr Bozkaya has been working as a Member of the Board of Directors of Eczacıbaşı Holding, as well as lecturing at various universities, including primarily Harvard and MIT. Holding no executive position, Dr Bozkaya is qualified as an independent member in accordance with the Principles of Corporate Governance of the Capital Markets Board. He has held no association with Aksa Akrilik Kimya Sanayii A.Ş. or its related parties during the past five years.

Timur Erk

Independent Member of the Board of Directors – Chairman of the Audit Committee

Born in İstanbul in 1944, Timur Erk graduated from Deutsche Schule İstanbul, and studied Chemical Engineering in Germany. Working as an industrialist

in the chemicals industry since 1971, Mr Erk is among the founders of the Association of Turkish Chemical Industrialists. He is currently Chairman of the Association of Turkish Chemical Industrialists, as well as Chairman of the Chemical Industry Assembly of the Union of Chamber and Commodity Exchanges, and Chairman of the Turkish Chemical Industry Platform. He acts in different capacities in various associations, foundations and committees. Holding no executive position, Mr Erk is qualified as an independent member in accordance with the Principles of Corporate Governance of the Capital Markets Board. He has held the abovementioned positions over the past 10 years, and has held no association with Aksa Akrilik Kimya Sanayii A.Ş. or its related parties during the past five years.

Dr. Mehmet Abdullah Merih Ergin

Bağımsız Yönetim Kurulu Üyesi - Riskin Erken Saptanması Komitesi Üyesi

1938 İstanbul doğumlu olan Ergin, İngiltere'de Leeds Üniversitesi Tekstil Mühendisliği bölümünden mezun olmuş ve aynı üniversitede doktorasını yapmıştır. He undertook various duties for the Sabancı Group. By the end of 2008, Ergin had worked as General Manager and Chairman of the Board of Directors at Ak-Al Tekstil Sanayii Anomin Şirketi, one of Akkök Group's companies. He later served as a member of the Board of Overseers at FMV Işık University, and Chairman of the Board of Directors at Kabataş High School. Not included in the Executive Board, Ergin holds an independent membership according to the CMB Corporate Governance Principles. The services he has provided over the last decade are briefly explained above. Regarding his services for the past five years, he has had no relationship with Aksa Akrilik Kimya Sanayii A.Ş. and its related parties.

Atty. Başar Ay

Independent Member of the Board of Directors – Member of the Corporate Governance Committee – Member of the Audit Committee – Member of the Early Detection of Risk Committee

Born 1965 in Amasya, Başar Ay graduated from the Law School of Ankara University in 1989. He began working at the Turkish Textile Employers' Association in 1991 as Legal Counsel. Mr Ay was appointed Deputy General Secretary in 2005, and General Secretary in 2007 in the same organization, a position he still holds today. He is also a member of the TCEA Microneurosurgery and Reconstruction Foundation, and observer member of the International Textile Manufacturers' Federation (ITMF), International Labor Organization (ILO), and the Turkish Employers' Delegation. Holding no executive position, Başar Ay is qualified as an independent member in accordance with the Principles of Corporate Governance of the Capital Markets Board. He has held no association with Aksa Akrilik Kimya Sanayii A.Ş. or its related parties during the past five years.

Declaration of Independent Membership of the Board of Directors

To the Aksa Akrilik Kimya Sanayii A.Ş. Board of Directors,
Corporate Governance Committee,

Pursuant to the Communiqué Regarding the Determination and Implementation of Corporate Governance Principles (Serial: II, No: 17.1) issued by the Capital Market Board, Articles of Association, and the criteria set forth in related legislation, as a candidate for independent membership of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi, I hereby declare that:

- a) There is no employment relationship between myself, my spouse, relatives by blood or by marriage up to the second degree and Aksa Akrilik Kimya Sanayii A.Ş., any partnerships of which the Company holds or significantly affects management control, or shareholders who hold or significantly affect the management of the Company, or any legal entities of which these shareholders hold the management control, at a managerial position to undertake major duties and responsibilities in the last five years, and that I do not have, together or alone, more than 5% of the Company's capital or voting rights or privileged shares, and I do not have a business relationship of significant nature,
- b) I have not served as a partner (5% and above), at a managerial position to undertake major duties and responsibilities and / or as a board member in any companies, particularly those conducting the auditing (including tax audit, legal audit and internal audit), grading and counseling of the Company, to which the company has sold or purchased a significant amount of products or services in the framework of the agreements, during the periods of selling or purchasing products or services, in the last five years,
- c) I have the requisite professional training, knowledge and experience in order to fulfill the tasks that I will assume in the Company as an independent member of the Board of Directors,
- d) I will not work in public institutions and organizations, other than academic positions at universities, provided that it is appropriate to their relevant legislations, on a full-time basis, after being elected as a member,
- e) I am considered as a resident in Turkey according to the Income Tax Act (I.T.A.) dated December 31, 1960 and numbered 193,
- f) I possess the requisite strong ethical standards, professional reputation and experience to contribute positively to the Company's activities, to maintain my objectivity in conflicts of interest between the company and the shareholders, and to decide freely in consideration of stakeholders' rights,
- g) I will spare enough time for the Company's affairs in order to follow-up the functioning of the Company's activities, and to fully meet the requirements of the duties that I will assume,
- h) I haven't served as a member of the Company's Board of Directors for more than six years during the last ten years,
- i) I haven't served as an independent member of the Board of Directors in more than three companies whose management is controlled by the same person, Company or shareholders holding the management control of the Company, and in more than a total of five companies traded on the exchange,

I will therefore act as an independent member of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi. Pursuant to the related legislation, I also declare that should a situation arise that removes my independence, I would communicate this to the Board of Directors in order for it to be announced to the public, and that I would resign on principle.

Sincerely,

Name and Surname : TİMUR ERK
Date : 03.03.2014
Signature :



Declaration of Independent Membership of the Board of Directors

To the Aksa Akrilik Kimya Sanayii A.Ş. Board of Directors,
Corporate Governance Committee,

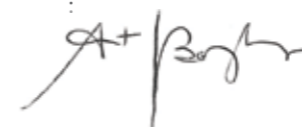
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- b) I have not served as a partner (5% and above), at a managerial position to undertake major duties and responsibilities and / or as a board member in any companies, particularly those conducting the auditing (including tax audit, legal audit and internal audit), grading and counseling of the Company, to which the company has sold or purchased a significant amount of products or services in the framework of the agreements, during the periods of selling or purchasing products or services, in the last five years,
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I will therefore act as an independent member of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi. Pursuant to the related legislation, I also declare that should a situation arise that removes my independence, I would communicate this to the Board of Directors in order for it to be announced to the public, and that I would resign on principle.

Sincerely,

Name and Surname : ANT BOZKAYA
Date : 25.02.2014
Signature :



Declaration of Independent Membership of the Board of Directors

To the Aksa Akrilik Kimya Sanayii A.Ş. Board of Directors,
Corporate Governance Committee,

Pursuant to the Communiqué Regarding the Determination and Implementation of Corporate Governance Principles (Serial: II, No: 17.1) issued by the Capital Market Board, Articles of Association, and the criteria set forth in related legislation, as a candidate for independent membership of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi, I hereby declare that:

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I will therefore act as an independent member of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi. Pursuant to the related legislation, I also declare that should a situation arise that removes my independence, I would communicate this to the Board of Directors in order for it to be announced to the public, and that I would resign on principle.

Sincerely,

Name and Surname : BAŞAR AY
Date : 11.03.2014
Signature :



Declaration of Independent Membership of the Board of Directors

To the Aksa Akrilik Kimya Sanayii A.Ş. Board of Directors,
Corporate Governance Committee,

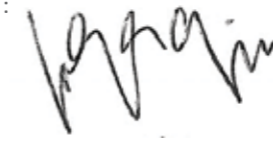
Pursuant to the Communiqué Regarding the Determination and Implementation of Corporate Governance Principles (Serial: II, No: 17.1) issued by the Capital Market Board, Articles of Association, and the criteria set forth in related legislation, as a candidate for independent membership of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi, I hereby declare that:

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Sincerely,

Name and Surname : MEHMET ABDULLAH MERİH ERGİN
Date : 03.03.2014
Signature :



Section I - Corporate Governance Principles Compliance Report

In this era of global competition and change, the goal of Aksa Akrilik Kimya Sanayii A.Ş. (“Aksa”, or “the Company”) is to achieve change in corporate management practices alongside financial achievements, thereby remaining a company based on fair business practice. With this awareness, Aksa considers the creation of sustainable value for its stakeholders to be among its primary objectives. Aksa maintains its position as a reputable, innovative, hardworking, creative and equitable company, and its corporate and reliable stance, primarily in the eyes of its shareholders and investors, and also in those of its customers, employees and society at large by adhering to its long adopted Principles of Corporate Governance.

The reason behind determining and applying these Principles is to strengthen the trust of all Company stakeholders. In this regard, Aksa Akrilik Kimya Sanayii A.Ş. declares that it has committed itself to the application of Corporate Governance Principles, and that it will adopt the practices required by these Principles within the framework of current practices.

The Company abides by all obligatory corporate governance principles stipulated under the Capital Markets Board’s Corporate Governance Communiqué numbered (II-17.1). Pursuant to Article 6 of the Capital Markets Board’s Corporate Governance Communiqué numbered (II-17.1), the principle that is not available.

The reason for not applying the non-obligatory principles that are stipulated under Corporate Governance Communiqué numbered (II-17.1) of the Capital Markets Board are provided below:

- “Referring to principle number 3.1.3 of the “Corporate Governance Communiqué”, except for material disclosures and postscripts, the financial statements, which should be disclosed to the public in accordance with Capital market regulations, are presented on the Public Disclosure Platform in Turkish and English simultaneously. They are also submitted for the information of the investors on the website in English as well as in Turkish. Explanations in English are prepared in an accurate, complete, direct, comprehensible, and adequate manner, and are consistent with the Turkish original of the explanation, to help people who will benefit from the disclosure to make decisions.
- Referring to principle number 4.3.9 of the “Corporate Governance Communiqué”, while the only female member of the Board of Directors is Mrs Nilüfer Dinçök, there is no written policy or intention regarding having a minimum ratio of 25% of female members on the Board of Directors, and the issue of raising the number of female members will be reconsidered in the coming periods.
- Referring to “Corporate Governance Principle” No. 4.6.5, wages paid and all other benefits provided to the Members of the Board of Directors and the senior executives are disclosed to the public through the annual report on the basis of expenses. However, statements are not made on an individual basis, and are provided with the distinction of Members of the Board of Directors and the senior executives. This issue will be revised in the coming periods.

There is no conflict of interest arising from the foregoing non-obligatory principles governed under the Capital Markets Board’s Corporate Governance Communiqué numbered (II-17.1). In the future period, the necessary works will be conducted in consideration of the developments and practices in the regulation towards alignment with Corporate Governance Principles.

Section II - Shareholders

2.1 Investor Relations Department

2.1.1. The “Investor Relations Unit”, which was established alongside the Company’s departments pursuant to legislation, operates under the Director of Financial Affairs and plays an effective role in protecting shareholder rights, primarily the right to information, and the facilitating of its usage. The questions addressed to the Unit within this scope, with the exception of confidential information and trade secrets, are answered either by phone, or else in writing after consulting the highest authority in relation to the topic.

2.1.2. Contacts for Investor Relations at the Company:

Eren Ziya DİK

Director of Financial Affairs
+90 (226) 353 25 45/ 41040
eren.dik@aksa.com

Erdem TATBUL (*)

Accounting and Reporting Manager
+90 (226) 353 25 45/ 41500
erdem.tatbul@aksa.com

Erdinç KAZAK (**)

Budget and Cost Accounting Manager
+90 (226) 353 25 45/ 41400
erdinc.kazak@aksa.com

Nurcan YAŞAR ATLI

Investor Relations and Reporting Manager (Deputy)
+90 (226) 353 25 45/ 41520
nurcan.yasar@aksa.com

(*) He holds the Capital Market Activities Level 3 (License number: 208881) and Corporate Governance Rating Expertise (License number: 701742) licenses.

(**) He holds the Capital Market Activities Level 3 (License number: 205781) and Corporate Governance Rating Expertise (License number: 700753) licenses, and serves on a full-time basis as Investor Relations Department executive and member of the Corporate Governance Committee.

Investor Relations Department Contacts:

Phone : (226) 353 25 45
Fax : (226) 353 33 07
E-mail : ir@aksa.com

In addition, in order to exhibit an effective approach in relations with shareholders, the Investor Relations Unit conveys the messages of the management, and the governance strategies concerning the Company to the shareholders through meetings held with mediating bodies in parallel to public and material disclosures. In this context, meetings with various mediating bodies are held at the Aksa Headquarters.

The Investor Relations Department operates to provide accurate, timely and consistent information to current and potential investors, analysts and 3rd parties on request, to enhance the Company’s recognition and credibility, to reduce the Company’s cost of capital through the implementation of Corporate Governance principles, and to ensure communications between the Board of Directors and the participants of the capital market.

In line with this objective, the Company attaches great importance to communication with shareholders and investors, and maintains an active investor relations program. The Investor Relations Department makes presentations to the Corporate Governance Committee about the activities they have carried out on a quarterly basis, and submits a report about their activities on a yearly basis. The report on the activities performed by Investor Relations in 2016 was prepared on 13.01.2017.

The Investor Relations Department conducted the following activities during 2016:

- Fifteen (15) press releases and thirty-seven (37) material disclosures on the Public Disclosure Platform,
- Five (5) teleconferences with domestic and foreign investors,
- Face-to-face or over the phone negotiations with forty-two (42) local and foreign investors/analysts,-
- Corporate Governance and Corporate Risk Management seminar in Turkey's Engineering Career Fair, titled "Who will Survive",
- Corporate Governance seminar in Istanbul University as guest lecturer

2.2 The Use of Right to Information by Shareholders

2.2.1. All shareholders are entitled to obtain and examine all kinds of information in accordance with the regulations in force and those not relating to trade secrets. Right to access information and examination is not revoked or restricted by the articles of association or one of the company functions. All stakeholders, including minorities and foreign stakeholders, are treated equally.

Any type of information and explanation that may affect the use of the shareholder rights are regularly presented on the website (www.aksa.com) of the Company for the use of the shareholders.

Further to the Capital Markets Board's related regulation provisions and the provisions of the Turkish Commercial Code, the Information Policy published on the Company's website determines Akso's public disclosure methods and means, as well as practices and principles regarding Akso's communication with capital markets participants.

Company information to be disclosed to the public is presented on the "Public Disclosure Platform" (www.kap.gov.tr) and on the Company's website in a timely, accurate, complete, understandable and easily accessible manner, and in a cost effective way, and so as to assist persons and establishments that may benefit from the disclosure to decide. Additionally, the "e-GOVERNANCE: Corporate Governance and Investor Relations Portal" is used for direct and effective informing of the Company's shareholders.

Principles regarding the public disclosure of information related to future issues are included in the information policy. When forward-looking information, assumptions, and data based on assumptions are disclosed, particular attention is paid such that these statements do not include baseless, exaggerated forecasts, and that they are not misleading. Attention is also shown such that these assumptions are in compliance with the financial status and operational results of the Company.

In the event that estimates and the grounds regarding the forward-looking information disclosed to the public do not come to fruition, or when it is understood that they shall not come to pass, the information is updated.

2.2.2 The Company refrains from making transactions which complicate the conduct of private audits. No additional provisions have been included on the right to request the appointment of a private auditor in the Articles of Association. There has been no request for the appointment of a special auditor in 2016.

2.3 General Assembly Meetings

2.3.1. The Company's 2014 Ordinary General Assembly meeting is announced to investors on our corporate website, (www.aksa.com) and on the Public Disclosure Platform (PDP), electronic Board of Directors system, and Turkey's Trade Registry Gazette, at least three weeks prior to the general meeting, excluding the announcement and meeting days. The documents required by article 437 of the Turkish Commercial Code were presented to the shareholders, along with the provisions numbered 1.3.1 stated in the Corporate Governance Principles.

In addition to the notifications and disclosures that the company is required to make on the Company's corporate website pursuant to the regulations along with the general assembly meeting announcement, the "General Assembly Information Document" prepared to include the points stipulated in clause 1.3.1 of the communiqué on Determination and Implementation of Corporate Governance Principles was also published on the website.

2.3.2. Each offer is given clearly under a separate title on the 2015 ordinary general assembly agenda, and there is no issue that the shareholders submitted to the Company's Investor Relations Department in writing, and wished to be covered on the meeting agenda.

2.3.3. The Ordinary General Assembly meeting for 2015 was held in İstanbul on April 04, 2016 in accordance with the related article in the Articles of Association, in order to increase the number of shareholders that attend the meeting in a manner which would not create any inequality among the shareholders, and which would facilitate the participation of the shareholders with minimum expense, and was realized with a 77.29% participation rate. The minutes and list of participants of the meeting have been announced to the public through the PDP and the Company's corporate website. Within the knowledge of the Company, there was no media participation.

2.3.4. The chairman of the meeting makes preparations in advance for the execution of the general assembly in accordance with the Turkish Commercial Code, the Capital Markets Law, and other relevant legislations, and the necessary information is transmitted to the chairman by the Legal Affairs and Investor Relations departments.

2.3.5. During the General Assembly meeting held on April 04, 2016, the chairman of the assembly ensured all topics on the agenda were conveyed in an impartial, detailed, and understandable manner, while questions not considered as trade secrets from general assembly attendees were answered. Due to the fact that the questions they raised were not related to the agenda, or were too comprehensive to be answered on the spot, the related investors were provided with answers in writing by the Investment Relations Department on April 12, 2016. The answers were also disclosed to the public on the Company's website.

2.3.6. The shareholders who held management control in 2016, the members of the Board of Directors, the executive managers, and their first and second degree relatives by blood or by marriage, haven't carried out any significant transactions that may result in conflicts of interest, either with the Company or its subsidiaries. Furthermore, they haven't carried out any transactions in the same line of business as the Company or its subsidiaries, by themselves or on behalf of others, and haven't become partners without limits of liability in a company that is engaged in the same line of business. Moreover, apart from these persons, persons having access to the Company's information made no transactions on behalf of themselves in terms of the Company's activities.

2.3.7. No privileges were granted to any person or organization to receive information about the Company.

2.3.8. Members of the Board of Directors in charge of the agenda items, other related persons, executives who were responsible for preparing the financial statements and auditors were present at the 2015 Ordinary General Assembly meeting, in order to provide the necessary information and to answer questions.

2.3.9. The related party and significant transactions are carried out in the framework of Corporate Governance Principles, and there was no transaction where a decision depended on the majority of positive votes raised by the independent members of the Board of Directors, but the decision was left to the General Assembly owing to the members' negative votes.

2.3.10. Donations and aids made by the Company were briefed to the shareholders as a separate agenda item during the 2015 Ordinary General Assembly meeting, and information regarding the donations and aids made during the year was included in the annual report. The regulation regarding the maximum amount of charitable donations to be offered by the Company, as stated in the charitable donation policy, was submitted for the approval of the partners, and accepted at the General Assembly meeting.

2.3.11. With the statement, "Unless determined otherwise by the General Assembly, meetings are held open to those who are interested; however, shareholders or their authorized persons have the right to speak and vote", which was amended in the Articles of Association with the amendment draft submitted for the approval of the partners, and accepted at the Ordinary General Assembly meeting held in 2015, general assembly meetings are held open to the public, as indicated in the Company's Articles of Association and the internal guidelines of the General Assembly.

2.4 Right to Vote and Minority Rights

2.4.1. The Company avoids any activity that would obstruct using the right to vote and provides each shareholder the opportunity to vote in the easiest and the most appropriate way possible, including cross border voting.

2.4.2. In the Company, each share has one voting right. Moreover, in compliance with the Company's Articles of Association, there are no privileges regarding the right to vote, and minority rights have been determined to be one-twentyfifth of the share capital/capital.

2.4.3. There are no mutual affiliate companies of the Company.

2.4.4. Maximum attention is given to making minority rights available. However, there is no representative of the minority rights on the Board. With the Articles of Association, the minority rights haven't been determined to be less than one-twentieth of the share capital. And minority rights have been determined to be one-twentyfifth of the share capital/capital.

2.4.5. The minority rights in the Company are subject to the Turkish Commercial Code, the Capital Markets Law and relevant legislations, and utmost care is devoted to this issue.

2.5 Dividend Rights

2.5.1. There are no privileges for participation in the profit of the Company.

2.5.2. The dividend distribution policy of the company includes minimum information that would enable investors to foresee the methods and principles of the Company in distributing profit for the coming periods. The dividend distribution policy adopted by the General Assembly of the Company has been announced to the public, annual report and published on the corporate website.

2.5.3. During the Ordinary General Assembly meeting for 2016 which held in 2015, a dividend distribution was decided upon, with the amount of TL 161,089,275 being distributed in cash to shareholders at April.

2.5.4. A policy maintaining the balance between the benefits of shareholders and the benefit of the Company is being followed in dividend distribution, as detailed in the dividend distribution policy.

2.6 Transfer of Shares

2.6.1. There are no restrictive provisions with regard to the free transfer of shares in the Articles of Association.

Section III - Public Disclosure and Transparency

3.1 Corporate Website and Its Contents

3.1.1. The corporate website of the Company, (www.aksa.com) is actively used in the public disclosure process. The address of the website is included in the letterhead of the Company. The content of the Company website is prepared in line with Article 2.1.1 of the Communiqué Regarding the Determination and Application of Corporate Governance Principles issued by the Capital Market Board as well as the Turkish Commercial Code. In addition, stakeholders may reach the authorities for further information through the electronic mail address ir@aksa.com.

3.1.2. The partnership structure of the Company is presented on the Company website, including the names of shareholders, and the amount and percentage of their shares and is updated when necessary.

3.1.3. Except for material disclosures and postscripts, the financial statements, which should be disclosed to the public in accordance with Capital market regulations, are presented on the Public Disclosure Platform in Turkish and English simultaneously. They are also submitted for the information of the investors on the website in English as well as in Turkish. Explanations in English are prepared in an accurate, complete, point blank, comprehensible,

and adequate manner, and are consistent with the Turkish original of the explanation, to help people who will benefit from the disclosure to make decisions.

3.1.4. The basic information on the website is also made available in English for the use of international investors.

3.2 Annual Report

3.2.1. The Board of Directors of the Company prepares the Annual Report based on the relevant regulations in such a way that the public will have access to complete and accurate information regarding the operations of the Company.

3.2.2. In addition to the topics mentioned in the legislation and other sections of the Corporate Governance Principles,

a) Information on the duties undertaken by the members and the executives of the Board of Directors outside of the Company, and statements of independence of the Board members,

b) Operating principles of the committees formed within the Board of Directors, including committee members, meeting frequency, and the activities they carry out, as well as the Board of Directors' assessment on the effectiveness of the committees,

c) The number of meetings of the Board of Directors, and the attendance performance of the members of the Board of Directors at the aforementioned meetings,

d) Amendments to legislation which might materially affect the Company's operations,

e) Material lawsuits brought against the Company, and the possible results,

f) Information on conflicts of interest between the Company and institutions which provide services concerning subjects such as investment consultancy and rating, and the measures taken by the Company to prevent such conflicts,

g) Information on reciprocal shareholdings with a direct capital participation rate exceeding 5%,

h) Information on corporate social responsibility activities regarding the activities of the Company which have social and environmental results, such as social rights and vocational training for employees.

Section IV - Stakeholders

4.1 Disclosure to the Stakeholders

4.1.1. The Company's code of ethics guarantees the rights of the stakeholders regulated by legislation and mutual agreements. The stakeholders are informed within the framework of the policy created by the Company in accordance with current legislation and ethical rules. In addition, it is aimed to inform all stakeholders through press releases, annual reports, the corporate website and applications within the scope of the disclosure policy based on transparency. Intranet, which is an in-house information sharing medium, and printed documents are used actively, as the magazine "Aksa Haber" is published on a quarterly basis, and the bulletin "Akkök Haberler" is published on a monthly basis. While performing their duties, the Company's employees are expected to fulfill their responsibilities by valuing the interests of the Company above the interests of themselves, their families and relatives. Employees shall refrain from any interference that may be construed as benefiting themselves or their relatives. Foreseeable potential conflict of interest situations, and situations defined by the Company management, are shared with the employees, and the Company management takes the necessary measures.

4.1.2. When the rights of the stakeholders, which are protected by legislation and mutual agreements, are violated, an opportunity for effective and swift compensation is provided. The Company makes every effort towards the

ease of use of mechanisms such as compensation provided to stakeholders in line with legislation. There is a special “compensation policy”, which has been established by considering the legislation for the employees of the Company, and this policy is published on the Company’s corporate website.

4.1.3. Company policy with regard to the protection of the rights of stakeholders is published on the Company’s website.

4.1.4. The Company may communicate transactions conducted by stakeholders, which are contrary to the legislation or ethically inappropriate, to the Corporate Governance Committee, or to the Ethics Committee via the Ethics Line or e-mail.

4.1.5. In such cases where there are conflicts of interests among stakeholders, or when a stakeholder is involved in two interest groups, the Company pays attention to following as balanced a policy as possible to preserve rights, and aims at preserving these rights independently from one another. In this context,

- The Company place importance on customer satisfaction in the sales and marketing of goods and services, and therefore takes measures within this scope.

- The Company takes the necessary measures, and reviews and renews its processes in order to maintain relationships that are in accordance with the law and with the provisions of the establishment contract with its customers and suppliers to whom it provides products and services, and to follow international and industrial standards in providing goods and services.

- Information regarding customers and suppliers constitutes trade secrets, and strict attention is shown to the confidentiality of such information.

- The demands of customers with regard to purchased goods and services are met swiftly, with customers notified of any delays ahead of deadlines.

- The Company applies the supplier performance system on an annual basis, which enables it to determine and develop the primary areas of competence, to support mutual development and to evaluate the annual performance of suppliers. The outcomes of the performance system, as well as the fields that require improvement are shared with the suppliers together with regular updates on the system. In addition, Company policy, specifications and contracts are also among the information shared with suppliers.

- Aksa also provides customers with product specs on which the product specifications are stated. The analyses requested by customers and the outcomes of complaints made to the Company are also shared with customers following technical investigations. Furthermore, Aksa sends customers the “Product Responsibility and Product Manual Safety Guide”, which informs them both in Turkish and in English that Aksa’s products are environmentally friendly.

Relations with Customers and Suppliers

4.1.6. The Company takes all kinds of measures to ensure customer satisfaction in the sales and marketing of goods and services.

4.1.7. Customer demands for goods and services purchased are attempted to be met rapidly, and customers are informed about delays without waiting for deadlines.

4.1.8. Quality standards are complied with for goods and services, and utmost care is given to the maintenance of the standard. For this purpose, a certain guarantee of quality is also provided.

4.1.9. Utmost care is given to the confidentiality of information within the scope of trade secrets related to customers and suppliers.

4.2 Stakeholder Participation in Management

4.2.1. Supportive mechanisms and models for the participation of stakeholders, primarily the Company’s employees, in the management of the Company are developed in a manner that would not hinder the Company’s operations. In this context, there has been a Representative Council (“RC”) in Aksa that consists of 22 people, selected by Aksa employees by secret ballot, open counting since 1996. Meeting on a monthly basis, the RC is responsible for determining the problems that employees face, suggesting and working towards solutions, and notifying senior management about the expectations of employees. The participation of employees is ensured through annual performance evaluation meetings, suggestion systems and annual meetings held at the Company.

Also, the presence of independent members in the Board of Directors enables the representation of all stakeholders, as well as the Company and the shareholders.

4.2.2. The Company also takes opinions and suggestions conveyed by other stakeholders into consideration if necessary.

4.3 Human Resources Policy

4.3.1. The policy of providing equal opportunity for people with equal qualifications is adhered to when creating the recruitment policies and making career plans. In cases where it is foreseen that changeovers in executive positions would cause disruptions in the Company’s management, a succession planning is prepared on the determination of the managers to be appointed. The objective of Aksa’s human resources policy is to recruit candidates who are suitable for the corporate culture and values, who have the knowledge, skills, experience and abilities the position requires, and who will move the Company forward, and therefore serve the strategies and goals of the Company. In adopting the “right person for the right job” principle, modern evaluation systems are being used to support the most objective decision in the recruitment and appointment processes.

4.3.2. The criteria regarding the Company’s recruitment are determined in writing.

The Company intends to utilize human resources applications that use internationally-accepted models and internally integrated systems. It aims at using modern, integrated and results-oriented systems in all human resources processes, from recruitment to performance management, from development to remuneration and severance.

4.3.3. Employees are treated fairly with regard to all rights granted to them. Training programs are carried out, and educational policies are established in order to raise the employees’ level of knowledge, skills and experience.

In line with the Company’s continuous learning, development and results-orientation approach, while it is aimed for developmental programs to be organized for employees in relation to Company goals, knowledge, skills, fields of expertise and competencies, the Company also makes an effort to direct resources to programs that support social and cultural development. Development planning offers training and development solutions that are suitable for the current needs of both the Company and its employees.

4.3.4. Meetings are held to inform employees and exchange views about issues such as the financial conditions of the Company, wages, careers, education and health.

The Company adopts a management system that values people and encourages creativity, communication and employee participation. The Company acknowledges that creating an open, close and continuous communication environment is vital in maintaining the motivation and productivity of its employees.

4.3.5. Decisions taken about employees, or developments concerning employees, are notified to the employees or their representatives. The views of the representatives’ council are obtained before taking decisions of this nature.

4.3.6. As well as the job descriptions and distribution of the Company's employees, performance and reward criteria are also announced to the staff. Attention is paid to efficiency in the determination of wages and other benefits paid to the employees.

The Company uses a job evaluation and salary model with worldwide validity and established reliability. This is a salary and vested benefits model which is objective and transparent, which reflects the core principles of both the domestic and international business environment, which is based on the principle of equality and fairness, and which ensures fair salaries for all employees.

The Performance Management System is a structure that aims at individuals' adoption of the corporate goals, and which reinforces common corporate culture. Employees are able to see their own contribution transparently, as well as the influence of this contribution at the corporate level within the system. The output of the Performance Management System is used in the development planning, talent management, career planning, remuneration and awarding processes of Human Resources, thereby introducing an integrated system where all processes support each other. The Company supports employees towards a common goal through incentives that serve to strengthen the high performance culture. The leadership and functional competencies of the Company are measured with a 360 degrees approach, and the ways that employees achieve results are evaluated. In this manner, the same system also ensures the reinforcement and implementation of those competencies that will take the Company into the future and serve its corporate reputation and sustainability.

4.3.7. Measures are taken to prevent racial, religious, language and gender discrimination among employees, and to protect them against physical, mental and emotional maltreatment.

The Company has not received any complaints about discrimination.

Employees are informed about these issues through personal development and communication training. Also, an Ethics Line has been established for employees who may encounter such cases. Managed by an independent Company, the Ethics Line has been works for the communication of anonymous complaints and policy violations to the company.

4.3.8. The Company doesn't create any obstacles to effective use of the freedom of association and the right of collective labor agreement, and even supports these when necessary. In the current situation, the Company has no collective labor agreement.

4.3.9. The Company strives for continuous improvement and development in order to ensure a safe working environment and conditions for employees.

In order to carry out communication with the employees, there is a Representative Council ("RC") that consists of 22 (twenty two) persons, and is selected by the Company's employees by secret ballot, open count. Meeting on a monthly basis, the RC is responsible for determining the problems that employees face, suggesting and working towards solutions, and notifying senior management about the expectations of employees.

4.4 Ethical Rules and Social Responsibility

4.4.1. The operations of the Company are carried out within the framework of the ethical rules that are disclosed to the public through the website.

4.4.2. The Company strives to have, develop, adopt and implement innovative and environmentally friendly technologies within the scope of both its environmental and quality policy. Developed with an environmental and quality awareness, Company projects that decrease waste and enable the efficient use of energy and resources have been awarded various prizes.

Within the scope of sustainability activities that have been continued since 2006, the Company has raised its level to "Gray G4", and the relevant reports are published on the corporate members' website.

Section V - The Board of Directors

Based on the Global Compact Agreement signed in 2006, Aksa shares any improvements in compliance with the initiative's 10 principles through its Sustainability Reports that are created on a yearly basis.

The Company is sensitive about its social responsibilities, observing arrangements pertaining to the environment, customers and public health, as well as the codes of conduct. It supports and respects human rights to international standards.

The Company takes measures against all kinds of corruption, including bribery and extortion. The necessary awareness raising and control activities are coordinated by the Human Resources Department.

5.1 The Structure and Formation of the Board of Directors

There are a total of 12 (twelve) members in the Board of Directors, consisting of 4 (four) independent, 1 (one) executive, and 7 (seven) non-executive members:

Board of Directors

Name Surname	Title	Starting Date	Period
Mehmet Ali BERKMAN	Chairman (Non-Executive)	28.03.2014	3 Years
Raif Ali DİNÇKÖK	Deputy Chairman (Non-Executive)	28.03.2014	3 Years
Ali Raif DİNÇKÖK	Member (Non-Executive)	28.03.2014	3 Years
Nilüfer DİNÇKÖK ÇİFTÇİ	Member (Non-Executive)	28.03.2014	3 Years
Ahmet Cemal DÖRDÜNCÜ	Member (Non-Executive)	28.03.2014	3 Years
İzer LODRİK	Member (Non-Executive)	28.03.2014	3 Years
Cengiz TAŞ	Member - General Manager	28.03.2014	3 Years
Bülent BULGURLU	Member (Non-Executive)	28.03.2014	3 Years
Mehmet Abdullah Merih ERGİN	Independent Member	28.03.2014	3 Years
Başar AY	Independent Member	28.03.2014	3 Years
Timur ERK	Independent Member	28.03.2014	3 Years
Ant BOZKAYA	Independent Member	28.03.2014	3 Years

The Board of Directors includes both executive and nonexecutive members. A non-executive member of the Board of Directors is a person who has no administrative duty in the Company apart from being a member of the Board of Directors, and who does not interfere in the daily business and regular activities of the Company. The majority of the members of the Board of Directors are non-executive. There is no restriction on the members of the Board of Directors regarding other duties in or outside the Group. Information about the duties fulfilled by members of the Board of Directors outside the Company are submitted for the information of investors in the PDP Company General Information Form, on the Company's corporate website, and in the Corporate Governance section of the annual report. The related independent members were nominated at the General Assembly, pursuant to the report of the Nominating Committee dated 25 March 2014.

Among the non-executive members of the Board of Directors are independent members qualified to accomplish their duties without prejudice. The term of office for independent members of the Board of Directors is up to three years, although it is possible for them to be nominated and reelected.

There were no incidents that removed the impartiality of the independent members in 2016. Furthermore, declarations of independence received from each member at the beginning of the year are submitted for the information of our investors, both on the Company's website and in the annual report.

The work distribution among the members of the Board of Directors is explained in the annual report.

There is one female member on the Company's Board of Directors. The Company doesn't have any written policy or target for raising the number of female members.

The authorities of the General Manager and the Chairman of the Board of Directors are resolved in the Articles of Association. The General Manager and the Chairman of the Board of Directors are different persons, and neither of them has unlimited authority.

The members of the Board of Directors allocate sufficient time for the execution of Company affairs. In the event that a member of the Board of Directors serves as a manager or a member of the Board of Directors in another company, this situation doesn't lead to a conflict of interest and hinder the responsibility of the member in the Company. Therefore, serving of the Members of the Board of Directors in some other duty or duties outside the Company is regulated and restricted by certain rules, within the scope of the Working Procedures and Principles of the Board of Directors. Duties fulfilled by the Members of the Board of Directors outside the Company are recorded in the "Company General Information Form" through the PDP, and the curriculum vitae of the Board members to be elected are shared through the "General Assembly information document" on PDP and the Company website, prior to the general assembly for election.

5.2 Principles of the Activities of the Board of Directors

5.2.1. The Board of Directors carries out its activities in a transparent, accountable, just and responsible manner.

5.2.2. The Board of Directors establishes internal control systems, including risk management and information systems, and processes that aim at minimizing the effects of risks that would affect the stakeholders of the Company, particularly the shareholders, by taking the suggestions of the related committees of the Board of Directors.

5.2.3. The Board of Directors reviews the efficiency of the risk management and internal control systems at least once a year. Information regarding the functioning and efficiency of the internal audit system is provided in the annual report.

5.2.4. The Board of Directors plays a part in preservation of effective communication between shareholders and the company, and in settling and resolving any disputes that may arise among them. In this respect, the Board of Directors is in constant contact with the Corporate Governance Committee and the Investor Relations Unit.

5.2.5. Any possible damages in the Company caused by members of the Board of Directors due to their negligence during the fulfillment of their duties are insured at an amount below the limit stated in Article No. 4.2.8 of the Corporate Governance Principles. No material disclosures have been made in this regard in December 25, 2015.

5.2.6. The Board of Directors convenes as often as they can to fulfill their duties effectively in accordance with the working principles of the Board of Directors. The Board of Directors convened 4 (four) times in 2016, with an average attendance rate of 94%. The Chairman of the Board of Directors determines the agenda of the meetings in consultation with the other members of the Board of Directors and the CEO / General Manager, and communicates this to the members prior to the meeting. A total of 30 resolutions were taken by the Board of Directors in 2016. The matters discussed at the meetings of the Board of Directors are subsequently resolved in accordance with the provisions of Article 390/4 of the Turkish Commercial Code. The members pay attention to attend each meeting by examining and preparing information and documents pertaining to the matters listed on the agenda, and to express their opinions. The Board meetings can be held through remote access opportunities such as video conferencing, teleconferencing and internet.

5.2.7. The members of the Board of Directors are not entitled to preferential voting and / or veto rights.

5.2.8. In order to provide equal information flow, all information and documentation regarding the items on the agenda of the Board of Directors meeting are submitted to the review of the members of the Board of Directors sufficiently prior to the meeting.

5.2.9. Before the meeting, Board of Directors members may request for a change in the agenda from the chairman of the Board of Directors. Opinions of members who could not attend the meeting but submitted to the Board of Directors in writing are shared with other members.

5.2.10. Each member of the Board of Directors is entitled to one vote.

5.2.11. There is a procedure on how to hold General Assembly meetings that includes the Working Procedures and Principles of the Board of Directors.

5.2.12. The items on the agenda of the Board of Directors are discussed openly in all their aspects. The Chairman of the Board of Directors makes his best effort to ensure the effective participation of non-executive members in the meetings of the Board of Directors. Regarding matters of dissent during the meetings, the Members of the Board of Directors have their reasonable and detailed justifications kept in the decision records. None of the members of the Board of Directors cast a counter vote regarding any decision during the meetings held in 2016.

5.3 The Number, Structure and the Independence of the Committees Formed within the Board of Directors

5.3.1. The Company's Board of Directors has reviewed the structures and activities of the existing committees in the framework of the provisions of the Corporate Governance Communiqué of the Capital Markets Board, and has established the Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee. The duties and responsibilities of the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee.

Audit Committee:

Name Surname	Title	Starting Date
Timur ERK	Chairman of the Committee (Independent)	08.04.2014
Başar AY	Committee Member (Independent)	08.04.2014
Ant BOZKAYA	Committee Member (Independent)	08.04.2014

Corporate Governance Committee:

Name Surname	Title	Starting Date
Ant BOZKAYA	Chairman of the Committee (Independent)	08.04.2014
Başar AY	Committee Member (Independent)	08.04.2014
Erdoğan KAZAK	Committee Member (Licenced Personel)	08.04.2014

Early Detection of Risk Committee:

Name Surname	Title	Starting Date
Ant BOZKAYA	Chairman of the Committee (Independent)	08.04.2014
Mehmet Abdullah Merih ERGİN	Committee Member (Independent)	08.04.2014
Başar AY	Committee Member (Independent)	08.04.2014

5.3.2. The scope of duties, working principles and members of committees have been determined by the Board of Directors, and this information has been disclosed to the public through the Public Disclosure Platform and the Company website.

5.3.3. All of the board members of the committees within the Board of Directors have been elected from among the independent board members. Only Erdoğan Kazak, the Investor Relations department manager, has been included in the Corporate Governance Committee since he holds the licenses required by legislation.

5.3.4. The General Manager does not hold any duties in any of the committees.

5.3.5. Care is taken not to assign a board member to more than one committee. However, some of the committee members may be involved in other committees according to the knowledge and experience of the independent members.

5.3.6. The Board of Directors provides all kinds of resources and support in order for the committees to perform their duties. The committees may invite executives to their meetings when they consider it necessary, and seek their opinions.

5.3.7. When required, the Committees also make use of the opinions of independent experts in relation to their operations. The cost of consulting services the committees may require is paid by the Company.

5.3.8. The committees record all their work in writing. The committees meet at intervals that are required for the efficiency of their work, which are explained in the principles of working. They present reports that include information on the work they carry out and the outcomes of their meetings to the Board of Directors.

5.3.9. Among the members of the Audit Committee within the Company, there are members who have experience in the fields of accounting / auditing and finance. The committee oversees the company's accounting system, public disclosure of financial information, and independent audit, as well as the functioning and effectiveness of the internal control and internal audit systems of the company. The selection of an independent auditing firm, preparation of independent audit contracts, and initiation of the independent audit process, and the works of the independent auditing firm at every stage, are all carried out under the supervision of the audit committee.

The independent auditing firm that will provide services to the Company, and the services to be obtained from this firm, are determined by the committee in charge of auditing, and then submitted to the Board of Directors for the approval of the General Assembly.

The methods and criteria to be applied in the issues of investigation and resolution of complaints received by the Company about the accounting and internal control system and independent auditing of the Company, and evaluation of the notifications of employees on accounting and independent auditing of the Company within the context of the confidentiality principle, are also determined by the audit committee.

The audit committee reports its evaluations concerning the truthfulness and accuracy of the annual and interim financial statements to be disclosed to the public, according to the accounting principles followed by the Company, together with the evaluations of the Company's respective executives and independent auditors, to the Board of Directors in written form.

The audit committee immediately notifies its findings regarding the field of its duties and responsibilities, as well as its evaluations and recommendations on the issue, in writing to the Board of Directors.

The audit committee convened 4 (four) times in 2016, and the decisions taken were submitted to the Board of Directors as the results of the meetings were written in the minutes.

5.3.10. The Company's Corporate Governance Committee observes whether or not corporate governance principles are applied in the company and, if not, identifies the reasons and the conflicts of interests arising due to not fully complying with these principles. The committee offers recommendations on optimizing corporate governance practices, and monitors the works of the investor relations unit.

5.3.11. Apart from its duties set forth in legislation, the Corporate Governance Committee also carries out the duties and responsibilities of the Nomination Committee and Compensation Committee.

5.3.12. The Company's Corporate Governance Committee convened 4 (four) times in 2016.

5.3.13. The Early Detection of Risk Committee, which is responsible for early detection of risks that may jeopardize the Company's existence, development and continuity, applying the necessary measures in this regard, and performing activities to manage the risks, has three members, each of whom is a non-executive independent Board member. The Committee reviews the risk management systems once a year.

A Risk Management Committee was established pursuant to Article 378 of Turkish Commercial Code No. 6102 to ensure the effective functioning of the committees within the Board of Directors for the purposes of early detection of risks that jeopardize the existence, development and continuity of the company, applying the necessary measures and remedies in this regard, and managing the related risks. The members of the Early Detection of Risk Committee were determined by decision of the Board of Directors dated April 2013, after the distribution of duties among the Board of Directors.

The Committee holds meetings every 2 (two) months and offers advice and recommendations to the Board of Directors on early detection of any kind of strategic, financial, operational, etc. risks that may affect the Company, assessment of these risks, evaluation of their impact and probability, management and reporting of these risks in accordance with the Company's corporate risk-taking profile, implementation of necessary measures in relation to the risks identified, consideration of these risks in decision-making mechanisms, and establishment and integration of effective internal control systems in this regard.

The Early Detection of Risk Committee revises the efficiency of the Company's risk management and internal control systems at least once a year.

The Early Detection of Risk Committee reported the information on their activities to the Board of Directors six (6) times in 2016.

5.4 Risk Management and Internal Control Mechanism

5.4.1. By taking the related Board of Directors committees' views into consideration, the Board of Directors establishes internal control systems, ensuring these systems also incorporate risk management and information systems and their processes, which can minimize the impacts of risks that may affect primarily the shareholders, as well as all of the Company's stakeholders.

5.4.2. The Board of Directors revises the efficiency of the risk management and internal control systems at least once a year. Information regarding the functioning and efficiency of the internal audit system is provided in the annual report.

5.4.3. The Company's risk inventory is one of the most important follow-up tools used in Aksa's risk management activities. The risk inventory includes the company's operational, financial, reputational and strategic risks. Risks with high or very high level risk scores are monitored at the level of the Board of Directors. Detailed action plans are created for such risks, and a risk owner is assigned for each of these risks. The risk owner is responsible for managing the related risk within the framework of the agreed action plan. Thus, the risk management philosophy has become a permanent item on the agenda of routine business of Aksa executives. Updated in line with sectoral and institutional developments, this philosophy has become an integral part of the Company's applications. Having certified its Corporate Risk Management activities by the Turkish Standards Institution (TSE), Aksa successfully completed the "TS ISO 31000 Risk Management System Verification" audit, and has become the second enterprise in Turkey to hold this certificate, and the first enterprise among the industrial organizations, and Borsa Istanbul (BIST). The Company also successfully completed the surveillance audit performed by TSE in 2016, without any lack of conformity.

The current internal control system, particularly increasing the efficiency and productivity of Company operations, maintaining reliability in financial reporting and compliance with applicable law and legislation, is being audited by the Audit Group established within the main partnership of the Company, Akkök Holding A.Ş., in accordance with the annual internal audit plan; and the outcome of the audit is reported to the Audit Committee. Those risks that prove to be critical within the framework of corporate risk management in the aforementioned annual internal audit plan are prioritized. The efficiency of internal audit operations has been reviewed by the Audit Committee at seven (7) meetings held throughout the year. Opinions of the internal auditor, external auditor, or other Company executives have also been received as required at these meetings.

The Internal Audit team gets in touch with the independent auditors when necessary within the scope of audit activities, and occasionally performs common process controls with independent auditors.

5.5 The Strategic Goals of the Company

5.5.1. The Board of Directors keeps the balance between risk, growth and return at an ideal level through the strategic decisions it makes, and manages and represents the Company by primarily looking after its long term interests through rational and cautious risk management.

5.5.2. The Board of Directors defines the strategic goals of the Company, determines the human and financial resources it shall need, and inspects management performance.

The Company's short and long-term performances and strategic objectives are evaluated, and the necessary action plans are carried out according to the results obtained in the Finance Board meetings held on a monthly basis, and the Industrial Evaluation meetings held on a quarterly basis, and headed by the executive board member/general manager.

5.5.3. The Board of Directors oversees the compliance of the Company activities to legislation, Articles of Association, internal regulations and established policies.

5.5.4. The Board of Directors reviews the degree to which the Company achieves its targets, as well as its activities and past performance. Within this scope, the Board of Directors made an assessment revealing that the Company reached the operational and financial performance goals for 2016.

5.6 Financial Rights

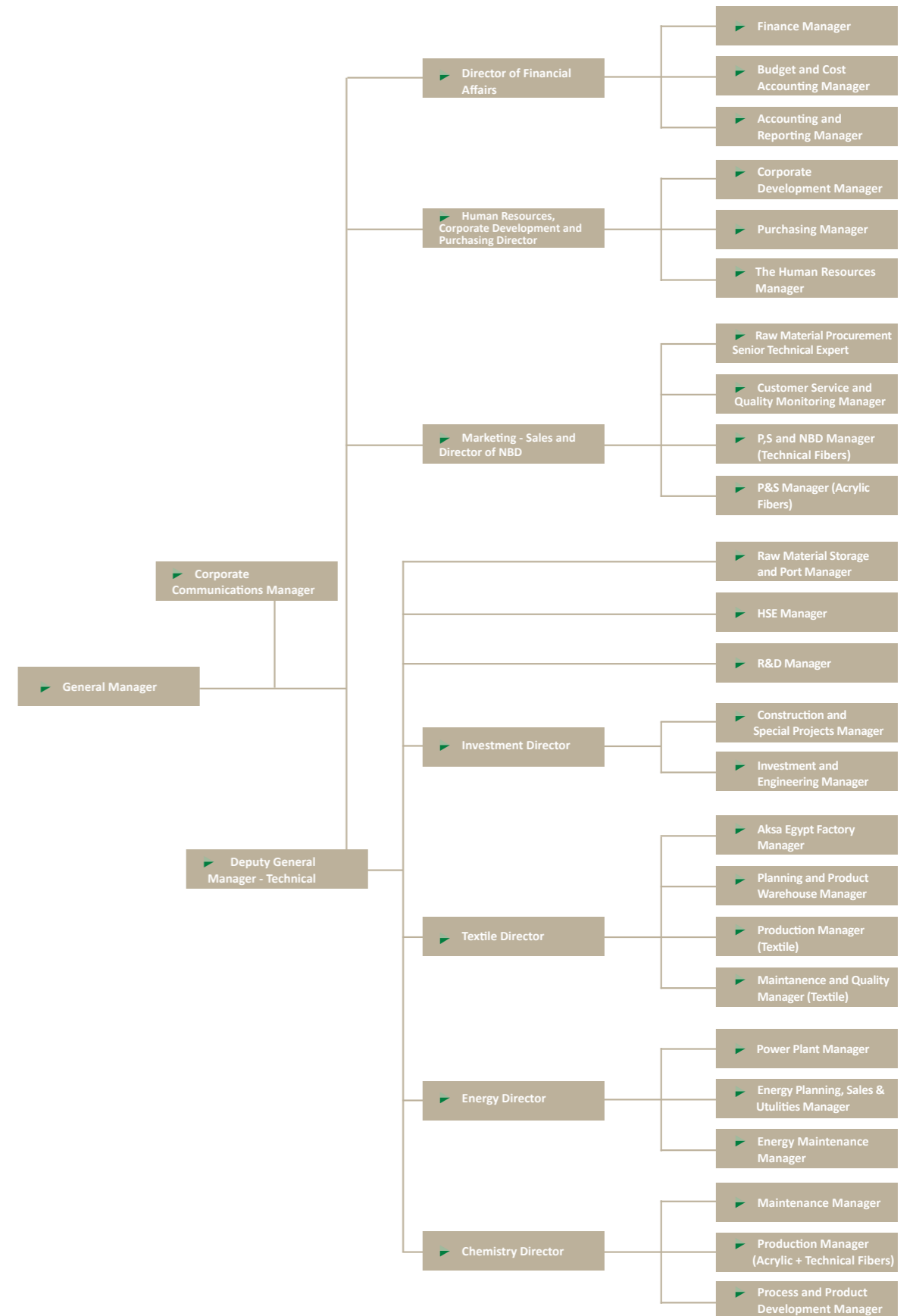
5.6.1. The Board of Directors is responsible for achieving the Company's set targets. Evaluation on whether the Company has achieved its publicly disclosed operational and financial performance targets and justifications in the event of failure is described in the annual report. The Board of Directors conducts a performance evaluation and auto-critique on the basis of the Board, members and managers with administrative responsibility. The Board of Directors rewards or dismisses the Board members and managers with administrative responsibility considering these evaluations.

5.6.2. The principles of the salary system for the members of the Board of Directors were prepared in writing in 2011. The principles, which were revised during the 2015 Ordinary General Assembly meeting, were submitted for the information of the partners as a separate topic, providing shareholders with the opportunity to deliver their opinion concerning the topic. In this respect, the compensation policy is also published on the Company's website.

5.6.3. Stock options or payment schedules based on Company performance are not utilized in the financial compensation of independent members of the Board of Directors. Efforts are made to set the compensation for independent members of the Board of Directors at such a level as to ensure that they remain independent; compensation is determined during the General Assembly meeting.

5.6.4. The Company does not provide loans, credits or warranties such as sureties for the benefit of any of the members of the Board of Directors, or its executives.

5.6.5. The fees and all other benefits provided to the members of the Board of Directors are collectively disclosed to the public through the annual report and the footnotes in the financial statements. For the 2015 dividend payment, which was made in 2016 in compliance with the Company's Articles of Association, a payment worth TL 3,839,275 was made to the Board of Directors. Our statements are not made on an individual basis, and cover the Board of Directors and the senior executives.



Executive Management

Aydın Fethi Baytan

Director of Human Resources Management Systems and Purchasing

Born in 1965, Aydın Fethi Baytan graduated from Boğaziçi University, Department of Computer Engineering in 1988. Afterwards, he began working at Bios Bilgisayar as a Software Development Specialist, and continued his career there as Project Manager. Between 1994 and 2000, he served as Information Technology Manager at Continent and subsequently, post-merger, at Carrefour. Joining Ak-Al Tekstil A.Ş. in 2000 as Information Technology Manager, Mr Baytan assumed the position of Assistant General Manager of Purchasing, Logistics and Systems Development in 2007. In December 2011, he joined Aksa as Purchasing Director. Currently, he serves as Director of Human Resources Management Systems and Purchasing.

Eren Ziya Dik

Director of Financial Affairs

Born in Adana in 1980, Eren Ziya Dik graduated from the Faculty of Business Administration at Istanbul University. He started his business career at PricewaterhouseCoopers Turkey in 2002. He held positions related to financial controlling, independent auditing, International Financial Reporting Standards (IFRS) and financial statements analysis at PricewaterhouseCoopers, as well as being part of the PwC London Audit team. Most recently, in 2010, he was appointed Senior Manager. Joining Aksa Akrilik Kimya Sanayii A.Ş. as Budget and Accounting Manager the same year, Dik has been working as Director of Financial Affairs since July 2012. Dik has been a member of the Advisory Committee at the Turkish Textile Employers' Association since April 2016.

Haydar İnan

Textile Director

Born in Malatya in 1979, Haydar İnan graduated from the Department of Industrial Engineering at Istanbul University in 2001, and completed his Masters in Polymer Engineering at Yalova University in 2015. He started his career as a Human Resources Specialist for the Aksa Akrilik Kimya Sanayii's facilities in Yalova in 2002, and in 2005, he worked as a Specialist in the department of Investment Planning, and Industrial Engineer at the Ak-Al Tekstil's facilities in Yalova. Serving as a Production Planning Specialist at Ak-Al Tekstil facilities between 2006 and 2008, Mr İnan undertook his additional duty at Budget Planning in 2008, while he served as Budget and Strategic Planning Manager at Ak-Al's Central office in Istanbul between 2009 and 2011. He acted as Finance Manager in 2011, reporting to Akkök Holding's Chief Financial Officer. Mr İnan started to serve as Planning and Product Warehouse Manager at Aksa Akrilik Kimya Sanayi in 2012, and was appointed Textile Director in February 2015.

İsmail Murat İnceoğlu

Assistant General Manager - Technic

Born in Istanbul in 1951, İsmail Murat İnceoğlu received his BSc in Textile Process Engineering from the Department of Textile at the University of Leeds (United Kingdom), where he also completed his master's studies. Mr İnceoğlu began his professional career at the Royal Mail UK and Braims Steel UK-Textile Testing Laboratory. In 1981, he started working at Ak-Al Tekstil as Production Operations Engineer, and later assumed the position of Production Manager at the Semi Worsted Hand-Knitting Plant. Mr İnceoğlu was involved in various high-level projects, primarily the merger of Ak-Al and Aksu, and he

recently worked as Assistant General Manager for Technical and Quality. In March 2011, Mr İnceoğlu started working as Director of Technical and Administrative Services at Aksa, and he was appointed Plant Director in July 2011. As of September 2016, he has served as a Deputy General Manager— Technical.

Sabri Arca

Marketing, Sales and New Business Development Director

Born in 1960, Sabri Arca graduated from the Department of Business Administration at the University of Southern California (USA). He worked at Dinarsu T.A.Ş. between 1985 and 1989, and at Ak-Al between 1990 and 1994. Mr Arca was promoted to Assistant General Manager at Aksa in 1994, and since then he has held the positions of Administrative Assistant General Manager, Assistant General Manager of Purchasing, Assistant General Manager of New Business Development and Purchasing, and Director of New Business Development and Purchasing, respectively. In December 2011, Mr Arca was appointed Director of Marketing, Sales and New Business Development.

Sinan Uğurlu

Energy Director

Born in Ankara in 1972, Sinan Uğurlu graduated from the Department of Electrical Engineering at Istanbul Technical University in 1995. He started his business career at Ereğli Demir ve Çelik Fabrikaları T.A.Ş. in 1998 as Test Engineer, and later assumed the position of Maintenance Engineer at the same Company. He worked as Maintenance and Investments Manager at Mitaş Enerji ve Madeni İnşaat İşleri T.A.Ş. between 2005 and 2006, and as Operations Manager at Bilkent Holding Bilkent Enerji Üretim San. Tic. A.Ş. between 2006 and 2009. Mr Uğurlu has been working as Energy Director at Aksa Akrilik Kimya Sanayii A.Ş. since 2012, where he started his career as Energy Manager in 2009.

Ceyhan Arık

Investment Director (Deputy)

Born in Afyon in 1978, Ceyhan Arık graduated from the Department of Industrial Engineering at Istanbul University in 2000. He started his career as a Production Planning Specialist at Bossa Tekstil A.Ş. in 2001. Between 2002 and 2007, he worked as Production and Material Planning Engineer at Areva Elektrik End. A.Ş. Starting his duty as Budgeting Specialist in the Investment Department at Aksa Akrilik Kimya Sanayii A.Ş. in 2007, he served respectively as Budget and Financing Specialist, Budget and Cost Accounting Deputy General Manager, and Budget and Cost Accounting General Manager. He was appointed Investment and Engineering Manager in November 2015. As of September 2016, Arık has acted as a deputy Investment Director.

Gürcan Koman

Chemical Director (Deputy)

Born in Bursa in 1982, Gürcan Koman graduated from the Department of Chemical Engineering at Middle East Technical University in 2005. He started his career at Aksa Akrilik Sanayi in 2006. Within Aksa, he undertook the duties of Investment Engineer, Process Engineer and R&D Engineer; Fabric Pullout and Dope Areas Manager; Process and Product Development Manager. As of September 2016, he has acted as a deputy Chemical Director.

After 2016...

Within the period between December 31 and the preparation date of the annual report, there was no major financial or operational development, and the following decision was made with regard to the amendment of the Articles of Association:

Provided that the required permissions are obtained from the Energy Market Regulatory Board, the Capital Markets Board, and the Ministry of Customs and Trade of Turkey, the Company decided to submit an amendment draft regarding moving the headquarters, which is situated in Gümüşsuyu, Miralay Şefik Bey Sokak, Akhan, No.15, Beyoğlu, Istanbul, to its new address, which is Merkez Mahallesi Yalova-Kocaeli Yolu Caddesi No.34 Çiftlikköy Yalova, as approved by the Energy Market Regulatory Board, the Capital Markets Board, and the Turkish Ministry of Customs and Trade.

AMENDMENT DRAFT REGARDING THE ARTICLES OF ASSOCIATION OF AKSA AKRİLİK KİMYA SANAYİİ ANONİM ŞİRKETİ (*)

FORMER WORDING	NEW WORDING
<p>HEADQUARTERS AND BRANCHES:</p> <p>ARTICLE 4 - The Company's headquarters is in the Beyoğlu district in Istanbul. The address is Gümüşsuyu, Miralay Şefik Bey Sokak, Akhan, No.15, Beyoğlu, Istanbul.</p> <p>In the event of any change in the address, the new address is recorded in the trade register, and published on the Turkish Trade Registry Gazette. Moreover, the Energy Market Regulatory Board, the Capital Markets Board, and the Ministry of Customs and Trade of Turkey are informed of any such change. Any notice delivered to the registered and published address is deemed as delivered to the Company.</p> <p>Provided that the Energy Market Regulatory Board, the Capital Markets Board, and the Ministry of Customs and Trade of Turkey are informed, the Company may establish branches, liaison offices, outlet stores, factories, warehouses, correspondent offices, and agencies within or outside the country.</p>	<p>HEADQUARTERS AND BRANCHES:</p> <p>ARTICLE 4 - The Company's headquarters is in the Çiftlikköy district in Yalova. The address is Merkez Mahallesi Yalova-Kocaeli Yolu Caddesi No: 34 Çiftlikköy Yalova.</p> <p>In the event of any change in the address, the new address is recorded in the trade register, and published on the Turkish Trade Registry Gazette. Moreover, the Energy Market Regulatory Board, the Capital Markets Board, and the Ministry of Customs and Trade of Turkey are informed of any such change. Any notice delivered to the registered and published address is deemed as delivered to the Company.</p> <p>Provided that the Energy Market Regulatory Board, the Capital Markets Board, and the Ministry of Customs and Trade of Turkey are informed, the Company may establish branches, liaison offices, outlet stores, factories, warehouses, correspondent offices, and agencies within or outside the country.</p>
<p>MEETING VENUE:</p> <p>ARTICLE 14 - The General Assembly may gather in Istanbul, where the headquarters is situated and the majority of the shareholders are available, or other localities where the Company's branches or plants are located, upon the decision of the Board of Directors.</p>	<p>MEETING VENUE:</p> <p>ARTICLE 14 - The General Assembly may gather in the Company's headquarters or in a suitable venue in the city where the headquarters is situated, or, upon the decision of the Board of Directors, in Istanbul, where the majority of the shareholders are available, or other localities where the Company's branches or plants are located.</p>

(*) Shared as approved by the Capital Markets Board in the draft dated February 02, 2017, and numbered 29833736-110.03.02-E.2538.

Regarding the resignation of Mr. Sinan Uğurlu, who is still serving as the Company's Energy Director, it has been decided that Mr. İsmail Murat İnceoğlu, who is currently working as "Deputy General Manager – Technical" will undertake the duty of "Energy Director", in addition to his current duty.

Other Informations

The Company's other statements within the scope of the Capital Markets Board and the Turkish Commercial Code regulations are as follows:

The Company hasn't acquired any of its own shares.

No private audits were conducted in the Company during 2016. For the years 2013 and 2014, a complete tax audit has been started in terms of corporate tax, VAT and income withholding tax. As of the reporting date, the audits are currently in process.

There are no administrative or judicial sanctions imposed on the Company or the Board of Directors for any reason.

There were no legislative changes in 2016 which significantly changed the Company's activities.

There were no conflicts of interest between the Company and the institutions that provide services in areas such as investment consultancy and rating in 2016.

The Company has no unredeemed capital and the Company is not in a debt-choked status.

None of the Company's partnerships has a cross shareholding relationship.

Information regarding the benefits provided in accordance with the legislation to the related party transactions and balances, as well as the Board of Directors and the senior executives, is provided in footnote No. 25, titled Related Party Disclosures, in the Financial Statements section.

Information regarding the Company's financial resources is provided in footnote No. 6, titled "Financial Borrowings", in the Financial Statements section. There are no capital market instruments issued during the year or still active.

The decisions taken in the General Assembly were implemented.

There was no extraordinary meeting held within the year.

Litigations

"A lawsuit was filed against the Company, which might not have material impact on the Company's financial status and activities, by Ömer Dinçkök, who claims to hold shares with a nominal value of TL 6,401.84 (representing 0.00346 % of the Company's capital), in 2016. Dinçkök filed the lawsuit on June 30, 2016 in the presence of File No. 2016/743 E. of the Istanbul 5th Commercial Court for the cancellation of decisions numbered 5, 6, and 10, taken at the 2015 Ordinary General Assembly meeting of the Company. The litigation process is continuing. The date of the next hearing is slated for April 13, 2017. Considering the available evidence and material facts, it is considered that the hearing will result in favor of our Company.

There are a number of various debt claims, business or administrative proceedings, other than the above-mentioned lawsuits, filed against the Company. The relevant lawsuits will not have a material impact on the Company's financial status and activities."

Dividend Distribution Policy

Pursuant to the provisions of the Turkish Commercial Code, the Capital Markets Board's (CMB) Corporate Governance Communiqué, and the Communiqué on Dividend Distribution Numbered II- 19.1 and other CMB Legislations, Tax Legislation and other relevant legislations, and the provision of Article 25 of our Articles of Association pertaining to dividend distribution, the Company's "Dividend Distribution Policy" was determined as follows:

1) In order to ensure that our partners achieve dividends regularly, in addition to return on shares, concerning the profits related to 2014 and the following years, at least 20% of the distributable profit is distributed annually within the framework of Article 25 of the Company's Articles of Association, provided that it doesn't conflict with existing regulations of the Capital Markets Board, and there aren't any negative economic conditions, and taking into consideration the Company's anticipated investment expenditures and other funds needed.

Within the framework of the provision of sub-paragraph (c) of Article 25 of the Articles of Association and the Company's "Remuneration Policy for the Members of the Board of Directors and Senior Executives", it will be possible to pay dividends to the Members of the Board of Directors depending on the General Assembly decision.

The entire amount of the dividend planned to be distributed, may be distributed only if it can be met from net distributable profits and other resources existing in statutory records.

2) There are no privileged shares in the Company. The dividends to be distributed to the shareholders are distributed equally to all of the existing shares in proportion to their share, as of the distribution date, regardless of their dates of issue and acquisition.

3) Dividend can be distributed in cash or by bonus shares or partially in cash and partially by bonus shares.

4) The dividend distribution date is determined by the General Assembly in accordance with the proposal of the Board of Directors provided that it is not contrary to the Capital Markets Board legislation, and starting no later than the end of the fiscal year of the General Assembly in which the distribution decision was taken.

5) Distributable dividend can be paid in equal or varying installments. The number of installments shall be determined by the General Assembly or by the Board of Directors, provided that it is expressly authorized by the General Assembly. In the event that the installment payment dates are determined by the Board of Directors, the payment dates shall be disclosed to the public, in the framework of the Capital Markets Board's regulations on material disclosures, within fifteen days following the date of the General Assembly.

6) Dividend advance payments may be distributed to the shareholders provided that such payments are in compliance with the relevant Capital Markets Board Legislation.

7) This "Dividend Distribution Policy" may be revised annually, taking into account the Company's financial performance, anticipated investment projects, and sectoral and economic conditions.

Risk Management

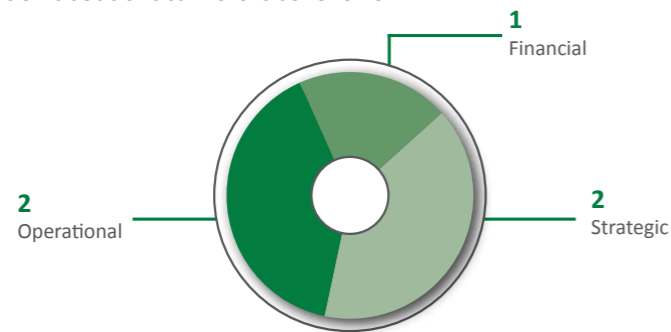
The Board of Directors of Aksa carries out its activities in a transparent, accountable, fair and responsible manner. The Board of Directors establishes internal control systems, including risk management and information systems and processes that aim at minimizing the effects of risks that would affect the stakeholders of the Company, particularly the shareholders, by obtaining the suggestions of the related committees of the Board of Directors.

A Risk Management Committee was established pursuant to article 378 of the Turkish Commercial Code No. 6102, to ensure the effective functioning of the committees within the Board of Directors.

The Committee reports every two (2) months and offers advice and recommendations to the Board of Directors upon early detection of any kind of strategic, financial, operational, etc. risks that may affect the Company, assessment of these risks, evaluation of their impact and probability, management and reporting of these risks in accordance with the Company's corporate risk-taking profile, implementation of the necessary measures in relation to the risks identified, consideration of these risks in decision-making mechanisms, and establishment and integration of effective internal control systems in this regard.

The Company's risk inventory is one of the most important follow-up tools used in Aksa's risk management activities. The risk inventory, created by considering sales, productivity, income generation capacity, profitability, indebtedness, and all future expectations depending on the corporate risk management policies of the Company, includes the company's operational, financial, reputational and strategic risks. Risks with high or very high level risk scores are monitored at the level of the Board of Directors. Detailed action plans are created for such risks, and a risk owner is assigned for each of these risks. The risk owner is responsible for managing the related risk within the framework of the agreed action plan. Thus, the risk management philosophy has become a permanent item on the agenda of routine business of Aksa executives. Updated in line with sectoral and institutional developments, this philosophy has become an integral part of the Company's applications.

The five (5) main risks with the highest scores in the Company's Risk Inventory were identified as critical in 2016. Summary information about critical risks is as follows:



Specific processes have been developed according to the type of risks that may affect the Company's financial performance, regardless of whether they are critical or not. These risks are categorized mainly as Credit risk, Exchange Rate risk, Liquidity risk and Interest Rate risk, and they are included in footnote No. 26, titled "Nature and Extent of Risks Arising from Financial Instruments", in the Financial Statements section.

Having certified its Corporate Risk Management activities by the Turkish Standards Institution (TSE), Aksa successfully completed the "TS ISO 31000 Risk Management System Verification" audit, and has become the second enterprise in Turkey to hold this certificate, and the FIRST enterprise among the industrial organizations and Borsa Istanbul (BIST). The Company successfully completed the surveillance audit performed by TSE in 2016, without any lack of conformity.

Internal Control Mechanism

The current internal control system, particularly enhancing the efficiency and productivity of Company operations, ensuring reliability in financial reporting, and compliance with applicable law and legislation, is being audited by the Audit Group established within our parent company, Akkök Holding A.Ş., in accordance with the annual internal audit plan. The outcome of the audit is reported to the Audit Committee. The efficiency of internal audit operations has been reviewed by the Audit Committee at 4 (four) meetings held throughout the year. Opinions of the internal auditor, external auditor, or other Company executives have also been obtained when required at these meetings.

The Internal Audit team comes into contact with the independent auditors when necessary within the scope of audit activities, and occasionally performs common process controls with independent auditors.

Assessment of the Board of Directors Regarding Committees

The Committees come together to discuss the agenda items pertaining to themselves among the agenda of the Board of Directors and submit their opinions to the Board of Directors. Unless there is a specific reason to preclude their gathering, it is essential for them to come together to discuss the issue before the meeting.

Audit Committee

The Audit Committee is composed of independent members and is responsible for taking the necessary measures for the effective and transparent performance of all kinds of internal and external audit processes of the Company. The Committee also monitors the effective implementation of the internal control system managed within the Holding. In 2016, the Committee reported 7 (seven) times to the Board of Directors within the scope of all these responsibilities. The actions taken by the Board of Directors about the following matters were taken on the basis of these reports.

The Main Duties of the Audit Committee include:

- ▶ Making regulations on the independent external audit activities,
- ▶ Selection of the independent audit firm,
- ▶ Determination of the scope of the audit and consulting services to be received,
- ▶ Examination of the financial reports before submission to the Board of Directors,
- ▶ Follow-up of the findings of Legal Audits,
- ▶ Supervision of the operation and effectiveness of the Company's internal control system.

Corporate Governance Committee

The Corporate Governance Committee observed whether or not the corporate governance principles are applied in the Company. If not, the committee identified the reasons and the conflicts of interests arising due to not fully complying with these principles. The committee offered recommendations on optimizing corporate governance practices, and monitored the works of the Investor Relations unit. The duties of the Nomination Committee and Remuneration Committee are also carried out by the Corporate Governance Committee. Within the scope of these responsibilities, the Corporate Governance Committee managed to;

- Undertake efforts to create a transparent system to identify, evaluate and train qualified candidates for the Board of Directors and executive management positions, and formulate the relevant policies and strategies,
- Make regular evaluations on the structure and efficiency of the Board of Directors, and to advise the Board on changes that can be made on these issues,
- Express their views in the determination of the recommendations regarding the principles of remuneration of the Board members and senior executives by taking into account the long-term goals of the Company,
- Make determinations regarding the criteria that can be used in the remuneration, depending on the performance of the Company and the member.

Early Detection of Risk Committee

The Early Detection of Risk Committee is responsible for early detection of risks that jeopardize the existence, development and continuity of the Company, applying the necessary measures and remedies in this regard, managing the related risks, and undertaking efforts to fulfill the TS ISO 31000 Risk Management System Verification requirements. The Committee reviews the risk management systems at least once a year. In 2016, the Committee reported 6 (six) times to the Board of Directors.

Summary of the 2016 Subsidiary Company Report Prepared By the Board of Directors of Aksa Akrilik Kimya Sanayii A.Ş. Pursuant to Article 199 of the Turkish Commercial

Pursuant to Article 199 of the Turkish Commercial Code No. 6102, which came into force on July 1, 2012, the Board of Directors of Aksa is obliged to prepare a report within the first three months of the fiscal year about the relations of the Company with its controlling shareholder and the subsidiaries of the controlling shareholder, and to include the conclusion part of this report in the annual report. The necessary explanations on related party transactions made by Aksa are provided in footnote No. 25 of the financial report. It is stated in the Commitment report prepared by the Board of Directors of Aksa that, "An appropriate counter action was taken in all transactions made in 2016 by Aksa with its controlling shareholders or subsidiaries, according to the circumstances known by us at the time the transaction was made or the measure was taken or avoided, and any measure that was taken or avoided didn't cause any damage to the Company, and in this context, it is concluded that no damage that would require compensation was encountered".

Targets and Actuals

The Company's expectations for the end of the year, which were provided in the interim reports of the Board of Directors at the beginning of 2016, and in the investor information presentations, and our evaluations on the accruals at the end of 2016, are as follows. While there were no significant changes in the expectations as of the interim periods during the year, the minor revisions according to the target at the beginning of the year were submitted as updates in the relevant reports.

	Target (USD million)	Actual (USD million)
Fibers	500-600	610
Energy ^(*)	45-50	41
Export	240-260	257
Investment ^(**)	65-75	36

^(*) Since the energy income was acquired in Turkish Lira, the rise in the exchange of USD and TL meant that the resulting amount was slightly lower than projected.

^(**) A part of the investments planned for 2016 has been postponed to 2017.

	Target (%)	Actual (%)
EBITDA Margin ^(*)	17-18	20
Capacity Utilization Rate	98	100

^(*) Thanks to the positive contributions in the decline in raw materials prices, and the rise in the US Dollar, to the company's profitability as percentage, growth was obtained in the EBITDA margin.

Statement of Responsibility

STATEMENT OF RESPONSIBILITY AS PER ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUE
SERIAL: II- 14.1 ON PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKETS

UPON THE APPROVAL OF THE ANNUAL REPORT, THE BOARD OF DIRECTORS';
DECISION DATE: 07/03/2017
DECISION NUMBER: 2017/13

We hereby declare that,

The 2016 annual report, which was prepared pursuant to the provisions of the Capital Markets Board's (CMB) Communiqué Serial: II-14.1 on "Principles Regarding Financial Reporting in Capital Markets" ("Communiqué"), and in compliance with the format and content specified by the CMB and the relevant legislations;

- Was examined by our side;
- Did not include any explanation contrary to the facts with respect to important matters or any gaps that could be misleading as of the date when the explanation was made, to the extent of the information we have, as per our duty and responsibility within the Company;
- To the extent of the information we have, as per our duty and responsibility within the Company, the annual report, which was prepared in accordance with the relevant Communiqué, solely reflects the truth regarding the development and performance of the business; and along with those under the scope of consolidation, reflects the truth regarding the Company's financial status, together with the significant risks and uncertainties it faces, and that we are liable for the statement made.

Yours Faithfully,

Timur Erk
Chairman of the Audit Committee



Ant Bozkaya
Member of the Audit Committee



Eren Ziya DİK
Director of Financial Affairs



Dividend Distribution Proposal

Dear Shareholders,

We have presented you information regarding the Company's activities in the financial year 2016, along with our balance sheet and income statement for the same period. We hope you find the results of our operations satisfactory.

In accordance with the terms of the dividend distribution policy that we have previously shared with our shareholders, the Company has drawn up its proposal for the distribution of dividends concerning the profits of 2016 as follows, subject to ratification by the General Assembly.

The net period profit appearing on the consolidated financial statements drawn up within the framework of the provisions of Communiqué No. 14.1, Series II, of the Capital Markets Board is TL 125,798,137.00. The net profit for the period, based on the financial statements prepared in accordance with the provisions of Tax Procedure Law, stands at TL 187,329,206.50.

Out of the TL 125,798,137.00 net profit for the period included in the consolidated financial statements established within the framework of the provisions of the Capital Market Board's Communiqué Serial: II, No: 14.1;

- No amounts shall be set aside since the General Legal Reserves in our records didn't reach the upper limit defined in the provisions of both Article 519, Paragraph 1 of the Turkish Commercial Code, as well as sub-paragraph (a) of Article 25 of the Company's Articles of Association,

- The first dividend of TL 9,250,000.00 (the gross dividend amount corresponding to a nominal share of TL 1.00 is TL 0.05 and the gross rate of dividend is 5%), which corresponds to 5% of the Company's total paid capital of TL 185,000,000.00, be distributed to our shareholders in cash within the framework of Article 25 of the Company's Articles of Association,

- Gross dividend of TL 2,381,495.00 from TL 116,548,137.00, that is left over after the distribution of first dividends to shareholders, be issued to the members of the Board of Directors within the framework of Wage Policy for the Company's Board of Directors members and Executive Managers as per Article 25 of the Company's Articles of Association,

- Of the remaining TL 114,166,642.00, TL 103,571,356.00 (the gross dividend amount corresponding to a nominal share of TL 1.00 is TL 0.559845 and the gross rate of dividend is 55.9845%) be distributed to shareholders as second dividend in accordance with Article 25 of the Company's Articles of Association,

- allocating a General Legal Reserve of TL 10,595,285.18 for the distributed second dividend,

- within the scope of Article 25 in the Company's Articles of Association, distributing, in cash, to our partners the dividend amounting to TL 72,178,643.18 (the gross amount of dividend that equals to shares of a nominal value of TL 1.00 is TL 0.390155, and the gross dividend percentage is 39.0155%) from Other Resources Projected to be Distributed (from the Profits of Previous Years),

- allocating a General Legal Revenue of TL 7,217,864.32 for the distribution made from Other Resources Projected to be Distributed (from the Profits of Previous Years),

- determining 185,000,000.00 as the total amount for the 1st and 2nd dividends, and the dividend projected to be distributed from previous years' profits.

- In total, TL 17,813,149.50 shall be added to the General Legal Reserves.

- Distribution of dividend amounts in cash shall take place on April 5, 2017.

We submit the profit distribution proposal for the approval of the General Assembly regarding:

Dear Partners, we pay our respects to you and wish that the coming years may bring happy and successful days for our country, Company and us all.

The Board of Directors

Decision Date : 07/03/2017
Decision Number : 2017/13

Members of the Board of Directors of AKSA AKRİLİK KİMYA SANAYİİ ANONİM ŞİRKETİ took the following decision in compliance with Article 390/4 of the Turkish Commercial Code:

It was decided that;

The 2016 annual report of our Company, and the report dated 07.03.2017, report number 2017/13 by the committee in charge of auditing, were approved, and agreed to be issued on the Public Disclosure Platform.

BOARD OF DIRECTORS

Mehmet Ali BERKMAN
Chairman of the Board



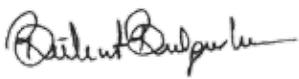
Ali Raif DİNÇKÖK
Board Member



Nilüfer DİNÇKÖK ÇİFTÇİ
Board Member



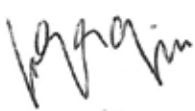
Bülent BULGURLU
Board Member



Timur ERK
Independent Board Member



Mehmet Abdullah Merih ERGİN
Independent Board Member



Raif Ali DİNÇKÖK
Vice Chairman of the Board



Ahmet Cemal DÖRDÜNCÜ
Board Member



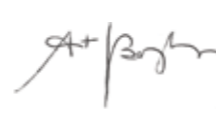
İzer LODRİK
Board Member



Cengiz TAŞ
Board Member
General Manager



Ant BOZKAYA
Independent Board Member



Başar AY
Independent Board Member




CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of Aksa Akrilik Kimya Sanayii A.Ş.

Auditor's Report on the Board of Directors' Annual Report

1. We have audited the annual report of Aksa Akrilik Kimya Sanayii A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group") for the period ended 31 December 2016.

Board of Directors' responsibility for the Annual Report

2. The Group's management is responsible for the fair preparation of the annual report and its consistency with the consolidated financial statements in accordance with Article 514 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and for such internal control as management determines is necessary to enable the preparation of the annual report.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on the Group's annual report based on the independent audit conducted pursuant to Article 397 of TCC (and the Communiqué), about whether or not the financial information included in this annual report is consistent with the Group's consolidated financial statements that are subject to independent auditor's report dated 17 February 2017 and presented fairly.

Our independent audit was conducted in accordance with Independent Auditing Standards that are part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance about whether the financial information in the annual report is fairly presented and consistent with the consolidated financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

Opinion

4. Based on our opinion, the financial information in the annual report of Board of Directors of Aksa Akrilik Kimya Sanayii A.Ş. is consistent with the audited consolidated financial statements and presented fairly, in all material respects.

Other Responsibilities Arising From Regulatory Requirements

5. Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to report with regards to the ability of Group to continue its operations for the foreseeable future.



İstanbul, 07 March 2017

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH
INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Aksa Akrilik Kimya Sanayii A.Ş.;

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016 and 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 a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards 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.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards which is part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aksa Akrilik Kimya Sanayii A.Ş. and its Subsidiaries as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 17 February 2017.

6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and submitted required documents within the context of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.



Ediz Günsel, SMMM
Partner

İstanbul, 17 February 2017

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AT 31 DECEMBER 2016 AND 2015**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		31 December 2016	Audited 31 December 2016	Audited 31 December 2015
	Notes	USD (*)	TL	TL
ASSETS				
Current assets		394,287	1,387,576	1,075,543
Cash and cash equivalents	4	130,229	458,301	342,810
Trade receivables				
- Trade receivables due from unrelated parties	7	114,983	404,647	275,326
- Trade receivables due from related parties	25	60,644	213,420	192,501
Other receivables				
- Other receivables due from related parties	25	24	83	11,089
- Other receivables due from unrelated parties	8	192	677	257
Derivative financial assets	16	191	673	7,189
Inventories	9	61,810	217,522	185,074
Prepayments	15	3,876	13,641	10,482
Other current assets	15	22,338	78,612	50,815
Non-current assets		353,885	1,245,394	1,178,532
Other receivables				
- Other receivables due from related parties	25	29,943	105,374	79,456
Derivative financial assets	16	534	1,881	535
Investments accounted for using equity method	5	60,881	214,252	243,337
Investment property	10	13,399	47,155	48,418
Property, plant and equipment	11	215,060	756,840	718,574
Intangible assets and goodwill	12	22,257	78,326	82,956
Prepayments	15	11,811	41,566	5,256
TOTAL ASSETS		748,172	2,632,970	2,254,075

(*) United States Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2016, and therefore do not form part of these consolidated financial statements (Note 2.5)

These consolidated financial statements at 31 December 2016 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 17 February 2017.

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AT 31 DECEMBER 2016 AND 2015**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		31 December 2016	Audited 31 December 2016	Audited 31 December 2015
	Notes	USD (*)	TL	TL
LIABILITIES				
Current liabilities		311,933	1,097,750	751,107
Current borrowings	6	133,360	469,319	337,407
Current proportion of non-current borrowings	6	31,677	111,479	70,886
Trade payables				
- Trade payables to unrelated parties	7	128,992	453,949	277,895
- Trade payables to related parties	25	9,581	33,716	27,510
Employee benefits obligations	14	775	2,727	2,243
Other payables				
- Other payables to unrelated parties	8	116	409	508
Derivative financial liabilities	16	470	1,653	-
Deferred income	15	939	3,304	7,108
Current tax liabilities, current	23	2,106	7,411	14,544
Current provisions				
- Current provisions for employee benefits	14	3,231	11,369	10,793
- Other current provisions	13	686	2,414	2,213
Non-current liabilities		81,130	285,515	254,372
Long-term borrowings	6	72,054	253,574	212,946
Trade payables				
- Trade payables to related parties	25	-	-	13,974
Derivative financial liabilities	16	323	1,137	-
Non-current provisions				
- Non-current provisions for employee benefits	14	5,436	19,131	20,226
Deferred tax liabilities	23	3,317	11,673	7,226
Total liabilities		393,063	1,383,265	1,005,479
EQUITY		355,109	1,249,705	1,248,596
Attributable to equity holders of the parent		355,109	1,249,705	1,248,548
Issued capital	17	52,569	185,000	185,000
Inflation adjustments on capital	17	55,460	195,175	195,175
Share premium		13	44	44
Other accumulated comprehensive income/(loss) that will not be reclassified in profit and loss				
- Gains/(losses) on remeasurements of defined benefit plans		(888)	(3,125)	(5,194)
Other comprehensive income/(loss) that will be reclassified in profit and loss				
- Exchange differences on translation		44,083	155,147	120,438
- Gains/(losses) on hedge		-	-	330
Restricted reserves appropriated from profits	17	34,862	122,685	107,501
Prior years' profits or losses		133,264	468,981	445,779
Current period net profit or loss		35,746	125,798	199,475
Non-controlling interests		-	-	48
TOTAL LIABILITIES AND EQUITY		748,172	2,632,970	2,254,075

(*) USD amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2016, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2016 USD (*)	Audited 2016 TL	Audited 2015 TL
Revenue	18	651,353	1,954,385	2,030,006
Cost of sales	18, 19	(505,706)	(1,517,371)	(1,634,362)
Gross profit/(loss)		145,647	437,014	395,644
General administrative expenses	19	(19,083)	(57,260)	(45,938)
Marketing expenses	19	(18,714)	(56,150)	(59,200)
Research and development expense	19	(1,808)	(5,426)	(4,744)
Other income from operating activities	20	54,919	164,785	163,274
Other expenses from operating activities	20	(36,083)	(108,268)	(96,376)
Profit/(loss) from operating activities		124,878	374,695	352,660
Share of profit/(loss) of investment accounted for using equity method	5	(26,380)	(79,152)	(59,094)
Profit/(loss) before financing income/(expense)		98,498	295,543	293,566
Finance income	21	61,799	185,428	166,812
Finance cost	22	(99,420)	(298,311)	(203,188)
Profit/(loss) from continuing operations, before tax		60,877	182,660	257,190
Tax (expense)/income, continuing operations				
- Current period tax (expense)/income	23	(17,659)	(52,985)	(60,418)
- Deferred tax (expense)/income	23	(1,308)	(3,925)	2,694
Profit/(loss)		41,910	125,750	199,466
Profit/(loss), attributable to:				
Owners of parent		41,926	125,798	199,475
Non-controlling interests		(16)	(48)	(9)
		41,910	125,750	199,466
Basic earnings/(loss) per share for owners of parent (Kr)	24	0.23	0.68	1.08

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2016 USD (*)	Audited 2016 TL	Audited 2015 TL
Other comprehensive income/(loss):		12,138	36,448	60,961
Other comprehensive income that will not be reclassified to profit or loss				
Gains/(losses) on remeasurements of defined benefit plans	14	862	2,586	1,746
Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss	23	(172)	(517)	(349)
Other comprehensive income that will be reclassified to profit or loss				
Other comprehensive income (loss) related with cash flow hedges		(138)	(413)	845
Exchange differences on translation		11,568	34,709	58,888
Taxes relating to components of other comprehensive income that will be reclassified to profit or loss	23	28	83	(169)
Total comprehensive income/(loss)		54,058	162,198	260,427
Total comprehensive income/(loss) attributable to:				
Owners of parent		54,074	162,246	260,436
Non-controlling interests		(16)	(48)	(9)
		54,058	162,198	260,427

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the USD average CBRT bid rates for the year ended 31 December 2016, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Attributable to equity holders of the parent							Non-controlling interests	Total equity				
	Issued capital	Inflation adjustments on capital	Share premium	Share appropriated from profits on translation (1)	Exchange differences	Gains/(losses) on remeasurements of defined benefit plans(2)	Prior years' profits or losses						
1 January 2015	185,000	195,175	44	95,907	61,550	(346)	(6,591)	419,718	162,849	1,113,306	57	1,113,363	
Transfers	-	-	-	11,594	-	-	-	151,255	(162,849)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(125,194)	-	(125,194)	-	(125,194)	
Total comprehensive income/(loss)	-	-	-	-	58,888	676	1,397	-	199,475	260,436	(9)	260,427	
31 December 2015	185,000	195,175	44	107,501	120,438	330	(5,194)	445,779	199,475	1,248,548	48	1,248,596	
1 January 2016	185,000	195,175	44	107,501	120,438	330	(5,194)	445,779	199,475	1,248,548	48	1,248,596	
Transfers	-	-	-	15,184	-	-	-	184,291	(199,475)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(161,089)	-	(161,089)	-	(161,089)	
Total comprehensive income/(loss)	-	-	-	-	34,709	(330)	2,069	-	125,798	162,246	(48)	162,198	
31 December 2016	185,000	195,175	44	122,685	155,147	-	(3,125)	468,981	125,798	1,249,705	-	1,249,705	

(1) Items to be reclassified to profit and loss

(2) Items not to be reclassified to profit and loss

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2016 USD (*)	2016 TL	2015 TL
A. Cash Flows From/(Used in) Operating Activities		98,823	296,517	276,732
Profit/(loss)		41,910	125,750	199,466
Adjustments to reconcile Profit/(loss):		96,806	290,466	192,116
Adjustments for depreciation and amortization expense	19	23,821	71,476	64,294
Adjustments for impairment loss/(reversal of impairment loss)		(283)	(848)	946
Adjustments for provisions		1,999	5,997	2,002
Adjustments for interest (income)/expense	21, 22	569	1,708	(2,643)
Adjustments for unrealised foreign exchange losses/(gains)		25,296	75,900	30,699
Adjustments for undistributed profits of investments accounted for using equity method	5	26,380	79,152	59,094
Adjustments for tax (income)/expenses		18,967	56,910	57,724
Adjustments for losses/(gains) on disposal of non-current assets		(23)	(68)	(7,709)
Other adjustments for which cash effects are investing or financing cash flow		-	-	(11,776)
Other adjustments to reconcile profit/(loss)		80	239	(515)
Changes in working capital		(23,000)	(69,011)	(75,734)
Adjustments for decrease (increase) in inventories		(10,574)	(31,728)	50,687
Adjustments for decrease (increase) in trade accounts receivable		(34,324)	(102,989)	6,954
Adjustments for decrease (increase) in other receivables related with operations		984	2,953	5,146
Adjustments for increase (decrease) in trade accounts payable		43,637	130,934	(126,179)
Adjustments for increase (decrease) in other operating payables		(33)	(99)	(251)
Other adjustments for other increase (decrease) in working capital		(22,690)	(68,082)	(12,091)
Cash flows from/(used in) operating activities		(16,893)	(50,688)	(39,116)
Interest paid		(2,690)	(8,072)	(6,264)
Interest received		4,162	12,487	11,071
Income taxes refund/(paid)		(18,365)	(55,103)	(43,923)
B. Cash Flows From/(Used in) Investing Activities		(41,217)	(123,669)	(182,573)
Cash receipts from sales of equity or debt instruments of other entities		-	-	11,660
Cash payments to acquire equity or debt instruments of other entities		(5,611)	(16,835)	-
Proceeds from sales of property, plant, equipment and intangible assets		27	82	10,953
Purchase of property, plant, equipment and intangible assets		(35,633)	(106,916)	(205,186)
C. Cash Flows From/(Used in) Financing Activities		(19,373)	(58,129)	62,026
Proceeds from borrowings		227,727	683,296	564,004
Repayments of borrowings		(192,118)	(576,449)	(379,478)
Dividends paid		(53,687)	(161,089)	(125,194)
Interest received		4,694	14,084	12,148
Interest paid		(5,989)	(17,971)	(9,454)
Net increase/(decrease) in cash and cash equivalents before effect of exchange rate changes		38,233	114,719	156,185
D. Effect of exchange rate changes on cash and cash equivalents		1,311	3,934	922
Net increase/(decrease) in cash and cash equivalents		39,544	118,653	157,107
E. Cash and Cash Equivalents at The Beginning of The Period		112,918	338,810	181,703
Cash and cash equivalents the end of period	4	152,462	457,463	338,810

(*) US Dollar "USD" amounts presented above have been translated from TL for convenience purposes only, at the USD average CBRT bid rates for the year ended 31 December 2016, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Aksa Akrilik Kimya Sanayii A.Ş. ("Aksa" or the "Company") was established on 21 November 1968 and registered in Turkey.

Aksa and its subsidiaries (together "the Group") have the following main activities; manufacturing of textile, chemical and other industrial products and all kinds of raw materials, auxiliary materials and intermediate substances, artificial, synthetic and natural fibers, carbon fibers, filament and polymers, and any equipment, machinery or spare parts used in the production, processing or storage of these, importing exporting, establishment of domestic, foreign and international branches, marketing and trading, establishment and start-up and rental of energy generation plant, electricity generation and sale of generated electricity or capacity to customers.

Aksa is registered with the Capital Markets Board ("CMB") and its shares have been quoted in the Borsa İstanbul A.Ş. ("BİST") since 1986. As of 31 December 2016, the principal shareholders and their respective shareholding rates in the Company are as follows:

	%
Akkök Holding A.Ş. ("Akkök Holding")	39.59
Emniyet Ticaret ve Sanayi A.Ş.	18.72
Other (*)	41.69
Total	100,00

(*) As of 31 December 2016, 37.19% of the Group's shares are traded on Borsa İstanbul ("BİST") and Somerset em.mar.d.v.g hold 5.41% of the shares.

Akkök Holding, which is the main shareholder of the Company, is controlled by Dinçök family members.

The address of the registered office of the Company is as follows:

Gümüşsuyu Miralay Şefik Bey Sokak
Akhan No: 15 34437 Beyoğlu – İstanbul

Main operations of the Group are in Turkey and for the purpose of segment reporting, the operations are summarized in three operational segments as fibers, energy and other (Note 3).

- Fibers
- Energy
- Other

The Company has the following subsidiaries and joint venture. County, nature of operations and segmental information of these companies are as follows:

Subsidiaries	Country	Nature of business	Segment
Fitco BV ("Fitco")	Holland	Investment	Other
Aksa Egypt Acrylic Fiber Industry SAE ("Aksa Egypt")	Egypt	Textile	Fiber

Joint ventures	Country	Nature of business
DowAksa Advanced Composites Holdings BV ("DowAksa Holdings")	Holland	Investment

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

2.1.1 Financial Reporting Standards Applied

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The consolidated financial statements and notes of the Group are prepared as per the Capital Market Board ("CMB") announcement of Communiqué Serial XII, No: 14.1 of relating to financial statements presentation.

The Company maintains its books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries and joint ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and liabilities which are carried at fair value and are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

The consolidated financial statements have been prepared under historical cost conventions except for derivative instruments and financial investments which are carried at fair value and in the case of business combinations, revaluation resulting from the difference between the fair value and the carrying value of tangible and intangible assets.

Currency and Financial Statements Presentation Currency

Each item in the financial statements of the companies within the Group is accounted by using the currency of the primary economic environment in which the company operates ("functional currency"). The consolidated financial statements are presented in TL which is functional currency of Aksa as parent company.

Amendments and Interpretations in TAS

Group has applied revised standards and interpretations which are published by POA and valid after 1 January 2016.

a) Amendments in TAS which affect the consolidated financial statements and its related notes

None

b) Standards, amendments and interpretations applicable as at 31 December 2016:

- TFRS 14, 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. TFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - TFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
 - TFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to TFRS 1) regarding servicing contracts.
 - TAS 19, 'Employee benefits' regarding discount rates.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

- TAS 34, 'Interim financial reporting' regarding disclosure of information.
- Amendment to TFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to TAS 16, 'Property, plant and equipment', and TAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment, it has been clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendments to TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to TFRS 10, 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

c) Standards, amendments and interpretations effective after 1 January 2017:

- Amendments to TAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments TAS 12, 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
- Amendments to TFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- TFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- Amendment to TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- TFRS 16, 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Amendments to TFRS 4, 'Insurance contracts' regarding the implementation of TFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard - TAS 39.
- Amendment to TAS 40, 'Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
 - TFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
 - TFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - TAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice

The Group will evaluate the impact of these amendments and apply where necessary.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2.1.2 Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company, Aksa, and its subsidiaries on the basis set out in sections (b). The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TAS by applying uniform accounting policies and presentation. The results of operations of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

b) Subsidiaries are all companies over which Aksa has control. Thus, the principle of control sets out the following three elements of control:

- Power over the investee
- Exposure or rights, to variable returns from involvement with the investee; and
- The ability to use power over the investee to affect the amount of the investor's returns.

The table below sets out all subsidiaries and demonstrates their shareholding structure as of 31 December 2016 and 2015:

Subsidiary	The Group's direct and indirect ownership interest (%)	
	31 December 2016	31 December 2015
Fitco	100,00	100,00
Aksa Egypt	99,50	99,50

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are deconsolidated from the date that the control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Carrying values of the subsidiaries' shares held by the Company are eliminated against the related equity of subsidiaries. Intercompany transactions and balances between Aksa and its subsidiaries are eliminated on consolidation. Dividends arising from shares held by the Group in its subsidiaries are eliminated from income for the period and equity, respectively.

The minority shareholders' share in the net assets and results of subsidiaries for the period are separately classified as "non-controlling interests" in the consolidated balance sheets and statements of comprehensive income.

c) Joint ventures

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and one or more other parties. The Group exercises such joint control through direct and indirect ownership interest held by itself and related shareholders majority of who declared their intention to exercise their voting power in favour of Company.

Joint ventures are accounted for using the equity method of accounting in accordance with TFRS 11 "Joint Arrangements" (Note 5).

Financial information of joint ventures are prepared in accordance with the Group's accounting policies and principles.

Joint venture's operating results are included or excluded at the effective date of transaction dates of acquisition or disposal of the joint venture.

Joint venture	The Group's direct and indirect ownership interest (%)	
	31 December 2016	31 December 2015
DowAksa Holdings	50,00	50,00

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2.2 Changes in Accounting Policies, Accounting Estimates and Errors

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

Comparative Figures and the Restatement to the Financial Statements of the Prior Period

Besides, according to CMB's decision on 7 June 2013 dated and 20/670 numbered meeting, for capital markets foundations which are fall under CMB Communique on Principles Regarding Financial Reporting, financial statement examples and usage directory which are become effective since interim period ended after 31 March 2014, are published. In accordance with mentioned examples, various classifications have been made on Group's consolidated financial statements.

2.3 Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term highly liquid investments whose risk of value change is not material including time deposits generally having original maturities of three months or less (Note 4).

Financial Assets

Financial assets within the scope of TAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

As of 31 December 2016 and 31 December 2015 the Group does not have any financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for-sale or that are not classified in any of the three categories (a) loans and receivables, (b) held-to-maturity investments and (c) assets at fair value through profit or loss. A gain or loss on an available for-sale financial asset after initial recognition shall be recognized directly in equity, through the statement of changes in equity, except for impairment losses, dividend and interest gains, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. If a fair value loss on an available-for-sale asset has been recognized directly in equity, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized directly in equity should be recycled into profit or loss even though the financial asset has not been sold.

Available-for-sale financial assets are subsequently measured at fair value. Available-for-sale financial assets that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing model.

Subsidiaries that are excluded from the scope of consolidation on the grounds of materiality are carried at cost less any impairment in value where there is no quoted market price and where a reasonable estimate of fair value cannot be determined.

Trade receivables

Trade receivables have a maturity range of 30-120 days and are recognized at original invoice amount and carried at amortized cost less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate. The receivables determined not possible to be collected are written off (Note 7).

Finance Lease

As lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. A finance lease receivable is recorded an amount equal to the net investment in the lease. Interest income is recognized using a rate that equalizes the fair value of the leased asset to the sum of lease payments and unguaranteed residual value. Interest yet to be recognized is presented as "unearned finance income".

Trade payables

Trade payables have average maturities changing between 30 - 210 days and consist of the amounts invoiced or not invoiced related with the realized material or service purchases, and are carried at amortized cost (Note 7).

Inventories

Inventories are valued at the lower of cost or net realizable value less costs to sell. Cost of inventories comprises the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. Net realizable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The unrecoverable amount is charged as an expense in the year when the write-down incurred (Note 9).

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Investment properties

Investment property is a land or building 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 (Note 10) and carried at cost less accumulated depreciation in accordance with the cost model. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure.

The average useful life of investment properties are forty (40) years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 11). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. As of 31 December 2016, the depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Period (Year)
Land improvements	2 - 50
Buildings	5 - 50
Machinery and equipment	3 - 40
Motor vehicles	4 - 8
Furniture and fixtures	2 - 20

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the event of circumstances indicating that an impairment has occurred in the tangible assets, an inspection is performed for the purpose of determining a possible impairment, and if the registered value of the tangible asset is higher than its recoverable value, the registered value is reduced to its recoverable value by reserving a provision. The recoverable value is considered either the net cash flow to be caused by the current use of the respective tangible assets or the net sales price, whichever is higher.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate.

Repairs and maintenance are charged to the income statements during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset.

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Intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. They are initially recognized at acquisition cost and amortized on a straight-line basis over their estimated useful lives. The depreciation period for the intangibles capitalized in relation with the new models will be started after the production of these models is started. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (Note 12).

Usage rights in relation to property, plant and equipment acquired collectively with other participants in Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi ("Yalkim OSB") are classified as intangible assets.

Useful lives of use rights are determined as 3-24 years except usage rights related to lands.

Research and development costs

Expenditures for research and development are charged against income in the period incurred except for project development costs which comply with the following criteria. In accordance with IAS 38, "Intangible assets", the costs related to the development projects are capitalized when the criteria below are met and amortized by straight-line basis over the useful lives of related (Note 12).

- The product or process is clearly defined and costs are separately identified and measured reliably,
- The technical feasibility of the product is demonstrated,
- The product or process will be sold or used in-house,
- A potential market exists for the product or its usefulness in case of internal use is demonstrated, and
- Adequate technical, financial and other resources required for completion of the project are available.

Revenue recognition

Significant part of revenue of the Group is received from fiber and energy sales. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Net sales are invoiced amounts of delivered goods excluding sales returns and sales discounts.

Interest income is recognized using the effective interest rate until maturity and considering the effective interest rate.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as credit sale financial income (Note 20).

Dividend income is recognized when the Group has the right to receive the dividend payment. Rent income is recognized in the financial statements when the Groups right to receive the monthly rent income is established.

Commission income is recognized when the intermediary goods' invoice has been booked by the seller.

The Group has accrued discount premiums in line with the fibers customers' purchase targets to be paid at the end of the year. In the current period, the Group has classified the discount premiums under "other discount" account in sales.

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Bank borrowings

All bank borrowings are initially recognized at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortized cost using the effective yield method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement (Note 6). In factoring transactions, the Group, where necessary, may prefer early collection of some of its receivables. These transactions are treated as factoring transactions with resource; consequently, cash received is accounted for as a borrowing disclosed in notes (Note 6).

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Without this context, the borrowing costs are expensed as incurred. Capitalized borrowing costs are presented as purchases of property, plant and equipment and intangibles in the consolidated statement of cash flow.

Fair value of financial instruments

Fair (market) value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The fair values of the financial instruments are determined in accordance with the following methods and assumptions as follows:

Financial assets

Monetary assets for which fair value approximates carrying value are carried at cost in the financial statements and consists of cash and cash equivalents, their interest accruals, and other financial assets; and considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of accounts receivable along with the related allowance for unearned income and uncollectability are estimated to be their fair values.

Financial liabilities

Monetary liabilities for which fair value approximates carrying value including accounts payable, short-term bank borrowings and other monetary liabilities are considered approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of bank borrowings. The fair value of bank borrowings are considered to state their respective carrying values since the interest rate applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of accounts payable along with the related allowance for unrealized cost is estimated to be their fair values.

Employee termination benefits

The provision for employment termination benefits, as required by Turkish Labor Law represents the present value of the future probable obligation of the group arising from the retirement of its employees based on the actuarial projections. TAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses.

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In accordance with TAS 19 "Employee Benefits" effective before 1 January 2013, the actuarial gains/losses were recognised in the statement of income whereas the amendment, effective as of 1 January 2013, requires the actuarial gains/losses to be recognised under other comprehensive income. With this amendment, the Group accounted for its actuarial gains/losses under other comprehensive income in conformity with the translation provisions stated in TAS 19 "Employee Benefits".

Unused vacation rights

Liabilities for unused vacation rights are accrued in the relevant period.

Seniority Incentive Bonus

The Group has an employee benefit plan called "Seniority Incentive Bonus" ("Bonus") which is paid to employees with a certain level of seniority. The Group accounts for this bonus according to TAS 19 "Employee Benefits". Seniority incentive bonus provision which is disclosed within the employee termination benefit represents the present value of the estimated total liabilities of the probable future obligations.

Current and deferred income tax

Tax expense or income is the aggregate of current income tax and deferred taxes which are based on the gains and losses for the period.

Deferred income tax is determined, using the liability method and tax rates (and laws) that have been enacted by the balance sheet date. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred taxes arising from income and expenses accounted under equity are recorded under equity, accordingly.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized (Note 23).

Earnings per share

Earnings per share disclosed in the income statement are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 24).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

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Events after the balance sheet date

The Group adjusts the amounts recognized in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate (Note 13).

Contingent assets and liabilities

Probable obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial statements and are treated as contingent liabilities. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable (Note 13).

Offsetting

If the essence of the transaction and events requires offsetting, presentation of these transactions and events at their net values or following up of the assets at their amounts after the deduction of impairment, is not evaluated as a breach of the non-deductibility rule.

Foreign currency transactions

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of income.

Goodwill

The cost of a business combination is allocated by recognizing the acquiree's identifiable assets at the date of acquisition. Any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, over the business combination cost is accounted for as goodwill.

The carrying value of goodwill is reviewed annually and presented after deducting cumulative impairment in the balance sheet. Goodwill is monitored at the cash generating business units. The cash generating unit is determined according to expected benefits from related business combination. The goodwill impairment assessment is annually performed by the Group. Any impairment is not subsequently reversed. Gains/losses from the sale of business unit also include its carrying value of goodwill.

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Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its reported profit or loss is 10 per cent or more of the combined profit or loss or its assets are 10 per cent or more of the combined assets of all operating segments. Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

For at the Group the reportable segments are industrial segments. Reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its reported profit or loss is 10 per cent or more of the combined profit or loss or its assets are 10 per cent or more of the combined assets of all operating segments (Note 3).

The Group assesses the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Tax, Depreciation and Amortization, "EBITDA".

The Group's reportable business segments are "fibers", "energy" and the remained operations are reported as "other", Aksa Egypt and DowAksa, "fibers" and Fitco are reported under "other" segment (Note 3).

The supportive functions of industrial segments namely Financial Affairs, Human Resources and Management of Systems, Purchasing, Business Development, Research and Development, Head Office Expenses and other general administrative and operating expenses are classified under unallocated corporate expenses. Unallocated corporate expenses are followed at the Group level by management as the expenses are made to ensure the integrity of the Group by the management.

Derivative instruments

The derivative instruments of the Group mainly consist of foreign exchange swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules according to TAS 39 "Financial Instruments: Recognition and Measurement". The gain and losses from hedge transactions are accounted in the equity under "hedging reserve".

The currency option transactions are treated as derivatives held for trading due to do not providing the requirements of TAS 39 "Financial Instruments: Recognition and Measurement" and the fair value changes in these hedge transactions are accounted under the income statement.

If the fair value change of derivate financial instruments is positive or not, the change affected at assets or liabilities in the balance sheet (Note 16).

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Related parties

Parties are considered related to the Group if;

- a) directly, or indirectly through one or more intermediaries, the party:
 - i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
 - ii) has an interest in the Group that gives it significant influence over the Group; or
 - iii) has joint control over the Group;
- b) the party is an associate of the Group;
- c) the party is a joint venture in which the Group is a venture;
- d) the party is member of the key management personnel of the Group or its parent;
- e) the party is a close member of the family of any individual referred to in (a) or (d);
- f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the ordinary course of business (Note 25).

Reporting of cash flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Group generated from retailing activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (capital expenditure and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months and which are subject to an insignificant risk of changes in value (Note 4).

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are recognized in the income statement by deducting from research and development expenses. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

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2.4 Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements requires the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

a) Provisions

As discussed in Note 2.3, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation (Note 13).

b) Deferred Tax

The Group accounts deferred income tax from its financial losses to be expected to account in future corporate tax calculations at strategic plan and budget work. As of 31 December 2016 and 2015, the group accounts deferred income tax from the portion of the financial losses, which is appropriate to strategic plans, of its joint venture DowAksa İleri Kompozit Malzemeler San. Ltd. Şti..

c) Useful lives of property, plants and equipment and intangibles

According to accounting policy which is specified in Note 2.3, property, plant and equipment and intangibles are presented as net-off accumulated depreciation and impairment (if any) from acquisition cost. Depreciation is applied with using straight line method of depreciation based on useful lives of property, plant and equipment. Useful lives are estimated by the management to the best of their knowledge; and reviewed and revised if necessary at every balance sheet date.

2.5 Convenience Translation into English of Consolidated Financial Statements

USD amounts shown in the consolidated balance sheet prepared in accordance with CMB Financial Reporting Standards have been translated from TL, as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of the Republic of Turkey on 31 December 2016 of TL3,5192 = USD1 and USD amounts shown in the consolidated statements of income, comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, at the average official USD bid rates calculated from the official daily bid rates announced by the Central Bank of the Republic of Turkey for the period ended 31 December 2016 of TL3,0005 = USD1, and do not form part of these consolidated financial statements.

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NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

	1 January - 31 December 2016			
	Fibers	Energy	Other	Total
Total segment revenue	1,818,826	122,755	12,804	1,954,385
External revenues	1,818,826	122,755	12,804	1,954,385
Adjusted EBITDA (*)	418,161	21,058	5,461	444,680
Unallocated corporate expenses (**)	-	-	-	(55,026)
EBITDA	-	-	-	389,654
Amortization and depreciation	(49,347)	(16,754)	(5,375)	(71,476)
Other income from operating activities, net	-	-	-	56,517
Share of profit/(loss) of investment accounted for using equity method	(79,152)	-	-	(79,152)
Finance income/(expense), net	-	-	-	(112,883)
Profit before tax				182,660

(*) Adjusted Earnings Before, Interest, Taxes, Depreciation, Amortization. EBITDA is not financial performance indicator that is defined in TAS and may not be comparable between different entities.

(**) Unallocated corporate expenses consist of unallocated parts of general administrative expenses as of 31 December 2016.

	1 January - 31 December 2016			
	Fibers	Energy	Unallocated	Total
Capital expenditure	49,276	19,444	38,196	106,916
				31 December 2016
Total segment assets	1,277,797	406,609	-	1,684,406
Investments accounted for using equity method	214,252	-	-	214,252
Unallocated corporate assets	-	-	734,312	734,312
Total assets	1,492,049	406,609	734,312	2,632,970
Total segment liabilities	504,494	3,395	-	507,889
Unallocated corporate liabilities	-	-	875,376	875,376
Total liabilities	504,494	3,395	875,379	1,383,265

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1 January - 31 December 2015

	Fibers	Energy	Other	Total
Total segment revenue	1,888,915	131,409	9,682	2,030,006
External revenues	1,888,915	131,409	9,682	2,030,006
Adjusted EBITDA (*)	374,211	14,770	5,542	394,523
Unallocated corporate expenses (**)	-	-	-	(44,467)
EBITDA	-	-	-	350,056
Amortization and depreciation	(43,784)	(15,967)	(4,543)	(64,294)
Other income from operating activities, net	-	-	-	66,898
Share of profit/(loss) of investment accounted for using equity method	(59,094)	-	-	(59,094)
Finance income/(expense), net	-	-	-	(36,376)
Profit before tax				257,190

(*) Adjusted Earnings Before, Interest, Taxes, Depreciation, Amortization. EBITDA is not financial performance indicator that is defined in TAS and may not be comparable between different entities.

(**) Unallocated corporate expenses consist of unallocated parts of general administrative expenses as of 31 December 2015.

1 January - 31 December 2015

	Fibers	Energy	Unallocated	Total
Capital expenditure	87,294	66,118	72,463	225,875
				31 December 2015
Total segment assets	1,044,011	395,972	-	1,439,983
Investments accounted for using equity method	243,337	-	-	243,337
Unallocated corporate assets	-	-	570,755	570,755
Total assets	1,287,348	395,972	570,755	2,254,075
Total segment liabilities	340,317	2,741	-	343,058
Unallocated corporate liabilities	-	-	662,421	662,421
Total liabilities	340,317	2,741	662,421	1,005,479

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Segment Assets

Reconciliation between the reportable segment assets and total assets is as follows:

	31 December 2016	31 December 2015
Reportable segment assets	1,898,658	1,683,320
Cash and cash equivalents	458,301	342,810
Other assets	89,643	54,303
Derivative financial assets	2,554	7,724
Property, plants and equipment and intangibles	183,814	165,918
Total assets	2,632,970	2,254,075

Segment Liabilities

Reconciliation between the reportable segment liabilities and total liabilities is as follows:

	31 December 2016	31 December 2015
Reportable segment liabilities	507,889	343,058
Borrowings (*)	834,372	621,239
Derivative financial liabilities	2,790	-
Other payables	409	508
Current provisions	2,414	2,213
Current tax liabilities, current	7,411	14,544
Provision for employment benefits	13,580	14,448
Employee benefit obligations	2,727	2,243
Deferred income tax liabilities	11,673	7,226
Total liabilities	1,383,265	1,005,479

(*) As of 31 December 2016, TL365.053 (31 December 2015: TL283,832) of the borrowings issued for fiber investment and TL469.319 (31 December 2015: TL337,407) issued for working capital.

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NOTE 4 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents of the Group are as follows:

	31 December 2016	31 December 2015
Cash	67	70
Bank		
Demand deposit (TL)	9,210	7,390
Foreign currency demand deposit	14,472	45,493
Time deposits (TL)	139,933	75,556
Foreign currency time deposit	294,619	210,448
Other	-	3,853
Total	458,301	342,810

Maturity of time deposits are less than three months and weighted average effective interest rates on TL denominated time deposits at 31 December 2016 is %11.03 (31 December 2015: 12.69%) for USD denominated time deposits it is %3.09 (31 December 2015: USD 2.65%) and for EUR denominated time deposits it is %1.65 (31 December 2015: EUR 1.40%), respectively.

The reconciliations of cash and cash equivalents to the consolidated statements of cash flows are as follows:

	31 December 2016	31 December 2015	31 December 2014
Cash and cash equivalents	458,301	342,810	192,492
Less: Restricted cash with maturity of three months or less	-	(3,853)	(10,771)
Interest accrual	(838)	(147)	(18)
Cash and cash equivalents, net	457,463	338,810	181,703

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	31 December 2016	31 December 2015
Joint Ventures		
DowAksa Holdings	214,252	243,337

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Summarized financial information of DowAksa Holding is presented below;

	31 December 2016	31 December 2015
Current assets	150,572	181,257
Non-current assets	862,246	765,272
Total Assets	1,012,818	946,529
Short-term liabilities	272,217	205,492
Long-term liabilities	312,097	254,363
Equity	428,504	486,674
Total Liabilities	1,012,818	946,529
Equity corresponding to Group's interest of 50%	214,252	243,337

	2016	2015
Revenue	72,392	74,258
Net loss	(158,304)	(118,188)
Net loss corresponding to Group's interest of 50%	(79,152)	(59,094)

Movement of joint ventures accounted for using equity method as follows:

	2016	2015
1 January	243,337	242,588
Net loss corresponding to Group's interest of 50%	(79,152)	(59,094)
Currency translation differences	33,232	57,372
Adjustment to gain on sale	-	2,471
Capital increase (*)	16,835	-
31 December	214,252	243,337

(*) Capital increase amounting to USD5,000,000 have been contributed to DowAksa Holdings B.V., joint venture of the Group, in accordance with its business, and with preconditions of required contributions of Dow Europe B.V., the joint venture partner of Aksa, and with a maximum limit of USD15,000,000 for each joint venture partner, in total.

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NOTE 6 - BORROWINGS

Group's financial liabilities are as follows:

	31 December 2016	31 December 2015
Short-term bank borrowings	439,277	323,879
Short-term factoring liabilities	30,042	13,528
Short-term portion of long-term bank borrowings	111,479	70,886
Total short-term borrowings	580,798	408,293
Long-term bank borrowings	253,574	212,946
Total long-term borrowings	253,574	212,946
Total borrowings	834,372	621,239

Bank Borrowings

	31 December 2016		31 December 2015	
	Yearly weighted average interest rate %	TL	Yearly weighted average interest rate %	TL

a) Short-term bank borrowings:

USD borrowings	2.13	380,074	1.53	319,836
EUR borrowing	-	-	2.28	1,611
TL borrowings	12.85	59,203	-	2,432
Total short-term bank borrowings:		439,277		323,879

Factoring liabilities	1.89	30,042	1.60	13,528
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b) Short-term portion of long-term bank borrowings:

USD bank borrowings	3.27	57,107	3.85	24,230
EUR bank borrowings	2.36	54,372	2.44	46,656

Total short-term portion of long-term bank borrowings		111,479		70,886
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Total short-term borrowings		580,798		408,293
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c) Long-term bank borrowings:

USD bank borrowings	3.20	144,029	3.85	72,690
EUR bank borrowings	2.09	109,545	2.32	140,256

Total long-term borrowings		253,574		212,946
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The Group does not have any covenant breaches in relation to its borrowings.

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The long-term bank borrowings' fair values and book values are as follows:

	31 December 2016		31 December 2015	
	Fair value	Book value	Fair value	Book value
EUR borrowings	114,913	109,545	151,049	140,256
USD borrowings (*)	150,010	144,029	79,651	72,690

(*) Calculated by taking into account swap interest rates.

The redemption schedule of borrowings based on the agreements is as follows:

	31 December 2016	31 December 2015
Less than 3 months	226,962	174,789
Between 3-12 months	353,836	233,504
Between 1-2 years	98,384	70,658
Between 2-3 years	91,892	65,097
Between 3-4 years	41,955	59,537
4 years and longer	21,343	17,654
	834,372	621,239

As of 31 December 2016, according to the general credit agreements, the Group has unused credit limit amounting to TL2,167,499 (31 December 2015: TL1,883,278).

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Details of trade receivables and payables of the Group are as follows:

a) Short-term Trade Receivables:

	31 December 2016	31 December 2015
Trade receivables due from unrelated parties	293,770	243,344
Notes receivable and cheques	156,936	77,277
Less: Provision for doubtful receivables	(41,664)	(42,388)
Less: Unearned finance income on credit sales	(4,395)	(2,907)
Total short-term trade receivables, net	404,647	275,326

TL and foreign currency denominated trade receivables as of 31 December 2016 have an average maturity of 3 months (31 December 2015: 3 months) and are discounted with an average annual interest rate of 5% (31 December 2015: 7%).

The past experience of the Group in collecting receivables has been taken into consideration when determining the provision amount for doubtful receivables. Therefore, the Group believes that, there are no further collection risks for trade receivables other than already provided for.

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Movements of provision for doubtful receivables for 31 December 2016 and 2015 are as follows:

	2016	2015
1 January	42,388	42,973
Collections	(1,430)	(2,015)
Current period charge	706	1,430
31 December	41,664	42,388

The explanation for the nature and level of the risk in trade receivables is shown in Note 26, Credit Risk section.

b) Short-term trade payables:

	31 December 2016	31 December 2015
Suppliers	456,868	279,366
Less: Unaccrued finance costs on credit purchases (-)	(2,919)	(1,471)
Total	453,949	277,895

TL and foreign currency denominated trade payables as of 31 December 2016 have an average maturity of 3 months and they are discounted with an average annual interest rate of 4% in USD terms (31 December 2015: 4%).

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Details of other receivables and payables of the Group are as follows:

a) Short-term other receivables:

	31 December 2016	31 December 2015
Deposits and guarantees given	677	257

b) Short-term other payables:

	31 December 2016	31 December 2015
Taxes and funds payable	224	310
Other	185	198
Total	409	508

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NOTE 9 - INVENTORIES

	31 December 2016	31 December 2015
Raw materials	114,544	116,040
Semi-finished goods	6,528	12,726
Finished goods	67,606	33,517
Other stocks and spare parts	30,292	24,363
Less: Provision for impairment on inventories	(1,448)	(1,572)
Total	217,522	185,074

The inventory impairment provision is related with the finished goods.

Group has included the movements in the provision for impairment between 31 December 2016 and 2015 in the cost of sales (The decrease in provision for the impairment on inventories is due to cost of relevant inventory that is sold during the current period, and recognised in income statement).

Group has insured its inventory amounting to TL202,843 (excluding raw materials in transit) as of 31 December 2016 (TL138,620 as of 31 December 2015) for USD 55 million (31 December 2015: USD 65 million).

As of 31 December 2016 raw materials include goods in transit amounting 14,679 TL (31 December 2015: TL46,454).

As of 31 December 2016, the cost of raw material and goods is shown in Note 19.

NOTE 10 - INVESTMENT PROPERTY

	1 January 2016	Additions	31 December 2016
Cost			
Land and buildings	47,509	-	47,509
Independent units	3,091	-	3,091
	50.600	-	50.600
Accumulated depreciation			
Land and buildings	396	1,187	1,583
Independent units	1,786	76	1,862
	2.182	1.263	3.445
Net book value	48.418		47.155

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Land and Buildings

The land and buildings classified as investment properties consist of land and buildings at the city of Yalova, town of Çiftlikköy, village of Deniz Çalı, locality of Topçuçiftliği at plots no. 1126, 1145 and city block no. 151 / plot no. 1. According to the valuation report, the fair value of these land and buildings is TL53,400 and provides rent income amounting to 77 thousand USD and TL16 per month.

Independent Units

Independent units consist of offices of the Company located in Gümüşsuyu and Maçka. According to the valuation report dated 30 December 2016, the fair value of the independent units is TL24,560 and it provides rent income amounting to 25 thousand USD per month.

Rent income from investment properties has been disclosed as "Other" in "Segment Reporting" under the revenue (Note 3) and the rent income from investment properties is TL4,788 as of 31 December 2016 (31 December 2015: TL2,510).

At the date of reporting, Group's investment properties are insured for USD 10 million.

	1 January 2015	Additions	Transfers ^(*)	31 December 2015
Cost				
Land and buildings	-	47.509	-	47.509
Independent units	-	-	3.091	3.091
	-	47.509	3.091	50.600
Accumulated depreciation				
Land and buildings	-	396	-	396
Independent units	-	76	1.710	1.786
	-	472	1.710	2.182
Net book value	-			48.418

(*) Assets in the nature of investment properties in tangible assets have been classified as "Investment Properties" as of balance sheet date.

Current year depreciation expense of investment properties are charged to general and administrative expenses.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2016	Additions	Disposals	Transfers	Currency translation differences	31 December 2016
Cost						
Land	64,083	2,576	-	-	(808)	65,851
Land improvements	99,518	45	-	13,867	-	113,430
Buildings	183,872	-	-	25,940	(1,683)	208,129
Machinery and equipment	1,037,537	7,199	(600)	47,425	(3,580)	1,087,981
Motor vehicles	1,210	238	-	-	(203)	1,245
Furniture and fixture	48,844	1,530	(73)	4,243	(145)	54,399
Construction in progress	57,398	94,870	-	(91,475)	-	60,793
	1.492.462	106.458	(673)	-	(6.419)	1.591.828
Accumulated depreciation						
Land improvements	42,904	3,137	-	-	-	46,041
Buildings	46,060	4,813	-	-	(869)	50,004
Machinery and equipment	656,629	53,796	(600)	-	(3,059)	706,766
Motor vehicles	967	73	-	-	(203)	837
Furniture and fixtures	27,328	4,200	(59)	-	(129)	31,340
	773.888	66.019	(659)	-	(4.260)	834.988
Net book value	718.574					756.840

The borrowing cost amounting to TL6,465 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2016.

TL64,035 of current year depreciation and amortization expense is charged to "cost of sales", TL506 is charged to "research and development expenses", TL792 is charged to "general administrative expenses", TL38 is charged to "marketing, selling and distribution expenses", TL52 is charged to "construction in progress" as the depreciation amount of unfinished project development cost and TL596 is charged to "inventory".

As of 31 December 2016 there is no mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for USD580 million.

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	1 January 2015	Additions	Disposals (*)	Transfers (*)	Currency translation differences	31 December 2015
Cost						
Land	61,823	5,037	(2,993)	-	216	64,083
Land improvements	95,938	-	-	3,580	-	99,518
Buildings	160,793	29	-	22,603	447	183,872
Machinery and equipment	950,341	4,087	(3,467)	85,709	867	1,037,537
Motor vehicles	1,244	92	(180)	-	54	1,210
Furniture and fixture	40,533	2,214	(7)	6,068	36	48,844
Construction in progress	84,245	97,799	-	(124,646)	-	57,398
	1.394.917	109.258	(6.647)	(6.686)	1.620	1.492.462
Accumulated depreciation						
Land improvements	39,727	3,177	-	-	-	42,904
Buildings	43,175	4,385	-	(1,710)	210	46,060
Machinery and equipment	608,733	50,293	(3,219)	-	822	656,629
Motor vehicles	1,049	44	(180)	-	54	967
Furniture and fixtures	23,698	3,600	(4)	-	34	27,328
	716.382	61.499	(3.403)	(1.710)	1.120	773.888
Net book value	678.535					718.574

(*) TL3,091 of transfers is related to the classification of tangible assets in the nature of investment properties as "Investment Properties" as the balance sheet date and TL3,595 of transfers is due to the classification to intangible assets.

The borrowing cost amounting to TL6,461 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2015.

TL59,276 of current year depreciation and amortization expense is charged to "cost of sales", TL501 is charged to "research and development expenses", TL720 is charged to "general administrative expenses", TL38 is charged to "marketing, selling and distribution expenses", TL40 is charged to "construction in progress" as the depreciation amount of unfinished project development cost and TL924 is charged to "inventory".

As of 31 December 2015, there is no mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for USD515 million.

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NOTE 12 - INTANGIBLE ASSETS AND GOODWILL

	1 January 2016	Additions	Disposals	Transfers	Currency translation differences	31 December 2016
Cost						
Rights	74,173	319	(47)	-	(793)	73,652
Development cost	10,583	-	-	-	-	10,583
Goodwill	5,989	-	-	-	-	5,989
Other intangible assets	5,539	191	-	-	-	5,730
	96.284	510	(47)	-	(793)	95.954
Accumulated depreciation						
Rights	2,969	1,697	(47)	-	(495)	4,124
Development cost	6,924	2,055	-	-	-	8,979
Other intangible assets	3,435	1,090	-	-	-	4,525
	13.328	4.842	(47)	-	(495)	17.628
Net book value	82.956					78.326

TL2,613 (2015: TL889) of the current amortization expense is charged to "cost of sales", TL2,050 (2015: TL2,119) is charged to "research and development expenses", TL179 (2015: TL279) is charged to "general administrative expenses".

	1 January 2015	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2015
Cost						
Rights (*)	3,515	68,945	-	1,505	208	74,173
Development cost	10,583	-	-	-	-	10,583
Goodwill	5,989	-	-	-	-	5,989
Other intangible assets	3,246	203	-	2,090	-	5,539
	23.333	69.148	-	3.595	208	96.284
Accumulated depreciation						
Rights	2,575	280	-	-	114	2,969
Development cost	4,808	2,116	-	-	-	6,924
Other intangible assets	2,544	891	-	-	-	3,435
	9.927	3.287	-	-	114	13.328
Net book value	13.406					82.956

(*) Consists of the capitalized cost of development projects.

The goodwill balance with the carrying amount of TRY5,989 (2015: TL5,989) as of 31 December 2016 resulted from the acquisition of 50% of shares Ak-Tops Tekstil Sanayi A.Ş. during 2007.

There is no change in the book value of the goodwill, which is TRY5,989 for the period ended as of 31 December 2016 (31 December 2015: TL5,989).

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	31 December 2016	31 December 2015
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Provision for lawsuits	2.414	2.213
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Contingent assets and liabilities are as follows:

a) The details of collaterals, pledges and mortgages of the Group for the periods are as follows:

	31 December 2016	31 December 2015
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Collaterals given	368,440	194,572
Letter of credit commitments	184,304	225,984

Total	552.744	420.556
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b) Collaterals, mortgages, guarantee notes and cheques, guarantee letters and other commitments received for short-term trade receivables are as follows:

	31 December 2016	31 December 2015
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Credit insurance	430,371	505,111
Pledged cheques and notes receivable	87,107	53,662
Pledges received	64,776	42,992
Guarantee letters received	39,629	25,788
Confirmed/unconfirmed letters of credit	51,480	57,342
Limits of Direct Debiting System ("DDS")	15,956	19,563

Total	689.319	704.458
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c) Given Collaterals, Pledges, Mortgages ("CPM"):

	31 December 2016	31 December 2015
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A. CPM given on behalf of the Company's legal personality	552,744	390,408
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- USD	450,475	202,597
- Turkish Lira	52,334	187,201
- EUR	49,935	610
- Other	-	-

B. CPM given on behalf of fully consolidated subsidiaries	-	-
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C. CPM given for continuation of its economic activities on behalf of third parties	-	30,148
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- USD	-	30,14
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D. Total amount of other CPM given	-	-
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i) Total amount of CPM given on behalf of the majority shareholder	-	-
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ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-
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iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
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Total	552.743	420.556
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As of 31 December 2016, since Company does not have any other CPMs given, ratio to equity is none (31 December 2015: None).

NOTE 14 - EMPLOYEE BENEFIT OBLIGATIONS

Payables for employee benefit obligations	31 December 2016	31 December 2015
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Social security premiums payable	2,710	2,229
Payables to employees	17	14

Total	2.727	2.243
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Current provisions for employee benefits	31 December 2016	31 December 2015
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Provision for premium	10,000	9,662
Provision for unused vacation rights	1,369	1,131

Total	11.369	10.793
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Non-current provisions for employee benefits

	31 December 2016	31 December 2015
Provision for employee termination benefits and employee termination incentive	19,131	20,226

Provision for employee termination benefits

Employee termination benefit provision is recorded according to the following descriptions.

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and left from the group or retired, completed 25 service years (20 for women) and who reaches the retirement age (58 for women and 60 for men), whose employment is terminated without due cause, is called up for military service or passed away. Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

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

TAS 19 'Employee Benefits' require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability:

31 December 2016 **31 December 2015**

Discount rate (%)	4.59	3.27
Probability of retirement (%)	98.54	98.44

The principal assumption is that the 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. . As the maximum liability is revised once every six months, the maximum amount of TL4,426.16 effective from 1 January 2017 (1 January 2016: TL4,092.53) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the Provision for employee termination benefits and employee termination incentive are as follows:

2016 **2015**

Balances as of 1 January	20.226	21.587
Service cost	5,068	1,634
Interest cost	929	368
Compensation paid	(4,506)	(1,617)
(Gains)/losses on remeasurements of defined benefit plans	(2,586)	(1,746)
Balances as of 31 December	19.131	20.226

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NOTE 15 - OTHER ASSETS AND LIABILITIES**a) Other current assets:**

	31 December 2016	31 December 2015
Value Added Taxes ("VAT") receivables	78.612	50.815

b) Prepayments - Short-term:

	31 December 2016	31 December 2015
Order advances given	8,397	5,466
Prepaid expenses	5,237	4,941
Job advances given	7	75
Total	13.641	10.482

c) Prepayments - Long-term:

	31 December 2016	31 December 2015
Advances given for purchase of property, plant and equipment	40,896	5,172
Prepaid expenses	670	84
Total	41.566	5.256

d) Deferred Income:

	31 December 2016	31 December 2015
Alınan sipariş avansları	3.304	7.108

NOTE 16 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2016		31 December 2015	
	Asset	Liability	Asset	Liability
Held for trading	-	2,502	7,311	-
Subject to hedge accounting	2,266	-	413	-
Total	2,266	2,502	7,724	-

Derivative instruments held for hedging:

	31 December 2016		31 December 2015	
	Contract amount	Fair value	Contract amount	Fair value
	USD thousand	Asset amount	USD thousand	Asset amount
		TL		TL
Interest rate swap	56.459	2.266	33.333	413

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Derivative financial instruments are initially recognized in the balance sheet at cost (including transaction cost) and are subsequently re-measured at their fair value. Group accepts initial cost of derivative financial instruments equal to their fair value. Derivative financial instruments of the Group generally consist of forward foreign exchange contracts and interest rate swap instruments.

The Group designates to transactions that protect against effect of profit/loss (protection of cash flow risk) and cash flows transactions, which are likely to happen and relation can be established with certain risk or registered asset or liability, caused with specific reason on the date of derivative contract is signed.

These derivative transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting. Changes in the fair value of such derivatives are recognized directly in statement of profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, or when a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. The realization of promised or probable future transactions are recorded in the income statement, if not realized, accumulated gains or losses are recognized as profit/(loss) in the consolidated financial statements.

At 31 December 2016, fixed interest rates are 1.13% and 1.35% (31 December 2015: 1.35%). Main floating interest rates that Group is subject to are EURIBOR and LIBOR.

Derivative financial instruments held for trading

The Group has option contracts regarding to foreign exchange trading transactions as of 31 December 2016. The mentioned option transactions are accounted for as derivative financial instruments held for trading in the consolidated financial statements, as they do not qualify for hedge accounting and changes in fair value of these financial instruments are recognized in the consolidated statement of income.

	31 December 2016		31 December 2015	
	Contract amount (thousand)	Fair value Liability amount TL	Contract amount (thousand)	Fair value Asset amount TL
Foreign exchange held for trading transactions:		2,502		7,311
- USD	28,840	2,502	39,531	1,140
- EUR	-	-	68,500	6,171

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NOTE 17 - EQUITY

Aksa has adopted the registered share capital system applicable to companies registered on the CMB and set a limit on its registered share capital representing type of registered shares with a nominal value of Kr 1. Historical, authorized and issued capital of Aksa as of 31 December 2016 and 2015 is presented below:

	31 December 2016	31 December 2015
Limit on registered share capital	425,000	425,000
Issued share capital	185,000	185,000

The Group's shareholders and their respective shareholding structure as follows:

	Share %	31 December 2016	Share %	31 December 2015
Akkök Holding	39.59	73,237	39.59	73,237
Emniyet Ticaret ve Sanayi A.Ş.	18.72	34,638	18.72	34,638
Other	41.69	77,125	41.69	77,125
	100,00	185,000	100,00	185,000
Inflation adjustments on capital		195.175		195.175
Total paid-in share capital		380.175		380.175

The approved and paid-in share capital of the Company consists of 18,500,000,000 (31 December 2015: 18,500,000,000) shares issued on bearer with a nominal value of Kr 1 (31 December 2015: Kr 1) each. All shareholders have same rights and there are not issued different type of shares such as privilege. Adjustment to share capital represents the difference between the amounts of the restatement effect of cash and cash equivalents contributions to share capital and the amounts before the restatements.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in 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 capital. According to the TCC, the legal reserve does not exceed half of the capital or issued capital can be used only to offset losses, to continue the business when things did not go well or to get ahead of unemployment and to take favourable measures to manage its results.

In accordance with TAS, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL122,865 as of 31 December 2016 (31 December 2015: TL107,501). This amount fully consists of legal reserves.

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In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilized in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- The difference arising from the "Paid-in Capital" and if has not been transferred to capital yet, shall be classified under the "Adjustments to Share Capital", following the "Paid-in capital";
- The difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained Earnings",

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Adjustment to share capital has no use other than being transferred to paid-in share capital.

Dividend Distribution

Regarding the dividend distribution, the entities are to distribute their profits under the scope of CMB Communiqué Serial: II-19.1, their articles of association and their previously publicly declared profit distribution policies.

Besides that, it is regulated that companies which are obligated to prepare consolidated financial statements under CMB policies, if it's allowed in their statutory reserves, amount of profit available for distribution, in accordance with CMB Communiqué No. II -14.1 announced publicly consolidated financial statements taking into account net profit of the period.

In the case of making decision on dividend payment, dividend is paid cash or distributed "bonus shares" to shareholders by adding dividend to capital or distributed cash and bonus shares in certain amounts according to decision taken in the general assembly of the company.

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NOTE 18 - REVENUE AND COST OF SALES

Sales and cost of goods sold for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Domestic sales	1,288,095	1,396,566
Export sales	771,299	812,996
Less: Sales returns	(2,212)	(3,141)
Less: Other discounts	(102,797)	(176,415)
Net sales income	1,954,385	2,030,006
Cost of sales (-)	(1,517,371)	(1,634,362)
Gross profit	437,014	395,644

NOTE 19 - EXPENSES BY NATURE

Cost of sales, marketing expenses, general administrative expenses and research and development expenses by nature for the years ended as of 31 December 2016 and 2015 are as follows;

	31 December 2016	31 December 2015
Raw materials and goods	1,257,793	1,405,839
Employee benefits	110,552	98,852
Depreciation and amortization	71,476	64,294
Maintenance, repair and cleaning expenses	33,955	26,575
Consumables	30,770	39,104
Commission expenses	26,010	23,075
Export expenses	20,607	25,913
Consultancy and audit expenses	13,566	10,948
Information technologies expense	9,723	6,560
Insurance expenses	6,042	5,105
Rent expenses	5,681	5,645
Miscellaneous tax expenses	3,246	2,370
Other	46,786	29,964
Total	1.636.207	1.744.244

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NOTE 20 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

Income from other operating activities by nature for the years ended as of 31 December 2016 and 2015 are as follows;

	31 December 2016	31 December 2015
Foreign exchange income from trading transactions	147,558	128,300
Interest income from credit sales	12,487	11,071
Released provisions	1,730	2,015
Income from fixed assets sales	202	7,724
Income from sales of subsidiary/joint venture shares	-	11,776
Other	2,808	2,388
Total	164.785	163.274

Expense from other operating activities by nature for the years ended as of 31 December 2016 and 2015 are as follows;

	31 December 2016	31 December 2015
Foreign exchange expense from trading transactions	97,136	87,505
Interest expense from credit purchases	8,072	6,264
Provision for doubtful receivables (Note 7)	706	1,430
Other	2,354	1,177
Total	108.268	96.376

NOTE 21 - FINANCE INCOME

Financial income for the years ended at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Foreign exchange income	169,165	154,715
Interest income	16,263	12,097
Total	185.428	166.812

NOTE 22 – FINANCE COSTS

Financial expense for the years ended at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Foreign exchange loss	280,340	193,734
Borrowing costs	17,971	9,454
Total	298.311	203.188

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NOTE 23 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Income tax expense	(52,985)	(60,418)
Deferred tax (expense)/income	(3,925)	2,694
Total tax expense	(56.910)	(57.724)

Deferred Income Tax Assets and Liabilities

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2016 and 2015 are as follows:

	Temporary taxable differences		Deferred income tax asset/liability	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Property, plant and equipment and intangible assets	(74,893)	(55,539)	(14,979)	(11,108)
Inventories	(3,287)	-	(657)	-
Trade payables	(2,919)	(1,471)	(584)	(294)
Derivative instruments	-	(7,724)	-	(1,545)
Deferred income tax liabilities			(16.220)	(12.947)
Employee termination benefits	20,500	21,357	4,100	4,271
Trade receivables	538	3,876	108	775
Derivative instruments	236	-	47	-
Inventories	-	1,982	-	396
Other short-term liabilities	1,459	1,395	292	279
Deferred income tax assets			4.547	5.721
Deferred income tax assets/(liabilities), net			(11.673)	(7.226)

Movement for the deferred income tax liabilities for the periods ended at 31 December 2016 and 2015 are as follows:

	2016	2015
1 January	7.226	9.386
Deferred tax expense/(income)	3,925	(2,694)
Credited to equity	434	518
Currency translation differences	88	16
31 December	11.673	7.226

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	31 December 2016	31 December 2015
Calculated corporate income tax	52,985	60,418
Amount offset from VAT receivables and prepaid corporate taxes	(45,574)	(45,874)
Current tax liabilities, current	7.411	14.544

The reconciliation of tax expenses stated in consolidated income statements for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Profit before tax	182.660	257.190
Expected tax expense of the Group (20%)	36.532	51.438
The effect of application of equity method	79,152	59,094
The effect of foreign subsidiaries	17,552	45
Expenses not deductible for tax purposes	848	1,842
Impact of tax exemption for profit from lands sold	-	(5,067)
Impact of tax exemption for profit from joint venture sold	-	(7,148)
Impact of tax exemption for sale and leaseback transaction	-	(18,024)
Other	4,338	690
Tax effect (20%)	20.378	6.286
Current period tax expense of the Group	56.910	57.724

NOTE 24 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the period. The earnings per share calculation for the years ended 31 December 2016 and 2015 as follows:

	31 December 2016	31 December 2015
Net income attributable to the equity holders of the parent (TL) (*) (A)	125,798,137	199,474,944
Weighted average number of shares (B)	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	0.68	1.08

(*) Amounts expressed in Turkish Lira.

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NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**a) Short-term trade receivables due from related parties**

As of 31 December 2016 and 2015, trade receivables from related parties are as follows:

	31 December 2016	31 December 2015
Ak-Pa (*)	206,241	182,737
Akkim Kimya San. ve Tic. A.Ş.	4,313	4,391
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. ("DowAksa")	2,665	5,456
Other	482	16
Less: Unearned finance income on credit sales (-)	(281)	(99)
Total	213.420	192.501

(*) Sales to Ak-Pa comprise of export sales made to third party customers by export register and the balance consists of trade receivables arising from these transactions.

Foreign currency denominated trade receivables have average 3 months maturity as of 31 December 2016 and 2015 and are discounted with annual average discount rate of 1% (31 December 2015:1%) based on USD.

b) Short-term trade payables due to related parties

As of 31 December 2016 and 2015, short-term trade payables to related parties are as follows:

	31 December 2016	31 December 2015
Ak-Pa	10,312	5,105
Akkim Kimya San. ve Tic. A.Ş.	8,814	7,126
Akgirişim Müt, Müş, Çevre Tek. San. Tic. A.Ş. ("Akgirişim")	7,583	3,553
Dinkal Sigorta Acenteliği A.Ş. (*)	1,952	2,126
Akkök Holding	2,233	1,666
Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi ("Yalkim OSB")	1,313	6,715
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş.	1,083	687
Other	426	532
Total	33.716	27.510

(*) Consists of balance to be paid to insurance companies by means of Dinkal Sigorta Acenteliği A.Ş.

c) Long-Term Trade Payables due to related parties

As of 31 December 2016 and 2015, long-term trade payables to related parties are as follows:

	31 December 2016	31 December 2015
Yalkim OSB	-	13.974

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d) Financial Liabilities

As of 31 December 2016 and 2015, short-term borrowings from related parties are as follows:

	31 December 2016	31 December 2015
Ak-Pa	30.042	13.528

Borrowings comprise cash received from factoring transactions (Note 6).

e) Other receivables due to related parties

Other receivables from joint ventures for the year ended as of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
DowAksa - Leasing receivables	927	13,017
DowAksa - Unearned finance income (-)	(844)	(1,928)
Other short-term receivables	83	11.089
DowAksa - Leasing receivables	122,493	87,020
DowAksa - Unearned finance income (-)	(17,119)	(7,564)
Other long-term receivables	105.374	79.456
Total	105.457	90.545

Leasing receivables are shown as below in terms of period the collection as of 31 December 2016:

	31 December 2016			31 December 2015		
	Leasing	Interest	Total	Leasing	Interest	Total
Less than 3 months	83	211	294	4,358	501	4,859
Between 3-12 months	-	633	633	6,731	1,427	8,158
Between 1-2 years	9,483	2,367	11,850	9,156	1,721	10,877
Between 2-3 years	11,618	2,433	14,051	9,367	1,510	10,877
Between 3-4 years	11,884	2,168	14,052	9,584	1,293	10,877
4 years and longer	72,389	10,151	82,540	51,349	3,040	54,389
	105.457	17.963	123.420	90.545	9.492	100.037

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f) Advances Given

Advances given to related parties for the year ended as of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Akgirişim	5.357	1.969
Yalkim OSB	2.250	1.859

Advances given to related parties consist of advance payment related to various investment projects in the facilities located in Yalova.

g) Sales and other income

Sales and other income to related parties for the years ended as of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Ak-Pa (*)	770,141	785,535
Akkim Kimya San. ve Tic. A.Ş.	46,924	43,828
DowAksa	24,573	33,237
Yalkim OSB	403	6,000
Akkök Holding	630	12,223
Other	1,808	1,762
Total	844.479	882.585

(*) The sales to Ak-pa consist of export sales to third parties via Ak-Pa.

Other sales to related parties mainly consist of rent income, steam and electricity sales.

h) Foreign Exchange Gain/Loss

Foreign exchange income from related parties for the years ended at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Ak-Pa	22.974	38.733

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i) Purchases of goods and services

Product and service purchases from related parties for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Akkim Kimya San. ve Tic. A.Ş.	73,648	71,532
Akğirişim	38,095	27,776
Yalkim OSB (*)	14,683	71,748
Dinkal Sigorta Acenteliği A.Ş. (**)	12,965	11,492
Ak-Pa	12,110	12,904
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş.	10,278	7,217
Akkök Holding	7,184	8,666
Akiş Gayrimenkul Yatırımı A.Ş.	-	46,560
Other	1,937	1,965
Total	170.900	259.860

Purchases from related parties consist of chemicals, insurance, construction business, consulting, commission, rent expenses and various service procurement.

(*) Purchases from Yalkim OSB consist of usage rights acquired for waste treatment facility and other property, plant and equipment owned by Yalkim OSB and operating costs of Yalkim OSB, which are charged to its participants. In 2015, other than mentioned services, balance includes land usages rights.

(**) Purchases comprise insurance payments for which Dinkal Sigorta Acenteliği A.Ş. acts as an agent.

The Company defined its key management personnel as board of directors and members of the executive committee. Benefits provided to key management personnel as of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Salary and other short-term employee benefits	5,935	5,838
Employment termination benefits	62	41
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	5.997	5.879

Benefits provided to the Board of Directors, for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Salary and other short-term employee benefits	1,557	1,467
Employment termination benefit	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	1.557	1.467

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NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk factors

The Groups principal financial instruments are cash and cash equivalents, trade receivables and financial liabilities. The main purpose of these financial instruments is to generate financing resources for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarized below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 7).

Trade Receivable Aging Analysis

Aging of the receivables which are overdue but not impaired is as follows:

31 December 2016	Trade Receivables
1-30 days overdue	47,788
1-3 months overdue	28,969
3-12 months overdue	4,892
More than 12 months overdue	-
Total (*)	81.649
Secured with guarantees	65.202

(*) TRY51,191 of the amount has been collected as of the date the report.

31 December 2015	Trade Receivables
1-30 days overdue	29,351
1-3 months overdue	19,362
3-12 months overdue	1,645
More than 12 months overdue	634
Total	50.992
Secured with guarantees	28.615

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As of 31 December 2016 the Group's maximum exposure to credit risk is presented below:

31 December 2016	Trade receivables		Other receivables		Deposits at bank	
	Related Parties	Unrelated Parties	Related Parties	Unrelated Parties	Related Parties	Other
Maximum credit risk exposure as of reporting date	213,420	404,647	105,457	677	-	458,234
- Secured portion of maximum credit risk by guarantees (*)	167,787	310,109	-	-	-	-
Net book value of financial assets either are not due or not impaired	199,224	333,589	105,457	677	-	458,234
Net book value of the expired or not impaired financial assets	14,196	67,453	-	-	-	-
- Secured portion with guarantees	8,706	56,496	-	-	-	-
Net book value of impaired assets	-	3,605	-	-	-	-
- Matured (gross book value)	-	45,268	-	-	-	-
- Impairment (-) (Note 8)	-	(41,664)	-	-	-	-
- Secured portion with guarantees	-	(3,605)	-	-	-	-
Off balance sheet credit risks						

(*) Guarantees taken from the related parties consist of Ak-Pa's guarantees received from export customers.

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As of 31 December 2015 the Group's maximum exposure to credit risk is presented below:

31 December 2015	Trade receivables		Other receivables		Deposits at bank	
	Related Parties	Unrelated Parties	Related Parties	Unrelated Parties	Related Parties	Other
Maximum credit risk exposure as of reporting date	192,501	275,326	90,545	257	-	342,740
- Secured portion of maximum credit risk by guarantees (*)	148,807	245,361	-	-	-	-
Net book value of financial assets either are not due or not impaired	167,135	245,292	90,545	257	-	342,740
Net book value of the expired or not impaired financial assets	25,366	25,626	-	-	-	-
- Secured portion with guarantees	13,239	15,376	-	-	-	-
Net book value of impaired assets	-	4,408	-	-	-	-
- Matured (gross book value)	-	46,796	-	-	-	-
- Impairment (-) (Note 8)	-	(42,388)	-	-	-	-
- Secured portion with guarantees	-	4,408	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

(*) Guarantees taken from the related parties consist of Ak-Pa's guarantees received from export customers.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities in the translation of the Turkish Lira. The exchange rate risk is monitored by the analysing the foreign currency position. The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities.

Foreign currency position presented in TL is as follows:

	31 December 2016	31 December 2015
Assets	1,026,204	797,774
Liabilities	(1,249,324)	(863,643)
Net balance sheet position	(223.120)	(65.869)

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Foreign currency position as of 31 December 2016 and 2015 are as follows:

	31 December 2016			
	TL equivalent	USD position	EUR position	Other
1. Trade Receivables	611,614	158,791	14,232	-
2a. Monetary Financial Assets) (including cash and bank accounts)	309,133	81,367	4,491	6,124
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	83	24	-	-
4. Current Assets (1+2+3)	920,830	240,182	18,723	6,124
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	105,374	29,943	-	-
8. Non-Current Assets (5+6+7)	105,374	29,943	-	-
9. Total Assets (4+8)	1,026,204	270,125	18,723	6,124
10. Trade Payables	474,155	130,825	3,689	69
11. Financial Liabilities	521,595	132,764	14,656	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	995,750	263,589	18,345	69
14. Trade Payables	-	-	-	-
15. Financial Liabilities	253,574	40,927	29,528	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	253,574	40,927	29,528	-
18. Total Liabilities (13+17)	1,249,324	304,516	47,873	69
19. Off Balance Sheet Derivative Items'				
Net Asset/(Liability) Position (19a-19b)	(38,806)	(26,840)	15,000	-
19a. Off balance sheet derivative asset amount	55,649	-	15,000	-
19b. Off balance sheet derivative liability amount	94,455	26,840	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(261,926)	(61,231)	(14,150)	6,055
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(328,577)	(64,358)	(29,150)	6,055
(=1+2a+5+6a-10-11-12a-14-15-16a)	(328.577)	(64.358)	(29.150)	6.055
22. Fair Value of Financial Instruments Used for Foreign Hedge	(2,502)	-	(674)	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	31 December 2015			
	TL equivalent	USD position	EUR position	Other
1. Trade Receivables	447,385	136,535	15,860	-
2a. Monetary Financial Assets (including cash and bank accounts)	259,844	75,877	1,533	34,354
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	11,089	3,814	-	-
4. Current Assets (1+2+3)	718,318	216,226	17,393	34,354
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	79,456	27,327	-	-
8. Non-Current Assets (5+6+7)	79,456	27,327	-	-
9. Total Assets (4+8)	797,774	243,553	17,393	34,354
10. Trade Payables	244,836	83,243	874	22
11. Financial Liabilities	405,861	122,986	15,190	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	650,697	206,229	16,064	22
14. Trade Payables	-	-	-	-
15. Financial Liabilities	212,946	25,000	44,139	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	212,946	25,000	44,139	-
18. Total Liabilities (13+17)	863,643	231,229	60,203	22
19. Off Balance Sheet Derivative Items'				
Net Asset/(Liability) Position (19a-19b)	(1,720)	38,533	(35,800)	-
Pozisyonu (19a-19b)	(1.720)	38.533	(35.800)	-
19a. Off balance sheet derivative asset amount	330,886	78,064	32,700	-
19b. Off balance sheet derivative liability amount	332,606	39,531	68,500	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(67,589)	50,857	(78,610)	34,332
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(156,414)	(18,817)	(42,810)	34,332
22. Fair Value of Financial Instruments Used for Foreign Hedge	7,311	392	1,942	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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As of 31 December 2016 and 2015, the situations to reach of net foreign position in the Group's balance sheet with the changes in exchange rates are summarized in the table below:

	31 December 2016		31 December 2015	
	Profit/Loss Appreciation of foreign currency	Equity Depreciation of foreign currency	Profit/Loss Appreciation of foreign currency	Equity Depreciation of foreign currency
In case 10% change of USD against TL USD net asset/ (liability) Amount hedged for USD risk	(12,103)	21,425	3,583	(24,334)
USD net effect	(12,103)	21,425	3,583	(24,334)
In case 10% change of EUR against TL EUR net asset/ (liability) Amount hedged for EUR risk	(10,814)	-	(13,603)	-
EUR net effect	(10,814)	10,814	(13,603)	13,603
In case 10% change of USD against TL USD net asset/ (liability) Amount hedged for USD risk	-	24,334	-	(24,334)
USD net effect	-	24,334	-	(24,334)
In case 10% change of EUR against TL EUR net asset/ (liability) Amount hedged for EUR risk	-	-	-	-
EUR net effect	-	-	-	-

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Interest Risk

The Group is exposed to interest risk arising from the borrowings interest rate changes. According to balance sheet position of the floating interest rate financial liabilities as of 31 December 2016, other things being constant, if the interest rate depreciate/ appreciate by 1%, profit before tax would TL49 (31 December 2015: TL59), capitalized financial cost on construction in progress would TL3 (31 December 2015: TL9).

	31 December 2016	31 December 2015
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	434,552	286,004
Financial liabilities		
USD borrowings (fixed due to interest rate swap)	611,252	430,284
TL borrowings	59,203	2,432
EUR borrowings	-	1,611
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	-	-
Financial liabilities		
EUR bank borrowings	163.917	186.912

(*) Cash and cash equivalents consist of bank deposits with maturity less than three months.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Liquidity risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid in the framework of liquidity risk management, funding sources are being diversified, and sufficient cash and cash equivalents are held.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due dates are classified in over one year column.

31 December 2016:	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over than 5 years
Expected or maturities per agreement						
Türev olmayan finansal yükümlülükler						
Finansal borçlar	834.372	854.130	229.970	359.391	264.769	-
Ticari borçlar	453.949	456.868	283.922	172.946	-	-
İlişkili taraflara borçlar	33.716	33.716	28.118	5.598	-	-
	1.322.037	1.344.714	542.010	537.935	264.769	-
31 December 2015:						
Expected or maturities per agreement						
Non-derivative financial liabilities						
Financial liabilities	621,239	638,637	175,410	240,136	223,091	-
Trade payables	277,895	279,366	170,857	108,509	-	-
Due to related parties	41,484	41,484	20,362	7,148	13,974	-
	940.618	959.487	366.629	355.793	237.065	-

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Import and export information:

Import and export for the years ended at 31 December 2016 and 2015 are as follows:

Export	31 December 2016	31 December 2015
USD	419,664	513,367
EUR	215,276	207,053
Other	136,359	92,576
Total	771.299	812.996

Import	31 December 2016	31 December 2015
USD	852,613	942,577
EUR	127,884	81,090
Other	6,449	1,212
Total	986.946	1.024.879

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including financial liabilities, trade payables and due to related parties, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The ratio of net debt to equity is as follows:

	31 December 2016	31 December 2015
Total monetary liabilities (*)	1,322,037	940,618
Less: Cash and cash equivalents (Note 4)	(458,301)	(342,810)
Net debt	863.736	597.808
Total shareholders' equity	1.249.705	1.248.596
Total capital	2.113.441	1.846.404
Debt/equity ratio	%41	%32

(*) Short-term and long-term liabilities comprised from trade payable to related parties and trade payables to other parties.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 27 - FINANCIAL INSTRUMENTS

Fair value estimation of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are used to estimate the fair value of the financial instruments:

Financial assets

Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. These balances are anticipated to close their book value.

The carrying values of significant portion of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

The carrying values of trade receivables are assumed to approximate to their fair value.

Financial liabilities

The fair values of short-term borrowings and trade payables are assumed to approximate to their carrying values due to their short-term nature.

The estimated fair values of foreign currency long-term borrowings are assumed to approximate to their carrying values due to bearing floating interest rates. The estimated fair values of long-term borrowings are calculated based on the effective market interest rates and the cash flow calculations are discounted accordingly (Note 6).

Fair Value Estimation:

Effective 1 January 2010, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

31 December 2016	Level 1	Level 2	Level 3
Foreign currency held for trading	-	(2,502)	-
Hedging derivative financial instruments	-	2,266	-
Total asset / (liabilities)	-	(236)	-

31 December 2015	Level 1	Level 2	Level 3
Foreign currency held for trading	-	7,311	-
Hedging derivative financial instruments	-	413	-
Total asset / (liabilities)	-	7.724	-

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instruments are observable, the instrument is included in level 2.

**SUMMARY
FINANCIAL
STATEMENTS**

SUMMARY FINANCIAL STATEMENTS (USD)

CONSOLIDATED BALANCE SHEET SUMMARY ^(*)	31 December 2016 (Thousand USD)	31 December 2015 (Thousand USD)
Assets	748,172	775,236
Current Assets	394,287	369,907
Cash and Cash Equivalents	130,229	117,901
Trade Receivables	175,627	160,898
Inventories	61,810	63,652
Other Current Assets	26,621	27,456
Non-Current Assets	353,885	405,329
Trade Receivables	29,943	27,327
Investment Property	13,399	16,652
Investments Accounted for by the Equity Method	60,881	83,690
Tangible Assets	215,060	247,137
Intangible Assets	22,257	28,531
Other Non-Current Assets	12,345	1,992
Liabilities	748,172	775,236
Short Term Liabilities	311,933	258,325
Financial Liabilities	165,037	140,423
Trade Payables	138,573	105,036
Taxes on Income	2,106	5,002
Other Short Term Liabilities	6,217	7,864
Long Term Liabilities	81,130	87,486
Financial Liabilities	72,054	73,239
Derrivative Financial Instruments	323	0
Provision for Employment Termination Benefits	5,436	6,956
Deferred Tax Liabilities	3,317	2,485
Other Long Term Liabilities	0	4,806
Shareholders' Equity	355,109	429,425

^(*) US\$ currency conversions shown in the consolidated financial statements are provided for informational purposes only; the closing exchange rate TL 3,5192 (December 31, 2015 : TL 2,9076) was used in calculating the balance sheet items.

CONSOLIDATED INCOME STATEMENT ^(**)	31 December 2016 (Thousand USD)	31 December 2015 (Thousand USD)
Net Sales	651,353	746,600
Operating Profit	124,878	129,702
EBITDA	129,863	128,744
Net Profit	41,926	73,363

^(**) The conversion of the consolidated income statement into US\$ is provided for informational purposes only; the period average exchange rate of TL 3,0005 (December 31, 2015: 2,7190) was used in the statement.

RATIOS	31 December 2016	31 December 2015
Current Ratio	1.26	1.43
Liquidity Ratio	1.07	1.19
EBITDA Margin	%19.94	%17.24
Net Profit Margin	%6.44	%9.83

Aksa Akrilik Kimya Sanayii A.Ş.

Exchange Code: Aksa

Trade Registration Number - Date: 21.11.1968 - 100775

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