

**(CONVENIENCE TRANSLATION OF THE INDEPENDENT
AUDITORS' REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**JANUARY 1 - DECEMBER 31, 2020 CONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of
Aksa Akrilik Kimya Sanayii A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. (the "Company"), its subsidiaries and joint ventures (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.



3. Key Audit Matters

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

<i>Key audit matters</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Recoverability of DowAksa Advanced Composites Holdings BV (“DowAksa”)</i></p> <p>DowAksa, a 50% owned joint venture of the Group, is presented in investments accounted for using equity method account in the Group’s consolidated financial statements dated 31 December 2020, with a carrying value of TRY 388,529 thousand. The Company accounted for an income of TRY 7,508 thousand in 2020 and TRY 18,986 thousand of loss in 2019 in relation to DowAksa investment, by using equity method. When carrying value of investment compared to its current and prior period performances, the Company management tested the recoverability of this investment for impairment.</p> <p>The carrying value of DowAksa is material to the consolidated financial statements. Furthermore, significant judgements and estimates are used in the impairment tests performed by management. These are, earnings before interest, tax, depreciation and amortization growth forecasts, long term growth rates and discount rates. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, impairment test for recoverability of DowAksa is a key matter for our audit.</p> <p>Please refer to notes 2.3, 2.4 and 6 to the consolidated financial statements for the Group’s disclosures on investments accounted for using equity method, including the related accounting policy.</p>	<p>We performed the following procedures in relation to the impairment test:</p> <ul style="list-style-type: none"> • Evaluating management forecasts and future plans based on macroeconomic information, • Comparing forecasted earnings before interest, tax, depreciation and amortization with its historical financial performance, • Through involvement of our internal valuation specialists, assessing the reasonableness of key assumptions, including long term growth rates, discount rates and benchmarking these against rates used in the related industries, • Testing of the setup of the discounted cash flow models and their mathematical accuracy, • Assessing management’s sensitivity analysis for key assumptions, • Testing of the disclosures in the consolidated financial statements in relation to recoverability of DowAksa and evaluating the adequacy of these disclosures for TFRS’ requirements. <p>We had no material findings related to the recoverability of DowAksa as a result of these procedures.</p>



3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<p>Recoverability of trade receivables</p> <p>Trade receivables from third parties (TRY 527,065 thousand as of 31 December 2020), constitute a significant portion of the consolidated assets of the Group. Furthermore, the assessment of the recoverability of these assets involves significant level of management estimates. Such estimation includes considering the following for each customer – the amount of guarantees/collateral held, past collection performance, creditworthiness and aging of receivables. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, recoverability of trade receivables is a key matter for our audit.</p> <p>Please refer to notes 2.3, 2.4, 8 and 29 to the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy.</p>	<p>We performed the following procedures in relation to the recoverability of trade receivables:</p> <ul style="list-style-type: none"> • Understanding the business process for collections from customers, • Comparing trade receivable turnover days to the prior period, • Inquiries with management in relation to any disputes with customers and written inquiries with the Group's legal counsels on outstanding litigation in relation to trade receivables, • Testing receivables from third parties by obtaining confirmation letters from customers and distributors and reconciling them to the Group's accounting records, • Testing collections in the subsequent period from selected customers and distributors, • Testing, on a sample basis, guarantees/collaterals and credit insurances held and assessing the Group's ability to convert them to cash, • Assessing the adequacy of disclosures around recoverability of trade receivables in the consolidated financial statements. <p>We had no material findings related to the recoverability of trade receivables as a result of these procedures.</p>



4. Other Matter

The consolidated financial statements of the Group for the period 1 January - 31 December 2019 were audited by another audit firm whose audit report dated 14 February 2020 expressed an unqualified opinion on those statements.

5. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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



6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

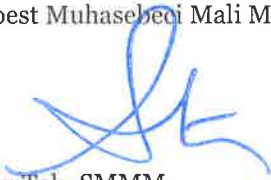
We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 16 February 2021.

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



Sertu Talı, SMMM
Partner

Istanbul, 16 February 2021

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)**

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)**

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2020 AND 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

		31 December 2020	Audited	
	Notes	USD (*)	31 December 2020	31 December 2019
			TRY	TRY
ASSETS				
Current assets		361,554	2,653,990	2,179,759
Cash and cash equivalents	4	123,453	906,204	635,091
Financial investments	5	5,076	37,261	-
Trade receivables				
- Due from unrelated parties	8	57,956	425,428	467,086
- Due from related parties	28	55,116	404,580	254,046
Other receivables				
- Due from related parties	28	-	-	13,843
- Due from unrelated parties	9	98	716	2,211
Derivative financial assets	18	-	-	323
Inventories	10	85,957	630,967	672,302
Prepayments	17	4,672	34,294	28,578
Other current assets	17	16,781	123,190	106,279
Subtotal		349,109	2,562,640	2,179,759
Assets held for sale	19	12,445	91,350	-
Total current assets		361,554	2,653,990	2,179,759
Non-current assets		309,519	2,272,022	2,008,162
Financial investments	5	-	-	20,173
Trade receivables				
- Due from unrelated parties	8	13,846	101,637	130,005
Derivative financial assets	18	-	-	323
Investment accounted for using equity method	6	52,930	388,529	302,846
Investment properties	11	5,737	42,110	43,371
Property, plant and equipment	13	214,800	1,576,736	1,389,903
Right of use assets	12	4,937	36,241	14,804
Intangible assets and goodwill				
- Goodwill	14	816	5,989	5,989
- Other intangible assets	14	11,550	84,785	72,406
Deferred tax assets	26	308	2,264	-
Prepayments	17	4,595	33,731	28,342
Total assets		671,073	4,926,012	4,187,921

(*) United States Dollar (“USD”) amounts presented above have been translated from Turkish Lira (“TRY”) for convenience purposes only, at the official TRY bid rate announced by the Central Bank of the Republic of Turkey (“CBRT”) at 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.7).

These consolidated financial statements at 31 December 2020 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 16 February 2021. These consolidated financial statements will be finalised after approval in the General Assembly.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)**

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2020 AND 2019**

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

	Notes	31 December 2020 USD (*)	Audited	
			31 December 2020 TRY	31 December 2019 TRY
Current liabilities		247,694	1,818,201	2,071,596
Current borrowings	7	69,689	511,554	855,406
Current borrowings from unrelated parties				
- Bank loans	7	26,882	197,330	217,816
- Lease liabilities	7	929	6,817	2,207
Trade payables				
- Due to unrelated parties	8	96,333	707,133	877,748
- Due to related parties	28	7,722	56,681	38,380
Payables related to employee benefits	16	657	4,825	4,072
Other payables				
- Other payables to unrelated parties	9	205	1,505	1,186
Deferred income other than contract liabilities	17	29,441	216,112	54,766
Current tax liabilities	26	2,892	21,230	6,198
Derivative instruments	18	8,966	65,818	-
Current provisions				
- Current provisions for employee benefits	16	3,964	29,096	13,103
- Other current provisions	15	14	100	714
Non-current liabilities		169,151	1,241,651	581,105
Long term borrowings				
- Bank loans	7	156,560	1,149,230	505,382
- Lease liabilities	7	4,791	35,166	13,378
Non-current provisions				
- Non-current provisions for employee benefits	16	5,309	38,972	30,780
Derivative instruments	18	34	249	-
Deferred tax liabilities	26	-	-	18,247
Other non-current liabilities	17	2,457	18,034	13,318
Total liabilities		416,845	3,059,852	2,652,701
EQUITY		254,228	1,866,160	1,535,220
Equity attributable to owners of parent		254,228	1,866,160	1,535,220
Issued capital	20	44,105	323,750	185,000
Inflation adjustments on capital	20	7,693	56,469	195,175
Treasury shares (-)	20	(908)	(6,666)	(34,106)
Share premium		-	-	44
Other accumulated comprehensive income/(loss) that will not be reclassified in profit or loss				
- Gains/(losses) on remeasurement of defined benefit plans		(2,046)	(15,018)	(10,930)
- Share of other comprehensive income of investments accounted for using equity method		454	3,331	2,409
Other comprehensive income/loss that will be reclassified in profit or loss				
- Exchange differences on translation		52,573	385,910	300,883
- Gains/(losses) on hedge		(2,129)	(15,628)	(18,384)
Restricted reserves	20	29,261	214,787	179,838
Prior years' profits or losses		65,291	479,272	457,609
Current period net profit or loss		59,934	439,953	277,682
Non-controlling interests		-	-	-
Total liabilities and equity		671,073	4,926,012	4,187,921

(*) United States Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the official TRY bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.7).

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)**

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

Profit or loss	Notes	USD (*)	Audited	
			2020	2019
Revenue	21	586,835	4,109,857	3,645,900
Cost of sales (-)	21, 22	(448,589)	(3,141,662)	(3,025,933)
Gross profit		138,246	968,195	619,967
General administrative expenses (-)	22	(11,004)	(77,069)	(59,486)
Marketing expenses (-)	22	(12,296)	(86,115)	(90,610)
Research and development expenses (-)	22	(1,580)	(11,065)	(7,568)
Other income from operating activities	23	45,911	321,531	205,453
Other expense from operating activities (-)	23	(41,295)	(289,199)	(171,670)
Profit from operating activities		117,982	826,278	496,086
Investment activity income	24	963	6,742	6,980
Share of profit (loss) from investments accounted for using equity method	6	1,072	7,508	-18,986
Profit before financing income/(expense)		120,017	840,528	484,080
Finance income	25	47,793	334,713	281,240
Finance costs (-)	25	(97,462)	(682,566)	(417,768)
Profit from continuing operations, before tax		70,348	492,675	347,552
Tax (expense)/income continuing operations				
- Current period tax (expense)/income	26	(10,566)	(73,999)	(61,369)
- Deferred tax (expense)/income	26	3,038	21,277	(8,501)
Profit from continuing operations		62,820	439,953	277,682
Attributable to:				
Owners of parent		62,820	439,953	277,682
Non-controlling interests		-	-	-
		62,820	439,953	277,682
Basic earnings/(loss) per share from continuing operations (Kr)	27	0.19	1.36	0.86

(*) USD amounts presented above have been translated from TRY for convenience purposes only, at the USD average CBRT bid rates for the period ended 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.7).

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)**

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

Other comprehensive income	Notes	USD (*)	Audited	
			2020	2019
Profit/(loss) from continuing operations		62,820	439,953	277,682
Other comprehensive income that will not be reclassified to profit or loss				
Gains/(losses) on remeasurements of defined benefit plans	16	(730)	(5,110)	(7,980)
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss				
Gains/(losses) on remeasurement of defined benefit plans of associates and joint ventures accounted for using equity method	6	132	922	(50)
Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss	26	146	1,022	1,596
Other comprehensive income that will be reclassified to profit or loss				
Other comprehensive income/(loss) related with cash flow hedges		492	3,445	(23,569)
Currency translation differences		12,140	85,027	42,219
Taxes relating to other comprehensive income to be reclassified to profit or loss	26	(98)	(689)	5,185
Total comprehensive income/(loss)		74,902	524,570	295,083
Attributable to:				
Owners of parent		74,902	524,570	295,083
Non-controlling interests		-	-	-
		74,902	524,570	295,083

(*) USD amounts presented above have been translated from TRY for convenience purposes only, at the USD average CBRT bid rates for the period ended 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.7).

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)**

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

Audited	Attributable to equity holders of the parent											Total	Non-controlling interests	Total equity
	Issued capital	Inflation adjustments on capital	Treasury shares	Share premium	Gains/(losses) on hedge ⁽¹⁾	Restricted reserves	Income from investments accounted for using equity method ⁽²⁾	Exchange differences on translation	Gains/(losses) on remeasurement of defined benefit plans ⁽²⁾	Prior years' profits or losses	Current period net profit or loss			
1 January 2019	185,000	195,175	(31,464)	44	-	160,293	2,459	258,664	(4,546)	457,561	224,296	1,447,482	-	1,447,482
Increase/(decrease) through treasury share transactions	-	-	(6,563)	-	-	-	-	-	-	-	-	(6,563)	-	(6,563)
Transfers	-	-	-	-	-	19,545	-	-	-	204,751	(224,296)	-	-	-
Dividend paid	-	-	3,921	-	-	-	-	-	-	(204,703)	-	(200,782)	-	(200,782)
Total comprehensive income/(loss)	-	-	-	-	(18,384)	-	(50)	42,219	(6,384)	-	277,682	295,083	-	295,083
31 December 2019	185,000	195,175	(34,106)	44	(18,384)	179,838	2,409	300,883	(10,930)	457,609	277,682	1,535,220	-	1,535,220
1 January 2020	185,000	195,175	(34,106)	44	(18,384)	179,838	2,409	300,883	(10,930)	457,609	277,682	1,535,220	-	1,535,220
Increase/(decrease) through treasury share transactions (Note 20)	-	-	26,549	-	-	-	-	-	-	18,505	-	45,054	-	45,054
Issue of equity	138,750	(138,706)	-	(44)	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	34,949	-	-	-	242,733	(277,682)	-	-	-
Dividends paid	-	-	891	-	-	-	-	-	-	(239,575)	-	(238,684)	-	(238,684)
Total comprehensive income/(loss)	-	-	-	-	2,756	-	922	85,027	(4,088)	-	439,953	524,570	-	524,570
31 December 2020	323,750	56,469	(6,666)	-	(15,628)	214,787	3,331	385,910	(15,018)	479,272	439,953	1,866,160	-	1,866,160

- (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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)**

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**

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

	Notes	USD (*)	2020	2019
A. Cash Flows From/ (Used in) Operating Activities		123,095	862,084	677,021
Profit/(loss)		62,820	439,953	277,682
Adjustments to reconcile profit/(loss):		71,667	501,911	320,920
- Adjustments for depreciation and amortization expense	22	17,891	125,301	111,298
- Adjustments for impairment loss/ (reversal of impairment loss)		7,092	49,670	21,263
- Adjustments for provisions		894	6,258	4,283
- Adjustments for interest income	25	8,044	56,335	35,598
- Adjustments for unrealised foreign exchange losses/(gains)		22,033	154,306	59,163
- Adjustments for fair value gains (losses)		9,526	66,713	2,627
- Adjustments for undistributed profits of investments accounted for using equity method	6	(1,072)	(7,508)	18,986
- Adjustments for tax (income)/expenses	26	7,528	52,722	69,870
- Adjustments for losses/(gains) on disposal of non-current assets		(269)	(1,886)	(2,556)
- Other adjustments to reconcile profit/(loss)		-	-	388
Changes in working capital		(14,348)	(100,487)	45,482
- Adjustments for (increase)/decrease in inventories		6,263	43,861	(178,273)
- Adjustments for (increase)/decrease in trade accounts receivable		(20,749)	(145,316)	52,373
- Adjustments for (increase)/decrease in other operating receivables		2,190	15,338	12,395
- Adjustments for increase/(decrease) in trade accounts payable		(15,588)	(109,166)	130,838
- Adjustments for increase/(decrease) in other operating payables		46	319	151
- Other adjustments for other increase/(decrease) in working capital		13,490	94,477	27,998
Cash flows from (used in) operations		120,139	841,377	644,084
Interest paid	23	(1,246)	(8,727)	(12,183)
Interest received	23	3,302	23,124	31,316
Payments related with provisions for employee benefits	16	(240)	(1,683)	(3,662)
Income taxes refund/(paid)		1,141	7,993	17,466
B. Cash flows from (used in) investing activities		(58,291)	(408,236)	(192,055)
Proceeds from sales of property, plant, equipment and intangible assets		321	2,251	3,227
Purchase of property, plant, equipment and intangible assets		(55,114)	(385,989)	(155,027)
Cash advances and loans made to other parties		(1,093)	(7,653)	(20,255)
Cash inflows from participation (profit) shares or other financial instruments		1,000	7,000	-
Cash outflows from participation (profit) shares or other financial instruments		(3,405)	(23,845)	(20,000)
C. Cash Flows From/ (Used in) Financing Activities		(27,048)	(189,431)	(689,705)
Payments to treasury shares	20	(1,738)	(12,171)	(6,563)
Cash inflows from sale of treasury shares		8,171	57,225	-
Proceeds from borrowings	7	262,211	1,836,378	1,255,834
Repayments of borrowings	7	(250,096)	(1,751,530)	(1,682,673)
Dividends paid	20	(34,081)	(238,684)	(200,782)
Payments of lease liabilities	7	(712)	(4,992)	(1,765)
Interest received		3,103	21,730	38,017
Interest paid		(13,906)	(97,387)	(91,773)
Net increase/(decrease) in cash and cash equivalents before effect of exchange rate changes		37,756	264,417	(204,739)
D. Effect of exchange rate changes on cash and cash equivalents		791	5,543	5,031
Net increase/(decrease) in cash and cash equivalents		38,547	269,960	(199,708)
E. Cash and cash equivalents at the beginning of the period		90,674	635,030	834,738
Cash and cash equivalents at the end of the period	4	129,221	904,990	635,030

(*) USD amounts presented above have been translated from TRY for convenience purposes only, at the USD average CBRT bid rates for the period ended 31 December 2020, and therefore do not form part of these consolidated financial statements (Note 2.7).

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)**

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts expressed in thousands of Turkish Lira ("TRY") 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 referred to as 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 rental of real estate.

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 2020, 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.	18.82
Other (*)	41.59
Total	100.00

(*) As of 31 December 2020, 37.53% of the Aksa shares are traded on BIST and 0.36% of the shares are owned by the Company in the scope of treasury share buyback program. (Note 20).

Akkök Holding, which is the main shareholder of the Company, is controlled by Dinçkök family members. As of 31 December 2020, the number of employees employed by the Company is 1,238 (31 December 2019: 1,216).

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

Merkez Mahallesi Yalova Kocaeli Yolu Cad. No:34
PK 114 77602 Taşköprü Çiftlikköy – Yalova

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

- Fibers
- Energy
- Other

The Company has the following subsidiary and joint venture. Country, nature of operations and segmental information of these companies are as follows (Note 3):

Subsidiary	Country	Nature of business	Segment
Aksa Egypt Acrylic Fiber Industry SAE ("Aksa Egypt")	Egypt	Textile	Fiber
Joint ventures	Country	Nature of business	
DowAksa Advanced Composites Holdings BV ("DowAksa Holdings")	Netherlands		Investment

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

2.1.1 Financial reporting standards applied

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards (“TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial Reporting Standards (“IFRS”) by the communiqués.

The consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

The Company maintain their 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 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 TFRS.

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.

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in TRY, which is the functional currency of Aksa and the presentation currency of the Group.

Amendments in Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and its interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)**

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.1 Financial reporting standards applied (Continued)

a) Amendments in TFRS which affect the reported amounts and notes in consolidated financial statements

Amendments to TAS 1 and TAS 8 on the definition of material;

Effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) Clarify the explanation of the definition of material; and
- iii) Incorporate some of the guidance in IAS 1 about immaterial information.

This change has no material impact on the financial position and performance of the Group.

Amendments to TFRS 3 - definition of a business;

Effective from annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. This change has no material impact on the financial position and performance of the Group.

Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform;

Effective from annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. This change has no material impact on the financial position and performance of the Group.

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions

Effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. This change has no material impact on the financial position and performance of the Group.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.1 Financial reporting standards applied (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020

IFRS 17, “Insurance Contracts”

Effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The impact on the Group’s financial position and performance is being evaluated.

Amendments to TAS 1, Presentation of financial statements’ on classification of liabilities;

Effective from 1 January 2022. These narrow-scope amendments to TAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the ‘settlement’ of a liability. The impact on the Group’s financial position and performance is being evaluated.

A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 17 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16

Effective from Annual periods beginning on or after 1 January 2022.

Amendments to TFRS 3 ‘Business combinations’ update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations

Amendments to TAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to TAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, TFRS 9, ‘Financial instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.

The impact on the Group’s financial position and performance is being evaluated.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.1 Financial reporting standards applied (Continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2

Effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The impact on the Group's financial position and performance is being evaluated.

Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9

Effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

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 businesses controlled by Aksa. Control is provided only on the business that Aksa invests in, and only when all of the following indicators are present:
- 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 demonstrates subsidiaries and ownership rates as of 31 December 2020 and 2019:

<u>Subsidiary</u>	<u>The Group's direct and indirect ownership interest (%)</u>	
	<u>31 December 2020</u>	<u>31 December 2019</u>
Aksa Egypt	99.84	99.84

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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.3 Basis of Consolidation (Continued)

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 statements of financial position and profit or loss and other 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 favor 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 is 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.

<u>Subsidiary</u>	<u>The Group's direct and indirect ownership interest (%)</u>	
	<u>31 December 2020</u>	<u>31 December 2019</u>
DowAksa Holdings	50.00	50.00

2.2 Changes in Accounting Policies, Accounting Estimates and Errors

In case of changes and errors in accounting policies and accounting estimates, important changes made and significant accounting errors detected are applied retrospectively and the previous period financial statements are restated. If the changes in accounting estimates are for only one period, they are applied both in the current period when the change is made and both in the future when the change is made and in the future.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies, Accounting Estimates and Errors (Continued)

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

In accordance with the decision taken at the CMB meeting dated June 7, 2013 and numbered 20/670, examples of financial statements that entered into force as of the interim periods ending after 31 March 2014, and the usage guide have been published. In accordance with the mentioned examples, various classifications can be made in the consolidated financial statements of the Group.

2.3 Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include cash and bank deposits and short-term investments with high liquidity, the amount of which can be easily converted into cash, with a minimal risk of change in value and with maturity of three months or less (Note 4).

Financial Assets

The Group classifies its financial assets in three classes of financial assets: at fair value through profit or loss, at amortized cost and at fair value through other comprehensive income. The classification is based on the business model used by the entity for the management of financial assets and the contractual cash flows of the financial asset. The Group classifies its financial assets at the time of the purchase.

“Financial assets measured at amortized cost” are non-derivative financial assets held by a business model that aims to collect contractual cash flows and that have cash flows that include interest payments on principal dates and principal balances on certain dates under contractual terms. The Group's financial assets that are accounted for at amortized cost include “cash and cash equivalents”, “trade receivables” and “other receivables”. The related assets, with their fair values in the initial recognition of financial statements; in subsequent accounts, it is measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated statement of 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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

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 8). The Group calculates rediscount on its receivables over short term receivables less than one year.

In addition, the Group uses the provisioning matrix by selecting the simplified application for the impairment calculations of the trade receivables accounted at amortized cost value in the financial statements. With this application, in cases where the trade receivables are not impaired due to certain reasons, the expected credit loss provision is measured by an amount equal to the expected credit losses. In the calculation of the expected credit losses, the Group's future estimates are taken into consideration along with past loan loss experiences.

Finance Lease

As lessor

Leasing is classified as a financial lease, where most of the risks and gains of the property belong to the tenant and the right to purchase at the end of maturity is given to the lessee. The asset subject to financial leasing is shown as a net receivable equal to the investment subject to this transaction. Interest income is determined by calculating the present value of the total value of the lease payments and the unsecured residual value by calculating the discount rate that equals the fair value of the economic asset subject to lease, and the part not accrued in the relevant period is monitored in the unearned interest income account.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Lease Liabilities

The Group measures the lease obligation based on the present value of the lease payments, which were not paid on the date the lease actually started.

The lease payments included in the measurement of the lease obligation at the date of the lease actually consist of the following payments to be made for the right of use of the underlying asset during the lease period and not paid at the date when the lease actually started:

- (a) Fixed payments,
- (b) Variable rental payments based on an index or rate, made using an index or rate at the date when the first measurement was actually started,
- (c) Amounts expected to be paid by the Group within the scope of residual value commitments
- (d) The price of use of this option if the Group is reasonably sure that it will use the purchase option and
- (e) If the rental period indicates that the Group will use an option to terminate the lease, penalties for termination of the lease.

Variable lease payments that do not depend on an index or rate are recorded as expenses in the period when the event or condition that triggered the payment occurred.

In case the revised discount rate and the implicit interest rate in the lease can be easily determined for the remainder of the group lease period, this rate is; If it cannot be determined easily, it determines the alternative borrowing interest rate on the date of the Group's re-evaluation.

The group measures the lease obligation after the lease actually starts as follows:

- (a) Increases the carrying amount to reflect the interest on the lease obligation and
- (b) Reduces the carrying value to reflect the rent payments made.

In addition, if there is a change in lease duration, a change in substance of fixed lease payments or a change in the assessment of the option to purchase an underlying asset, the value of financial lease liabilities is re-measured.

Short-term leases and low-value leases

The Group applies its short-term lease registration exemption to short term machinery and equipment lease contracts (i.e. assets with a lease period of 12 months or less from the start date and without a purchase option). At the same time, it applies the exemption of accounting for low-value assets to office equipment, the rental value of which is considered to be low-value. Short term lease contracts and lease contracts of low value assets are recorded as expense according to the linear method during the lease period.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Right-of-use assets

The Group accounts for its right-of-use assets on the date the financial lease contract commences. The right-of-use assets are calculated by deducting the accumulated depreciation and impairment losses from the cost value. In case the financial leasing debts are revalued, this figure is corrected.

The cost of the right-of-use asset includes:

- (a) The first measurement of the lease obligation,
- (b) The amount obtained from all lease payments made before or before the lease actually started, by deducting all lease incentives received and
- (c) All initial costs incurred by the Group.

Unless the transfer of the ownership of the underlying asset to the Group is reasonably finalized at the end of the lease term, the Group depreciates its asset right to use until the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment assessment.

Trade payables

Trade payables have average maturities changing between 30 - 180 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 8).

Inventories

Inventories are valued at the lower of the net realizable value or cost value. The cost determination method is the monthly weighted average for all inventories, and work-in-process and finished goods take a share from the production costs. 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. Unusable inventories are removed from the records (Note 9).

Investment properties

Instead of being used in the production of goods and services or being sold for administrative purposes or during the normal course of business, the land and buildings held for the purpose of obtaining rent and / or capital gain or both are classified as investment properties and according to the cost method, the cost is minus accumulated depreciation values. (Note 11). The cost of an investment property bought consists of the purchase price and expenses that can be directly associated with this transaction. The average useful life of investment properties changes between ten (10) and fifty (50) years.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

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 non-refundable taxes consist of charges to make the tangible asset available.

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 13). 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 2020, 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 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 recording a provision. The recoverable value is considered either the net cash flow to be caused by the current use of the respective assets or the net sales price, whichever is higher.

Profit and loss resulting from the sale of fixed assets is determined as the difference between the amounts collected or to be collected and asset's carrying value reflected in the relevant profit or loss account in the current period.

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Intangible assets

Intangible assets are recorded at their acquisition costs. Except for the expenses incurred for the development of new vehicles that are planned to be produced within the Group, intangible assets cannot be capitalized and expenditures incurred during the period they occur. Intangible assets are amortized using the straight-line method based on their estimated useful lives. The activated development expenses are amortized by the straight-line method in line with the estimated useful life of the product after the commencement of commercial production. Intangible assets; the values they carry are reviewed in case the changes in the conditions and the events show that the carried value may decrease, and the required provision is set (Note 14).

Payments made in relation the Group’s share of assets in Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi (“Yalkim OSB”) are recorded under intangible assets.

Useful lives of use rights are determined as 3-24 years excluding land use fees.

Research and development costs

Research expenses are recorded on the date they occur. Apart from the project expenditures with the below mentioned criteria, expenditures for development are recorded as expense in the period they occur. Costs of development projects that meet the criteria mentioned below are accepted as development costs within the scope of TAS 38 “Intangible Assets” standard, they are capitalized and amortized by the straight-line method in accordance with the project life (Note 14).

- 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-company,
- 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.

Assets held for sale and related liabilities

Assets or liabilities held for sale refer to the main business field / activities / asset groups that are planned to be disposed of under a coordinated plan of management.

Fixed assets are classified as held for sale in cases where they will be recovered as a result of the sales transaction. Liabilities directly associated with these assets are grouped similarly.

Fixed assets or groups of assets those meet the classification criteria for sale are measured with the lower of the value found by deducting the sales costs from their fair value and the cost value. These assets are not subjected to depreciation or amortisation.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Revenue recognition

In accordance with TFRS 15 “Revenue from Customer Contracts Standard”, which entered into force as of 1 January 2018, the Group records revenue in its financial statements in line with the following basic principles:

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

Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

The Group recognizes a contract with its customer as revenue when all of the following conditions are met.

- a) ownership of the company's right to collect goods or services,
- b) the ownership of the legal property of the customer,
- c) transfer of possession of goods or services
- d) ownership of significant risks and rewards arising from ownership of the goods or services
- e) consider the terms of the customer's acceptance of the goods or service

The Group generate their major revenue from fiber and energy sales.

Income from sale of fibers

Revenue is recognized in the financial statements when the significant risks and rights of ownership of the goods or energy have transferred to the buyer. Revenue is calculated by deducting any discounts. Net sales are the invoiced value of the delivered goods less sales returns and discounts.

Income from sale of energy

The electricity sold is transmitted to the customer over transmission lines and the customer simultaneously consumes the benefit derived from the performance of the Group. Revenue from electricity sales is recognized at the time of delivery.

Interest income

Interest income is calculated on accrual basis by taking into consideration the effective interest rate and the effective interest rate within the remaining period to maturity.

If there is a significant financing element in revenue, the revenue value is determined by discounting the future collections with the interest rate included in the financing element. The difference is recognized in the related periods as other income from the operating activities on accrual basis (Note 23).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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

Cash flow hedge accounting

There is an effective cash flow protection relationship between the Company's foreign currency denominated long-term loans (non-derivative hedging instrument) and its likely future sales (hedged item).

In this context, the Company has defined its likely sales to be realized as "hedged item" within the scope of its policy of managing cash flows arising from exchange rate risk, by matching these sales with its long-term financial debts defined as "non-derivative hedging instrument" and started hedge accounting. In the context of this accounting, the discounted spot component of the long-term loans' principal payments (proportionate to effectiveness) foreign exchange losses/gains, which are defined as hedging instruments in a calendar period in accordance with the foreseeable budgets, is to be booked under Reserve of gains or losses on hedge in the Other Comprehensive Income Statement until the related sales are realized. When the sales are realized, the related foreign exchange gain / loss accumulated in the reserve is accounted under "foreign exchange income / expenses" in the income statement.

Bank borrowings

All bank loans are recorded over their fair values with reduced transaction costs. In the following periods, the effective interest rate method is valued at its discounted prices and the difference between the amount remaining after the transaction costs is deducted and the discounted cost value is reflected in the comprehensive income statement as financing cost during the loan period (Note 7). In case of need, the Group also performs early collection transactions in factoring practices against the cost of the receivable. This is an application parallel to the risk management practice in the form of recourse. Related amount is classified in financial liabilities and included in note explanations (Note 7).

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 occurred. Capitalized borrowing costs are presented as purchases of property, plant and equipment and intangibles in the consolidated statement of cash flow.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

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. It is considered that the carrying values of the trade receivables after the rediscount and doubtful receivables provision are deducted are close to 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. It is considered that the fair values of loans denote the value they carry, since the interest rates are updated by considering the changing market conditions. The fair values of the trade payables after deducting the provision for rediscount are considered to approximate the carrying value.

Employment 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.

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”.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Employment termination benefits (Continued)

Unused vacation rights

Liabilities arising from unused vacation rights are accrued in the periods in which they are entitled.

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 26).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

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 27).

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.

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 15).

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 15).

Offsetting

The financial assets and liabilities are reported on the balance sheet at the net amount if they have the same right and nature and will be paid or collected in net.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

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 Group performs goodwill impairment tests on December 31st of each year. Any impairment is not subsequently reversed. Gains/losses from the sale of business unit also include its carrying value of goodwill.

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. The Board of Directors has been determined as the competent authority to make decisions regarding the activities of the Company.

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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Segment reporting (Continued)

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 Holdings are reported under “fibers” segment (Note 6).

The support functions of industrial segments namely Financial Affairs, Human Resources and Management of Systems, Purchasing, Business 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

Derivative instruments are initially recognized at the acquisition cost reflecting the fair value on the date of the contract and are valued at their fair value in the following periods. The Group's derivative financial instruments mainly consist of forward foreign exchange contracts and interest rate swap transactions. While the derivative instruments provide effective protection against risks for the community economically, they are recognized as derivatives held for trading in consolidated financial statements where they do not meet the requirements for risk accounting and the fair value changes are reflected in the statement of profit or loss.

In addition, the Group's foreign currency purchase and sale transactions are accounted for as derivative financial instruments held for trading in consolidated financial statements due to the fact that they do not meet the requirements for risk accounting and the changes in the fair value of these derivative financial instruments are associated with 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 18).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

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 28).

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 operating 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 (3) months and which are subject to an insignificant risk of changes in value (Note 4).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

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 incentives that allow for the payment of discounted corporation tax within the scope of investment reduction exemption are evaluated within the scope of TAS 12 – "Income Tax" standard. The Company has used an incentive certificate within the scope of textile and chemical modernization in the current year. In this scope, the Group has benefited from reduced corporate tax, customs tax exemptions and VAT exemptions.

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. Estimates are regularly reviewed, necessary adjustments are made and reflected in the income statement of the period they occur.

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 15).

The Group makes various assumptions such as discount rate, inflation rate, real salary increase rate, and the possibility of leaving voluntarily in the calculation of severance pay liability. The effect arising from the changes in the current period in these assumptions has been recognized in the income statement in the current period. Assumptions used in calculating the liability are detailed in Note 16.

The doubtful receivables reflect the amounts that the Group management believes will cover the future losses of the receivables that exist as of the balance sheet date but which have the risk of not being collected within the framework of the current economic conditions. Regarding the receivables which have been the subject of the lawsuit, the Group management also evaluates the opinions of the legal counselors. While evaluating whether the receivables are impaired or not, the past performances of the borrowers other than the related institution and key customers, their credibility in the market and their performance from the balance sheet date to the approval date of the financial statements and the conditions under discussion are also taken into consideration. In addition, while determining the provision amount, besides the guarantees obtained as of the balance sheet date, collaterals acquired during the period until the approval date of the financial statements are also taken into consideration.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Critical Accounting Judgments, Estimates and Assumptions (Continued)

Regarding inventory impairment, inventories are physically analyzed, their availability is determined in line with the opinions of technical staff, and a provision is set for items that are not likely to be used. List sales prices are also used to determine the net realizable value of inventories and estimates are made for the sales expenses to be incurred. As a result of these studies, a provision is made for inventories with a net realizable value below the cost value.

b) 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.

c) Joint venture impairment analysis

The Company makes impairment analysis for its joint venture, DowAksa Holdings, using discounted cash flows. In these analyses, various assumptions are used regarding the future activities of the related company and the discount rates (Note 6).

d) Deferred tax assets and liabilities

Deferred tax assets and liabilities are recorded using tax rates that are largely used for temporary differences between the carrying values and bases of assets and liabilities. Based on the existing evidence, it has been evaluated that all or some of the deferred tax assets are likely to be converted into cash or not. Among the main factors considered, future income potential, losses accumulated from previous years, tax planning strategies to be implemented if necessary, the assumption that all of the Group's expenditures within the scope of investment incentive documents will be accepted in the incentive certificate closing approval. Also, the income nature is included in the incentive certificate.

2.5 Significant changes in the current period

The impact of COVID-19 (Coronavirus) pandemic to the Group's operations and financial results has been monitored and actions have been immediately taken for the Company to mitigate the impacts of the pandemic. In connection with the Covid-19 pandemic and parallel to the current conditions/slowdown in the global economy, there have been disruptions in the supply and sales processes and especially during the lockdowns the manufacturing capacity was reduced in April 2020. As of 26 June 2020, manufacturing capacity was gradually increased to regular operating levels with the increasing demand. In the meantime, the Group has taken measures for investment expenditures, stock optimization and for savings on operational and capital expenditures. As of 31 December 2020, in preparation of the consolidated financial statements, the Group has assessed the possible impacts of Covid-19 pandemic on the financial statements and reviewed the critical estimates and assumptions. Within this scope, the Group has tested the financial assets, inventories, tangible assets, goodwill and investment properties for a possible impairment and no impairments were identified.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Convenience Translation into English of Consolidated Financial Statements

The accounting principles described in Note 2.1 (defined as Turkish Financial Reporting Standards) to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

2.7 USD amounts presented in the financial statements

USD amounts shown in the consolidated statement of financial position prepared in accordance with the TFRS have been translated from TRY, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 December 2020 of TRY 7.3405 = USD1 and USD amounts shown in the consolidated statements of profit or loss and other comprehensive income and cash flow have been translated from TRY, as a matter of arithmetic computation only, at the average USD bid rate calculated from the official daily bid rates announced by the CBRT for the period ended 31 December 2020 of TRY 7.0034 = USD1, and do not form part of these consolidated financial statements. Amounts are stated in thousands of USD unless otherwise indicated.

NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

	1 January – 31 December 2020			Total
	Fibers	Energy	Other	
Total segment revenue (*)	3,875,216	213,255	21,386	4,109,857
Revenue from external customers	3,875,216	213,255	21,386	4,109,857
Adjusted EBITDA (**)	946,156	38,934	4,498	989,588
Unallocated corporate expenses (***)	-	-	-	(70,341)
EBITDA	-	-	-	919,247
Amortization and depreciation	(94,602)	(13,868)	(16,831)	(125,301)
Other operating income, net	-	-	-	32,332
Income from investment activities	-	-	-	6,742
Share of profit/(loss) of investment accounted for using equity method	7,508	-	-	7,508
Financial income/(expenses), net	-	-	-	(347,853)
Profit before tax				492,675

(*) Revenues for the Energy and Other segments of the Group consist of domestic sales, while overseas sales revenue is only included in the Fibers section.

(**) Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization ("Adjusted EBITDA"), is not a financial performance measurement published on TFRS and may not be comparable with the similar indicators defined by other companies.

(***) Unallocated corporate expenses consists of unallocated parts of general administrative expenses for the period between 1 January – 31 December 2020.

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NOTE 3 - SEGMENT REPORTING (Continued)

	1 January – 31 December 2020			
	Fibers	Energy	Other	Total
Purchase of property, plant and equipment and intangibles	233,542	25,035	127,412	385,989
				31 December 2020
Total segment assets	2,665,058	497,622	-	3,162,680
Investments accounted for using equity method	388,529	-	-	388,529
Unallocated corporate assets	-	-	1,374,803	1,374,803
Total assets	3,053,587	497,622	1,374,803	4,926,012
Total segment liabilities	1,710,356	9,217	-	1,719,573
Unallocated corporate liabilities	-	-	1,340,279	1,340,279
Total liabilities	1,710,356	9,217	1,340,279	3,059,852
	1 January – 31 December 2019			
	Fibers	Energy	Other	Total
Total segment revenue	3,424,450	194,854	26,596	3,645,900
Revenue from external customers	3,424,450	194,854	26,596	3,645,900
Adjusted EBITDA	594,236	31,332	3,081	628,649
Unallocated corporate expenses (*)	-	-	-	(55,048)
EBITDA	-	-	-	573,601
Amortization and depreciation	(85,836)	(15,032)	(10,430)	(111,298)
Other income from operating activities, net	-	-	-	33,783
Income from investment activities	-	-	-	6,980
Share of profit/(loss) of investment accounted for using equity method	(18,986)	-	-	(18,986)
Finance income/(expense), net	-	-	-	(136,528)
Profit before tax				347,552

(*) Unallocated corporate expenses consists of unallocated parts of general administrative expenses for the period between 1 January - 31 December 2019.

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NOTE 3 - SEGMENT REPORTING (Continued)

	1 January – 31 December 2019			Total
	Fibers	Energy	Other	
Purchase of property, plant and equipment and intangibles	106,419	40,310	8,298	155,027
31 December 2019				
Total segment assets	2,374,584	546,256	-	2,920,840
Investments accounted for using equity method	302,846	-	-	302,846
Unallocated corporate assets	-	-	964,235	964,235
Total assets	2,677,430	546,256	964,235	4,187,921
Total segment liabilities	1,736,590	7,389	-	1,743,979
Unallocated corporate liabilities	-	-	908,722	908,722
Total liabilities	1,736,590	7,389	908,722	2,652,701

Segment Assets

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

	31 December 2020	31 December 2019
Reportable segment assets	3,551,209	3,223,686
Cash and cash equivalents	906,204	635,091
Financial investments	37,261	20,173
Derivative financial assets	-	646
Right of use assets	3,696	5,298
Other assets	117,707	106,138
Property, plants and equipment and intangibles	307,671	196,889
Deferred tax assets	2,264	-
Total assets	4,926,012	4,187,921

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NOTE 3 - SEGMENT REPORTING (Continued)

Segment Liabilities

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

	31 December 2020	31 December 2019
Reportable segment liabilities	1,719,573	1,743,979
Borrowings	1,213,401	855,406
Lease liabilities	4,499	5,832
Derivative financial liabilities	66,067	-
Other payables	1,505	1,186
Other short-term provisions	100	714
Current income tax liability	21,230	6,198
Provision for employee benefits	33,152	17,067
Liabilities for employee benefits	4,825	4,072
Deferred tax liabilities	-	18,247
Total liabilities	3,059,852	2,652,701

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	31 December 2020	31 December 2019
Cash	88	145
Bank		
Demand deposit (TRY)	1,287	1,396
Foreign currency demand deposit	20,796	11,071
Time deposits (TRY)	86,624	140,508
Foreign currency time deposit	797,409	481,971
Total	906,204	635,091

As of 31 December 2020, the maturity of time deposits are less than three months and weighted average effective interest rates on TRY denominated time deposits are 18% (31 December 2019: 11.23%), 3.12% for USD denominated time deposits (31 December 2019: USD1.83%) and 1.50% for EUR denominated time deposits (31 December 2019: EUR0.19%) respectively.

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

The cash and cash equivalents included in the consolidated cash flow statement by years are as follows:

	31 December 2020	31 December 2019	31 December 2018
Cash and cash equivalents	906,204	635,091	837,838
Less: Interest accrual	(1,214)	(61)	(3,100)
Cash and cash equivalents, net	904,990	635,030	834,738

NOTE 5 - FINANCIAL INVESTMENTS

Financial Investments Held to Maturity

	31 December 2020		31 December 2019	
	Simple annual interest rate %	TRY	Simple annual interest rate %	TRY
Financial investments held to maturity				
- Less than one (1) year (TRY)	19.27	20,243	-	-
- Less than one (1) year (USD)	5.38	17,018	-	-
- Longer than one (1) year (TRY)	-	-	15.96	20,173

As of the balance sheet date, the Group has invested in corporate bonds with a maturity date of 8 September 2021, coupon payments at a floating rate TRLIBOR+300, in every three (3) months amounting to TRY20,000 and Turkish Eximbank's Eurobonds with a fixed interest rate of 5.375% every six (6) months with a maturity of 8 February 2021.

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NOTE 6 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Joint Ventures

	31 December 2020	31 December 2019
DowAksa Holdings	388,529	302,846

Summarized financial information of DowAksa Holding is presented below:

	31 December 2020	31 December 2019
Current assets	631,503	542,138
Non-current assets	1,506,505	1,260,421
Total Assets	2,138,008	1,802,559
Short-term liabilities	501,642	400,321
Long-term liabilities	859,308	796,546
Equity	777,058	605,692
Total Liabilities	2,138,008	1,802,559
Equity corresponding to Group's shares of 50%	388,529	302,846
	2020	2019
Revenue	585,566	370,081
Net profit/(loss)	15,016	(37,972)
Net profit/(loss) corresponding to Group's shares of 50%	7,508	(18,986)

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

	2020	2019
1 January	302,846	286,658
Net profit/(loss) corresponding to Group's shares of 50%	7,508	(18,986)
Currency translation differences	77,253	35,224
Gains/(losses) on remeasurements of defined benefit plans	922	(50)
31 December	388,529	302,846

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NOTE 6 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

Impairment test

As of 31 December 2020, the Company has made an impairment analysis for the value of its joint venture DowAksa Holdings, based on the financial estimates and discounted cash flow methodology prepared in US dollars, which includes a 5-year period between 2021 and 2025. The Company foresees that a five-year analysis is appropriate in evaluating the operational results and forward estimates in its sector and bases the impairment test on five-year budgets.

The weighted average capital cost is 11.4%, the tax rate is 4% and long-term growth rate 2.2%, which is one of the main assumptions used by the Company in the related impairment analysis, and sensitivity analysis is applied to the related assumptions.

EBITDA growth forecast

In the original assumption, the tax rate is 4%. When assuming that the relevant ratio is 20%, the recoverable amount is calculated 39% higher than the book value of DowAksa Holdings and no provision for impairment is required.

Long-term growth rate

In the original assumption, if the long-term growth rate of 2.2% is accepted as 1.2%, the recoverable amount is higher with 21% than the book value of DowAksa Holdings and no provision for impairment is required.

Wacc ratio

In the original assumption, if the wacc ratio of 11.4% is accepted as 12.4%, the recoverable amount is higher with 11% than the book value of DowAksa Holdings and no provision for impairment is required.

NOTE 7 - BORROWINGS

Group's financial liabilities are as follows:

	31 December 2020	31 December 2019
Short-term bank borrowings	511,554	855,406
Short-term portion of long-term bank borrowings	197,330	217,816
Lease liabilities	6,817	2,207
Total short-term borrowings	715,701	1,075,429
Long-term bank borrowings	1,149,230	505,382
Lease liabilities	35,166	13,378
Total long-term borrowings	1,184,396	518,760
Total borrowings	1,900,097	1,594,189

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NOTE 7 - BORROWINGS (Continued)

Bank Borrowings

	31 December 2020		31 December 2019	
	Annual weighted average effective interest rate (%)	TRY	Annual weighted average effective interest rate (%)	TRY
a) Short-term bank borrowings:				
TRY borrowings	10.24	527,616	19.75	121,946
USD borrowings		-	3.47	742,526
Prepaid interest		(16,062)		(9,066)
Total short-term bank borrowings		511,554		855,406
b) Short-term portion of long-term bank borrowings:				
USD borrowings	3.23	137,882	4.08	112,252
EUR borrowings	3.15	59,448	2.48	105,564
Lease liabilities		6,817		2,207
Total short-term portion of long-term bank borrowings		204,147		220,023
Total short-term borrowings		715,701		1,075,429
c) Long-term bank borrowings:				
USD borrowings	2.67	942,867	4.70	309,491
EUR borrowings	3.15	206,363	3.15	195,891
Lease liabilities		35,166		13,378
Total long-term borrowings		1,184,396		518,760

The Group does not have a contractual breach in relation to its borrowings.

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

	31 December 2020		31 December 2019	
	Fair value	Book value	Fair value	Book value
USD borrowings (*)	960,964	942,867	350,526	309,491
EUR borrowings	223,666	206,363	211,826	195,891

(*) Loans using derivative instruments for hedging are calculated by considering swap interest rates.

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NOTE 7 - BORROWINGS (Continued)

According to the contractual terms, the maturity distribution of the financial borrowings of the Group are as follows:

	31 December 2020	31 December 2019
Less than 3 months	339,773	472,684
Between 3-12 months	375,928	602,745
Between 1-2 years	832,733	156,163
Between 2-3 years	134,819	101,606
Between 3-4 years	134,260	100,833
4 years and longer	82,584	160,158
	1,900,097	1,594,189

Movement of borrowing for the years 2020 and 2019 as follows;

	2020	2019
1 January	1,594,189	1,900,858
Additions	1,836,378	1,255,834
Principal payments	(1,756,522)	(1,684,438)
Change in lease liabilities	26,981	17,350
Change in interest accrual	3,297	1,432
Currency translation differences	195,774	103,153
31 December	1,900,097	1,594,189

Movement of lease liabilities for the years 2020 and 2019 as follows;

31 December 2020	Site Rents	Buildings	Vehicles	Total
1 January	9,676	1,443	4,466	15,585
Additions	1,383	115	25,483	26,981
Interest expenses	2,566	353	1,015	3,934
Payments	(2,567)	(670)	(5,689)	(8,926)
Currency translation differences	-	-	4,409	4,409
31 December 2020	11,058	1,241	29,684	41,983

31 December 2019	Site Rents	Buildings	Vehicles	Total
1 January	-	-	-	-
Effect of change in accounting policies	9,547	1,331	2,761	13,639
Additions	134	246	3,331	3,711
Interest expenses	2,563	308	866	3,737
Payments	(2,568)	(442)	(2,492)	(5,502)
31 December 2019	9,676	1,443	4,466	15,585

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

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

a) Short-term trade receivables:

	31 December 2020	31 December 2019
Trade receivables	338,989	326,667
Notes receivable and cheques	107,236	190,137
Less: Provision for doubtful receivables	(18,819)	(46,663)
Less: Unearned finance income on credit sales	(1,978)	(3,055)
Total short-term trade receivables, net	425,428	467,086

b) Long-term trade receivables:

Long-term trade receivables	123,430	84,814
Notes receivables and cheques	57,102	49,027
Less: Unearned finance income on credit sales	(1,455)	(3,836)
Less: Provision for doubtful receivables	(77,440)	-
Total long-term trade receivables, net	101,637	130,005

As of 31 December 2020, trade receivables which are denominated in TRY and foreign currency have an average maturity of 90 days (31 December 2019: 110 days) and they are discounted with an average annual interest rate of 2.4% (31 December 2019: 3.7%).

The movements of the provision for doubtful trade receivables during the periods ending on 31 December 2020 and 2019 are as follows:

	2020	2019
1 January	46,663	27,681
Provisions collected during the period	(523)	(239)
Provisions during the period (Note 23)	52,699	28,086
Written-off provisions	(2,580)	(8,865)
31 December	96,259	46,663

Explanations about the nature and level of risks in trade receivables are provided in Note 29 Credit Risk section.

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

c) Short-term trade payables:

	31 December 2020	31 December 2019
Suppliers	709,960	880,405
Less: Unaccrued finance costs on credit purchases (-)	(2,827)	(2,657)
Total	707,133	877,748

As of 31 December 2020, trade payables which are denominated in TRY and foreign currency have an average maturity of 3 months (31 December 2019: 3 months) and they are discounted with an average annual interest rate of 2.4% (31 December 2019: 3%) in US dollars.

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

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

a) Short-term other receivables:

	31 December 2020	31 December 2019
Deposits and guarantees given	716	2,211

b) Short-term other payables:

	31 December 2020	31 December 2019
Taxes and funds payable	706	497
Other	799	689
Total	1,505	1,186

NOTE 10 - INVENTORIES

	31 December 2020	31 December 2019
Raw materials and supplies	177,307	131,582
Work in progress	31,337	23,770
Finished goods	140,103	167,779
Goods in transit	244,505	319,292
Other inventories and spare parts	40,906	35,576
Less: Provision for impairment of inventories	(3,191)	(5,697)
Total	630,967	672,302

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NOTE 10 – INVENTORIES (Continued)

Provision for inventory impairment is related to raw materials, spare parts and finished goods.

As of 31 December 2020 and 2019, the Group has included movements in the amount of impairment in inventory to cost of goods sold. (Due the increase in the costs of the inventories, inventory impairment resulted with decrease).

As of 31 December 2020 and 2019, the Group has insurance on all of its inventories.

As of current period, the cost of raw material and goods are shown in Note 21.

The movements of the provision for impairment of inventories for the periods ending on 31 December 2020 and 2019 are as follows:

	2020	2019
1 January	5,697	12,281
Provisions (cancelled/reversed) during the period	(2,506)	(6,584)
31 December	3,191	5,697

NOTE 11 - INVESTMENT PROPERTIES

	1 January 2020	Additions	Transfers (*)	31 December 2020
Cost				
Land and buildings	47,509	93,214	(93,214)	47,509
Independent units	3,091	-	-	3,091
	50,600	93,214	(93,214)	50,600
Accumulated depreciation				
Land and buildings	5,147	3,052	(1,864)	6,335
Independent units	2,082	73	-	2,155
	7,229	3,125	(1,864)	8,490
Net book value	43,371			42,110

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NOTE 11 - INVESTMENT PROPERTIES (Continued)

	1 January 2019	Additions	Transfers (*)	31 December 2019
Cost				
Land and buildings	47,509	-	-	47,509
Independent units	3,091	-	-	3,091
	50,600	-	-	50,600
Accumulated depreciation				
Land and buildings	3,959	1,188	-	5,147
Independent units	2,010	72	-	2,082
	5,969	1,260	-	7,229
Net book value	44,631			43,371

(*) Transfers are related to assets held for sale.

Current year depreciation expense of investment properties are classified under general administrative expenses.

Land and Buildings

Comprise land and buildings located at the city of Çiftlikköy/Yalova, Denizçalı Köyü, Taşköprü Mevkii, Yalkim OSB, on Yalova-İzmit highway at city block no: 151, no: 6 and 7. The fair value of the investment properties is TRY95,840 (31 December 2019: TRY81,900) according to the report received from the independent valuation institution and it is rented with a monthly price of TRY164 (31 December 2019: TRY147)

Independent Units

Comprise of offices of the Company located at Gümüşsuyu and Maçka. According to the valuation report dated 31 December 2020, the fair value of the units is TRY31,350 (31 December 2019: TRY28,920) and it provides rent income amounting to TRY129 (31 December 2019: TRY118) per month.

As of 31 December 2020, rent income from investment properties has been disclosed as income from investment activities and is amounting to TRY4,282 (31 December 2019: TRY4,042).

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NOTE 12 - RIGHT-OF-USE ASSETS

As of 31 December 2020 and 2019, the movement of right-of-use assets are as follows:

31 December 2020	Site Rent	Buildings	Vehicles	Total
Cost				
Balance at 1 January 2020	9,681	1,577	6,085	17,343
Additions	-	-	25,459	25,459
Rental condition changes	1,383	115	24	1,522
	11,064	1,692	31,568	44,324
Accumulated Depreciation				
Balance at 1 January 2020	(244)	(287)	(2,008)	(2,539)
Charge for the period	(279)	(341)	(4,924)	(5,544)
	(523)	(628)	(6,932)	(8,083)
Net book value	10,541	1,064	24,636	36,241
31 December 2019	Field leases	Buildings	Vehicles	Total
Cost				
Balance at 1 January 2019	-	-	-	-
Effect of change in accounting policies	9,547	1,331	2,761	13,639
Rental condition changes	-	246	-	246
Additions	134	-	3,331	3,465
Disposals	-	-	(7)	(7)
	9,681	1,577	6,085	17,343
Accumulated Depreciation				
Balance at 1 January 2019	-	-	-	-
Charge for the period	(244)	(287)	(2,008)	(2,539)
Net book value	9,437	1,290	4,077	14,804

Depreciation expense for the current period amounting to TRY5,204 (31 December 2019: TRY2,253) are recognized in cost of goods sold, TRY323 (31 December 2019: TRY269) are recognized in general administrative expenses and TRY17 (31 December 2019: TRY17) are recognized in marketing expenses.

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2020
Cost						
Land	104,949	-	(206)	-	429	105,172
Land improvements	134,425	-	-	26,823	-	161,248
Buildings	257,709	-	(28)	372	1,505	259,558
Machinery and equipment	1,718,618	5,222	(450)	88,439	2,997	1,814,826
Motor vehicles	1,809	540	(291)	-	169	2,227
Furniture and fixture	80,410	3,252	(168)	1,263	102	84,859
Construction in progress	154,806	287,894	-	(116,938)	-	325,762
	2,452,726	296,908	(1,143)	(41)	5,202	2,753,652
Accumulated depreciation						
Land improvements	59,112	5,507	-	-	-	64,619
Buildings	69,110	6,627	(8)	-	731	76,460
Machinery and equipment	886,634	93,640	(377)	-	2,090	981,987
Motor vehicles	1,230	222	(243)	-	129	1,338
Furniture and fixture	46,737	5,835	(150)	-	90	52,512
	1,062,823	111,831	(778)	-	3,040	1,176,916
Net book value	1,389,903					1,576,736

(*) Transfers amounting to TRY41 are associated with intangible assets.

There is a net financing cost of TRY52,652 capitalized as a result of the exchange difference expenses and interest costs incurred by investment loans used in the period of 1 January - 31 December, 2020.

Depreciation expense for the current period amounting to TRY108,765 are recognized in cost of goods sold, TRY504 are recognized in research and development expenses, TRY1,958 are recognized in general administrative expenses, TRY45 are recognized in marketing expenses, TRY539 are recognized in construction in progress as the projects which has not completed and TRY20 are recognized in inventories.

As of 31 December 2020, there is no collateral, pledge and mortgage on property, plant and equipment. At the date of reporting, Group’s property, plants and equipment is insured for TRY4,5 billion.

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2019	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2019
Cost						
Land	105,084	-	(475)	-	340	104,949
Land improvements	123,378	543	-	10,504	-	134,425
Buildings	248,653	24	-	7,839	1,193	257,709
Machinery and equipment	1,638,363	5,040	(1,860)	74,694	2,381	1,718,618
Motor vehicles	1,600	222	(167)	-	154	1,809
Furniture and fixtures	76,136	835	(131)	3,493	77	80,410
Construction in progress	92,201	159,386	-	(96,781)	-	154,806
	2,285,415	166,050	(2,633)	(251)	4,145	2,452,726
Accumulated depreciation						
Land improvements	54,466	4,646	-	-	-	59,112
Buildings	62,169	6,409	-	-	532	69,110
Machinery and equipment	798,237	88,578	(1,722)	-	1,541	886,634
Motor vehicles	1,066	228	(167)	-	103	1,230
Furniture and fixtures	40,945	5,799	(75)	-	68	46,737
	956,883	105,660	(1,964)	-	2,244	1,062,823
Net book value	1,328,532					1,389,903

(*) Transfers amounting to TRY251 are associated with intangible assets

There is a net financing cost of TRY27,045 capitalized as a result of the exchange difference expenses and interest costs incurred by investment loans used in the period of 1 January – 1 December 2019.

Depreciation expense for the current period amounting to TRY100,393 are recognized in cost of goods sold, TRY521 are recognized in research and development expenses, TRY1,901 are recognized in general administrative expenses, TRY25 are recognized in marketing expenses, TRY565 are recognized in construction in progress as the projects which has not completed and TRY2,255 are recognized in inventories.

As of 31 December 2019, there is no collateral, pledge and mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for TRY3,6 billion.

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NOTE 14 - INTANGIBLE ASSETS

	1 January 2020	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2020
Cost						
Rights	66,364	7,822	(11)	-	506	74,681
Development cost	28,365	9,807	-	-	-	38,172
Other intangible assets	7,713	-	-	41	-	7,754
	102,442	17,629	(11)	41	506	120,607
Accumulated depreciation						
Rights	10,665	2,731	(11)	-	437	13,822
Development cost	12,474	1,992	-	-	-	14,466
Other intangible assets	6,897	637	-	-	-	7,534
	30,036	5,360	(11)	-	437	35,822
Net book value	72,406					84,785
	1 January 2019	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2019
Cost						
Rights	59,840	6,147	-	-	377	66,364
Development cost	22,514	5,851	-	-	-	28,365
Other intangible assets	7,462	-	-	251	-	7,713
	89,816	11,998	-	251	377	102,442
Accumulated depreciation						
Rights	8,065	2,286	-	-	314	10,665
Development cost	10,782	1,692	-	-	-	12,474
Other intangible assets	6,216	681	-	-	-	6,897
	25,063	4,659	-	-	314	30,036
Net book value	64,753					72,406

(*) Transfers amounting to TRY41 are related to tangible assets (2019: TRY251).

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NOTE 14 - INTANGIBLE ASSETS (Continued)

Amortization expenses for the period ended 31 December 2020 amounting to TRY1,996 (2019: TRY1,919) are recognized in cost of goods sold, TRY1,993 (2019: TRY1,694) are recognized in research and development expenses, TRY1,322 (2019: TRY1,008) are recognized in general administrative expenses, TRY49 (2019: TRY38) are recognized in marketing expenses.

Goodwill

As of 31 December 2020, the goodwill balance with the carrying amount of TRY5,989 (2019: TRY5,989) resulted from the acquisition of 50% shares of Ak-Tops Tekstil Sanayi A.Ş. during 2007.

There is no impairment in the goodwill's book value.

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	31 December 2020	31 December 2019
Provision for litigation	100	714

Contingent assets and liabilities are as follows:

- a) The details of commitments, guarantees, pledges and mortgages given to third parties by the Group are as follows:

	31 December 2020	31 December 2019
Letters of credit commitments	818,739	556,050
Letters of guarantees given	422,128	347,249
Total	1,240,867	903,299

Letters of guarantees given are mainly consist of raw material purchases.

- b) Guarantee letters received for trade receivables are as follows:

	31 December 2020	31 December 2019
Credit insurance limits	740,394	573,765
Mortgages received	139,552	124,486
Confirmed/unconfirmed letters of credit	89,989	25,597
Guarantee cheques and notes received	65,320	104,922
Share pledges	44,605	118,804
Limits of direct debiting system ("DDS")	9,510	11,999
Guarantee letters received	3,537	3,130
Total	1,092,907	962,703

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NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Collaterals, Pledges and Mortgages given by the Group ("CPM"):

	31 December 2020	31 December 2019
A. CPM given on behalf of the Group's legal personality	1,240,867	903,299
-USD	1,193,880	757,501
-EUR	30,086	125,196
-TRY	16,901	20,602
-Other	-	-
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
- USD	-	-
D. Total amount of other CPM given	-	-
i) Total amount of CPM given on behalf of the parent company	-	-
ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
Total	1,240,867	903,299

As of 31 December 2020, the ratio of other CPMs' given by the Company (D) to equity is 0% (31 December 2019: 0%).

NOTE 16 - EMPLOYEE BENEFIT OBLIGATIONS

Payables for employee benefit obligations	31 December 2020	31 December 2019
Social security premiums payable	4,817	4,051
Payables to employees	8	21
Total	4,825	4,072
Current provisions for employee benefits	31 December 2020	31 December 2019
Provision for performance premium	26,500	12,000
Provision for unused vacation rights	2,596	1,103
Total	29,096	13,103

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NOTE 16 - EMPLOYEE BENEFIT OBLIGATIONS (Continued)

Non-current provisions for employee benefits	31 December 2020	31 December 2019
Provision for employment termination benefits and seniority incentive	38,972	30,780

Provision for employment termination benefits

Employment 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 liability for employment termination benefits is not legally subjected to any funding and there is no condition for funding.

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 2020	31 December 2019
Discount rate (%)	4.70	4.96
Probability of retirement (%)	98.27	98.25

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 TRY7.639 effective from 1 January 2021 (1 January 2020: TRY6.730) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the provision for employment termination benefits and seniority incentive are as follows:

	2020	2019
1 January	30,780	22,179
Service cost	3,315	3,183
Interest cost	1,450	1,100
Payments	(1,683)	(3,662)
Actuarial gain	5,110	7,980
Balances as of 31 December	38,972	30,780

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NOTE 16 - EMPLOYEE BENEFIT OBLIGATIONS (Continued)

As of 31 December 2020 and 2019 the sensitivity analysis of employment termination benefits is as follows:

	0.5% decrease	0.5% increase
Discount rate	3,165	(2,859)
Probability of retirement	(1,117)	1,183
Change in employee termination benefits	2,048	(1,676)

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2020	31 December 2019
Value Added Taxes ("VAT") receivables	123,179	106,028
Other	11	251
Total	123,190	106,279

b) Short-term prepayments

	31 December 2020	31 December 2019
Advances given	28,774	23,829
Prepaid expenses	5,520	4,749
Total	34,294	28,578

c) Long-term prepayments

	31 December 2020	31 December 2019
Advances given for purchase of property, plant and equipment	33,562	28,253
Prepaid expenses	169	89
Total	33,731	28,342

d) Deferred income:

	31 December 2020	31 December 2019
Order advances received	169,609	8,026
Deferred revenue	46,503	46,740
Total	216,112	54,766

e) Other long-term liabilities:

	31 December 2020	31 December 2019
Deposits and guarantees received	18,034	13,318

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NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Derivatives used for hedging	-	63,845	646	-
Held for trading	-	2,222	-	-

Derivatives used for hedging:

	31 December 2020		31 December 2019	
	Contract amount	Fair value Liability	Contract amount	Fair value Asset amount
	USD (thousand)	TRY	USD (thousand)	TRY
Interest rate swaps	43,671	666	13,333	646
Cross currency swaps	23,582	31,080	-	-
Total	67,253	31,746	13,333	646

	31 December 2020		31 December 2019	
	Contract amount	Fair Value Liability	Contract amount	Fair value Asset amount
	EUR (thousand)	TRY	EUR (thousand)	TRY
Cross currency swaps	15,106	32,099	-	-

Derivative financial instruments are initially recognized at their acquisition cost and re-measured at their fair value in the following periods and the Group implement this policy. The derivative financial instruments of the Group mainly consist of cross currency forward swaps and interest rate swap instruments.

At the date of the derivative contract, the Group determines that there are transactions that provide hedging against changes in cash flows arising from a certain risk and that may affect profit / loss (cash flow hedges) for a registered asset or liability or transactions that may be associated with a certain risk and are likely to occur.

These derivative financial instruments are recognized as derivative financial instruments for hedging purposes in the consolidated financial statements, since they provide effective protection against risks for the Group and meet the necessary conditions in terms of risk accounting.

If the hedging instrument fails to meet the terms of the hedge accounting, selling, expiring, or if one of the promised or probable future transactions is not expected to occur, the contractual or probable future transaction will be the hedging instrument continues to be classified separately under equity. When the committed or probable future transaction is realized or predicted future transaction will not to be happen, it is recognized in profit or loss and the accumulated gains or losses related to the transaction are reflected to the consolidated financial statements as profit or loss.

As of 31 December 2020, fixed interest rates are 0,325% and 1.13% (31 December 2019: 1.13% and 1.35%). The Group's main floating interest rates are EURIBOR and LIBOR.

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NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative financial instruments held for trading:

The Group is able to make option contracts regarding to foreign exchange trading transactions in accordance with its risk policies. The mentioned option transactions are accounted 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 2020		31 December 2019	
	Contract amount (thousand)	Fair value Liability TRY	Contract amount (thousand)	Fair value Asset amount TRY
Foreign exchange transactions				
- USD	3,000	2,222	-	-

NOTE 19 - ASSETS HELD FOR SALE

Assets held for sale summary information is as follows:

	31 December 2020
Cost	93,214
Accumulated depreciation	(1,864)
Net book value	91,350

Assets held for sale consist of land and buildings registered in Merkez Efendi Mahallesi 2953 island 25 parcel, Zeytinburnu, Istanbul. The related asset is held for sale. According to the valuation report dated 31 December 2020, the fair value is TRY94,100.

NOTE 20 - EQUITY

Aksa has adopted the registered share capital system applicable to companies registered on the Capital Markets Board and set a limit on its registered share capital representing type of registered shares with a nominal value of Kr 1. As of 31 December 2020 and 2019, the historical, authorized and issued capital of Aksa is presented below:

	31 December 2020	31 December 2019
Limit on registered share capital	425,000	425,000
Issued share capital	323,750	185,000

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NOTE 20 - EQUITY (Continued)

The Group’s shareholders and their respective shareholding structure as follows:

	Share %	31 December 2020	Share %	31 December 2019
Akkök Holding	39.59	128,166	39.59	73,237
Emniyet Ticaret ve Sanayi A.Ş.	18.82	60,942	18.72	34,638
Other	41.59	134,642	41.69	77,125
	100.00	323,750	100.00	185,000
Adjustments on capital		56,469		195,175
Share premium		-		44
Total paid-in share capital		380,219		380,219
Treasury shares		(6,666)		(34,106)

The Company has 32.375.000.000 shares (31 December 2019: 18.500.000.000) with a nominal value of 1 Kr (31 December 2019: 1 Kr). 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. As of 14 February 2020, the Company has completed capital increase by bonus, share issue and the paid-up capital has reached to TRY 323.750.

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 favorable measures to manage its results

In accordance with TAS, the Company has to classify the above-mentioned amounts under “Restricted reserves”, the amount of restricted reserves is TRY214,787 as of 31 December 2020 (31 December 2019: TRY179,838). This amount fully consists of legal reserves.

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.

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NOTE 20 - EQUITY (Continued)

"Paid in Capital", "Restricted Reserves" and "Share Premiums" shall be disclosed by their statutory amounts in accordance with the Communiqué on the Principles of Financial Reporting in Capital Markets (numbered II-14.1) and CMB announcements. During the implementation of the relevant communiqué, differences in valuations (such as differences arising from inflation adjustment):

- 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 totals are being demonstrated as they are valued according to CMB's and TAS's statements.

Capital adjustment differences have no use other than complementing the capital.

Dividend distribution

Regarding the dividend distribution, the entities have 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, to prepare and publicly announce the amount of net distributable profit is regulated for Companies which are obligated to prepare consolidated financial statements under CMB policies in accordance with CMB Communiqué No. II -14.1. It is also regulated that the Companies are required to calculate the net profit for the period with considering the consolidated financial statements as long as the net profit can be provided from legal sources.

In the case of making decision on dividend payment, dividend is paid in cash or is distributed as "bonus shares" to shareholders by adding dividend to capital or distributed cash and bonus shares in certain amounts according to the decision that is taken by the general assembly of the company.

In the ordinary general meeting of the Group dated 1 April 2020, in accordance with the Turkish Commercial Code and the Company's Articles of Association, the distributable profit of 2019 is amounting to TRY34,949. The Group decided to account Legal Reserves and to pay TRY239,575 (2019: TRY204,703) of the gross profit share (TRY0.74 per share). Dividend payments were completed on 9 April 2020.

Treasury shares

In accordance with the decision taken by the Board of Directors on 9 May 2018, a treasury share buyback process was initiated. In scope of treasury share buyback process, the 3,675,059 shares corresponding to 1.99% of the Company's capital were repurchased with TRY38,027, until 31 December 2019. Financing of treasury shares was provided by the Company's internal resources. As of 23 January 2020, all of the treasury shares were sold each to TRY 13.87, and excluding dividends, TRY 12,947 profit recognized. The related amount and dividend paid for owned shares by the Company with TRY 16,868 have been recognized under equity.

The 1,930,939 shares, which corresponding to 0,60% of the Company's capital were repurchased for TRY 12,171, until 31 December 2020.

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NOTE 20 - EQUITY (Continued)

TRY774,833 treasury shares sold at a price of TRY 8.00-8.18 on 8 July 2020 and TRY 1,637 profit recognised. As of report date, the 1,156,106 treasury shares corresponding to 0,36% of the company's capital costing to TRY7,557 (31 December 2019: 3,675,059) purchased with TRY38,027. Dividends paid to treasury shares of the Company has been accounted under treasury shares in 2020 with TRY891 (31 December 2019: 3,921 TL).

NOTE 21 - REVENUE AND COST OF SALES

Sales and cost of goods sold for the years ended 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Domestic sales	2,890,841	2,220,224
Export sales	1,415,500	1,562,514
Less: Sales returns	(4,314)	(1,875)
Less: Sales discounts	(192,170)	(134,963)
Net sales income	4,109,857	3,645,900
Cost of sales (-)	(3,141,662)	(3,025,933)
Gross profit	968,195	619,967

NOTE 22 - 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 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Raw materials and goods	2,734,922	2,693,061
Employee benefit expenses	189,379	151,120
Depreciation and amortization	125,301	111,298
Consumable materials	65,747	48,420
Commission expenses	36,478	45,093
Maintenance, repair and cleaning expenses	32,091	24,854
Export expenses	28,298	24,932
Information technologies expense	14,540	10,567
Insurance expenses	9,235	8,272
Consultancy expenses	8,580	6,835
Rent expenses	3,202	5,079
Other	68,138	54,066
Total	3,315,911	3,183,597

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NOTE 23 - OTHER OPERATING INCOME/(EXPENSE)

Other operating income for the years ended at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Foreign exchange gains	293,015	166,941
Interest income on credit sales	23,124	31,316
Gain on sale of scraps	4,404	4,322
Other	988	2,874
Total	321,531	205,453

Other operating expenses for the years ended at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Foreign exchange loss	226,038	129,914
Provision for doubtful receivables (Note 8)	52,699	28,086
Interest expense from credit purchases	8,727	12,183
Other	1,735	1,487
Total	289,199	171,670

NOTE 24 - INCOME FROM INVESTMENT ACTIVITIES

Income from investment activities for the years ended at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Rent income	4,827	4,424
Income from fixed asset sales	1,915	2,556
Total	6,742	6,980

NOTE 25 - FINANCIAL INCOME/(COSTS)

Finance income for the years ended at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Foreign exchange gains	311,587	246,089
Interest income	23,126	35,151
Total	334,713	281,240

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NOTE 25 - FINANCIAL INCOME/(COSTS) (Continued)

Financial costs for the years ended at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Foreign exchange expense	603,105	347,019
Interest and commission expenses	79,461	70,749
Total	682,566	417,768

NOTE 26 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Current income tax expense	(73,999)	(61,369)
Deferred tax income/(expense), net	21,277	(8,501)
Total tax (expense)/income	(52,722)	(69,870)

Corporate Tax

The Group is subject to corporate tax valid in Turkey. Tax liability provisions are determined in accordance with the current year financial activities.

The corporate tax rate in Turkey is 20%. However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% will increase to 22%, which will correspond to the corporate earnings of the taxation periods of the years 2018, 2019 and 2020 (for the institutions that have been appointed for the special accounting period). Corporate tax rate is applied to the income of the corporation which is the result of adding the expenses that are not accepted as deduction in accordance with the tax legislation of the corporation and deduction of the exemptions and discounts in the tax laws. Losses can be carried forward for a maximum period of 5 years to be deducted from the taxable profit to be incurred in future years. However, the losses cannot be deducted from the profits of the previous years.

There is no agreement with the tax authorities on the tax payable in Turkey. The corporate tax declaration is given on the 25th day of the fourth month following the month of the closing of the accounting period and is paid until the end of the month..

Companies declare their temporary tax, which is equal to 20% of their quarterly financial income (22% for taxation periods of 2018, 2019 and 2020) until the 17th day of the second month following that period. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid still left after the deduction, this amount can be refunded as cash or offset.

Income Withholding Tax

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

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

Deferred Income Tax Assets and Liabilities

The Company calculates deferred tax assets and liabilities considering the effect of temporary differences arising from different valuation of balance sheet items according to TAS and statutory financial statements. Such temporary differences usually result from the recognition of revenue and expenses in different reporting periods according to TAS and Tax Code.

The tax rate used in calculating deferred tax assets and liabilities is 20% (2019: 20% and 22%).

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2020 and 2019 are as follows:

	Temporary taxable differences		Deferred income tax asset/liability	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Property, plant and equipment and intangible assets	(198,686)	(168,890)	(39,737)	(33,393)
Right-of-use assets	(36,241)	(14,804)	(7,248)	(3,013)
Inventories	(34,500)	(34,864)	(6,900)	(7,670)
Trade payables	(2,827)	(2,657)	(565)	(585)
Derivative financial instruments	-	(646)	-	(142)
Deferred tax liabilities			(54,450)	(44,803)
Trade receivables	82,806	21,756	16,561	4,786
Derivative financial instruments	66,067	-	13,213	-
Deferred income	46,669	46,877	9,334	10,313
Lease liabilities	41,983	15,585	8,397	3,429
Employee termination benefits	41,568	31,883	8,314	6,433
Other short-term liabilities	4,475	7,249	895	1,595
Deferred tax assets			56,714	26,556
Deferred tax liability, net			2,264	(18,247)

Movement for the deferred income tax liabilities for the periods ended at 31 December 2020 and 2019 are as follows:

	2020	2019
1 January	(18,247)	(16,658)
Deferred tax expenses for the period, net	21,277	(8,501)
Recognized under equity	333	6,781
Currency translation differences	(1,099)	131
31 December	2,264	(18,247)

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

	31 December 2020	31 December 2019
Income tax	73,999	61,369
Prepaid taxes	(52,769)	(55,171)
Current income tax assets	21,230	6,198

The reconciliation of tax expenses stated in consolidated income statements for the years ended at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Profit before tax in the consolidated financial statements	492,675	347,552
Expected tax expense of the Group (22%)	108,389	76,461
The effect of application of equity method	(7,508)	18,986
Investment incentives	(256,735)	(46,775)
Discounts and exemptions	(16,586)	(8,405)
Additions	21,182	8,981
Tax effect (22%)	(57,122)	(5,987)
Tax rate effect (20%)	1,455	(604)
Current period tax expense of the Group	52,722	69,870

NOTE 27 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements is determined by dividing net profit for the period by the weighted average number of shares issued within the relevant period. The earnings per share calculation for the years ended 31 December 2020 and 2019 as follows:

	31 December 2020	31 December 2019
Net profit attributable to the equity holders of the parent (TRY) (*) (A)	439,953,140	277,681,617
Weighted average number of shares (B) (**)	32,259,389,400	32,375,000,000
Earnings per share (Kr) (A/B)	1.36	0.86

(*) Amounts expressed in full Turkish Lira.

(**) The number of shares has been calculated by deducting the shares owned by the Company.

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NOTE 28 - RELATED PARTY DISCLOSURES

a) Short-term trade receivables:

As of 31 December 2020 and 2019, trade receivables from related parties are as follows:

	31 December 2020	31 December 2019
Ak-Pa Tekstil İhracat Pazarlama A.Ş. ("Ak-Pa") (*) ⁽¹⁾	369,262	212,492
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. ("DowAksa") ⁽²⁾	20,840	29,460
Akkim Kimya San. ve Tic. A.Ş. ("Akkim") ⁽¹⁾	11,648	10,091
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") ⁽¹⁾	2,103	2,118
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş. ("Akenerji") ⁽¹⁾	1,579	-
Other	555	1,115
Less: Unearned finance income on credit sales (-)	(1,407)	(1,230)
Total	404,580	254,046

(*) Foreign sales are made through Ak-Pa, the foreign trade company of the Group, and the balance consists of trade receivables arising from these transactions.

As of 31 December 2020 and 2019, the foreign currency denominated trade receivables have 3 months maturity on average and are discounted with annual average discount rate of 2,4% (31 December 2019: 3,7%) based on USD.

b) Short-term trade payables:

As of 31 December 2020 and 2019, short-term trade payables to related parties are as follows:

	31 December 2020	31 December 2019
Akkim ⁽¹⁾	26,752	15,654
Ak-Pa ⁽¹⁾	17,941	15,824
Yalova Kompozit ve Kimya İhtisas Organize Sanayi Bölgesi ("Yalkim OSB") ⁽⁴⁾	5,047	2,744
Akgirişim Müt. Müş. Çevre Tek. San. Tic. A.Ş. ("Akgirişim") ⁽⁴⁾	2,947	848
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. ⁽¹⁾	2,011	1,292
Dinkal Sigorta Acenteliği A.Ş. (**) ⁽¹⁾	1,698	1,785
Other	285	233
Total	56,681	38,380

(**) This amount represent payments to insurance companies through Dinkal Sigorta Acenteliği A.Ş.

31 December 2020 and 2019, trade receivables have an average maturity of one (1) month.

- (1) Akkök Holding subsidiary
- (2) Company's joint venture
- (3) Company main shareholder
- (4) Other related parties

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

c) Other receivables:

Other receivables from related parties as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
DowAksa ⁽²⁾ - Leasing receivables	-	13,843
Other short-term receivables	-	13,843

d) Advances given:

Advances given to related parties for the year ended as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Yalkim OSB ⁽⁴⁾	2,419	1,291
Akgirişim ⁽⁴⁾	721	1,836
Total	3,140	3,127

Advances given are consists of advance payments for various investment projects in Yalova facility.

e) Sales:

Sales to related parties for the years ended 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Ak-Pa (*) ⁽¹⁾	1,406,482	1,611,178
Akkim ⁽¹⁾	110,369	95,315
DowAksa ⁽²⁾	80,272	70,256
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") ⁽¹⁾	19,903	18,815
Akenerji ⁽¹⁾	17,015	4,020
Other	5,898	7,953
Total	1,639,939	1,807,537

(*) Foreign sales are made through Ak-Pa, the foreign trade company of the Group, and the balance consists of trade receivables arising from these exporting transactions.

Other sales to related parties consist of rent incomes, electric and steam energy sales.

- (1) Akkök Holding subsidiary
- (2) Company's joint venture
- (3) Company main shareholder
- (4) Other related parties

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

f) Purchases of goods and services:

Product and service purchases from related parties for the years ended 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Akkim ⁽¹⁾	143,567	101,267
Yalkim OSB ⁽⁴⁾	39,169	25,685
Akgirişim ⁽⁴⁾	33,062	23,798
Ak-Pa ⁽¹⁾	22,085	25,871
Dinkal Sigorta Acenteliği A.Ş. (*) ⁽¹⁾	17,718	16,590
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. ⁽¹⁾	16,366	10,731
Akenerji ⁽¹⁾	3,357	6,909
Akkök Holding ⁽³⁾	971	794
Other	1,119	1,319
Total	277,414	212,964

(*) Insurance service purchases from various insurance companies through Dinkal Sigorta Acenteliği A.Ş.

Purchases from related parties consist of chemicals, insurance, contracting, consultancy, commissions, rent, expenses for organized industrial zone and other service purchases.

g) Interest Income:

	31 December 2020	31 December 2019
Akiş ⁽¹⁾	3,216	1,158
Total	3,216	1,158

The Group has purchased private sector bonds with floating interest coupon payments issued by Akiş, and interest income has been recognized during the period.

- (1) Akkök Holding subsidiary
- (2) Company's joint venture's subsidiary
- (3) Company main shareholder
- (4) Other related parties

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

h) Key management compensation:

The Group defined its key management personnel as member of executive committee and board members. Benefits provided to key management personnel as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Wages and other short-term employee benefits	10,331	9,609
Provision for employment termination benefits	134	156
Total	10,465	9,765

Benefits provided to the Board of Directors, for the years ended 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Wages and other short-term employee benefits	1,218	1,591
Provision for employment termination benefits	-	-
Total	1,218	1,591

NOTE 29 - FINANCIAL RISK MANAGEMENT

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 8).

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

Trade Receivable Aging Analysis

The Company has TRY96,259 provision (31 December 2019: 46,663 TL) on their receivables and aging of the receivables which are overdue but not impaired are as follows:

Trade Receivables	31 December 2020	31 December 2019
1-30 days overdue	68,728	35,874
1-3 months overdue	2,019	21,619
3-12 months overdue	26,369	76,053
More than 12 months overdue	88,333	59,798
Total (*)	185,449	193,344
Secured with guarantees	152,656	162,362

(*) TRY59,205 of the amount has been collected as of the date of the report (31 December 2019: TRY41,626)

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2020 the Group’s maximum exposure to credit risk is presented below:

31 December 2020	Trade receivables		Other receivables		Financial assets		Deposits in
	Related Parties	Other	Related Parties	Other	Related Parties	Other	banks Other
Maximum credit risk exposure as of reporting date	404,580	527,065	-	716	20,243	17,018	906,116
- Secured portion of maximum credit risk by guarantees (*)	363,057	422,366	-	-	-	-	-
Net book value of financial assets either are not due or not impaired	371,054	374,444	-	716	20,243	17,018	906,116
Net book value of the overdue or not impaired financial assets	33,526	151,923	-	-	-	-	-
- Secured portion with guarantees	23,072	129,584	-	-	-	-	-
Net book value of impaired assets	-	698	-	-	-	-	-
- Matured (gross book value)	-	96,957	-	-	-	-	-
- Impairment (-) (Note 8)	-	(96,259)	-	-	-	-	-
- Secured portion with guarantees	-	(698)	-	-	-	-	-
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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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2019 the Group's maximum exposure to credit risk is presented below:

31 December 2019	Trade receivables		Other receivables		Financial assets	Deposits in banks
	Related Parties	Other	Related Parties	Other	Related Parties	
Maximum credit risk exposure as of reporting date	254,046	597,091	13,843	2,211	20,173	634,946
- Secured portion of maximum credit risk by guarantees (*)	191,605	489,228	-	-	-	-
Net book value of financial assets either are not due or not impaired	220,527	436,568	13,843	2,211	20,173	634,946
Net book value of the overdue or not impaired financial assets	33,519	159,825	-	-	-	-
- Secured portion with guarantees	12,383	149,979	-	-	-	-
Net book value of impaired assets	-	698	-	-	-	-
- Matured (gross book value)	-	47,361	-	-	-	-
- Impairment (-) (Note 8)	-	(46,663)	-	-	-	-
- Secured portion with guarantees	-	(698)	-	-	-	-
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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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

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 analyzing 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 TRY is as follows:

	31 December 2020		31 December 2019	
	TRY equivalent	USD equivalent (*)	TRY equivalent	USD equivalent (*)
Assets	1,693,003	230,639	1,205,343	202,913
Liabilities	2,109,252	287,344	2,353,169	396,143
Net balance sheet position	(416,249)	(56,705)	(1,147,826)	(193,230)
Foreign currency denominated net position of derivative financial assets / (liabilities)	(287,155)	(39,119)	-	-
Net Foreign Currency Asset / (Liability) Position	(703,404)	(95,824)	(1,147,826)	(193,230)
Inventories considered under natural hedge (**)	590,061	80,384	636,726	107,189
Cash flow hedge (***)	757,879	103,246	368,528	62,040
Net foreign currency position after hedge	644,536	87,806	(142,572)	(24,001)

(*) US Dollar equivalent amounts are calculated by dividing the TRY positions by the US dollar exchange rates as of the balance sheet date and unless otherwise stated, they are expressed in thousand US Dollar.

(**) The Group limits the foreign currency risk arising from net foreign currency financial liabilities and trade payables by reflecting changes to product sales prices. The amount consist of the Group's total raw material, semi-finished and finished product stocks.

(***) As of 31 December 2020, principal amount of loans amounting to USD67,101 thousand and EUR29,455 thousand (hedging instruments), were matched to the amount of future highly probable sales transactions (hedged items) to apply cash flow hedge accounting (31 December 2019: USD37,308 thousand and EUR22,090 thousand). As a result of the effectiveness test performed within this scope, the Group has determined that the entire transaction is effective. As of the reporting period, amounting to TRY3,445 (31 December 2019: TRY(23,569)) before tax is recognized under "Other Comprehensive Income". The ineffective portion arises when sales and credit payments are not realized on the same date and as of the reporting period, the ineffective portion is insignificant

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2020 and 31 December 2019, the foreign currency positions are as follows:

	31 December 2020			
	TRY equivalent	USD position	EUR position	Other
1. Trade Receivables	773,082	86,495	11,757	32,261
2a. Monetary Financial Assets) (including cash and bank accounts)	818,284	72,910	30,858	5,122
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. Current Assets (1+2+3)	1,591,366	159,405	42,615	37,383
5. Trade Receivables	101,637	13,846	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	101,637	13,846	-	-
9. Total Assets (4+8)	1,693,003	173,251	42,615	37,383
10. Trade Payables	717,585	93,701	3,297	73
11. Financial Liabilities	202,685	18,784	7,194	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-monetary Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	920,270	112,485	10,491	73
14. Trade Payables	-	-	-	-
15. Financial Liabilities	1,170,966	128,447	25,322	-
16 a. Other Monetary Liabilities	18,016	-	2,000	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	1,188,982	128,447	27,322	-
18. Total Liabilities (13+17)	2,109,252	240,932	37,813	73
19. Off Balance Sheet Derivative Items'				
Net Asset/(Liability) Position (19a-19b)	(287,155)	(20,582)	(15,106)	-
19a. Off balance sheet derivative asset amount	22,022	3,000	-	-
19b. Off balance sheet derivative liability amount	309,177	23,582	15,106	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(703,404)	(88,263)	(10,304)	37,310
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(416,249)	(67,681)	4,802	37,310
22. Fair Value of Financial Instruments				
Used for Foreign Hedge	(2,222)	(303)	-	-
23. Amount of Hedged Foreign Currency Assets	590,061	80,384	-	-
24. Amount of Hedged Foreign Currency Liabilities	757,879	67,101	29,455	-

As of 31 December 2020, the Company has TRY644,536 (31 December 2019 : TRY 142.572 foreign currency deficit, net) foreign currency surplus, net after derivative financial instruments (page 66).

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2019			
	TRY equivalent	USD position	EUR position	Other
1. Trade Receivables	568,309	82,315	8,894	20,192
2a. Monetary Financial Assets)				
(including cash and bank accounts)	493,186	45,908	32,700	3,009
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	13,843	2,330	-	-
4. Current Assets (1+2+3)	1,075,338	130,553	41,594	23,201
5. Trade Receivables	130,005	21,886	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	130,005	21,886	-	-
9. Total Assets (4+8)	1,205,343	152,439	41,594	23,201
10. Trade Payables	872,610	140,451	5,684	501
11. Financial Liabilities	961,346	143,897	16,023	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-monetary Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	1,833,956	284,348	21,707	501
14. Trade Payables	-	-	-	-
15. Financial Liabilities	505,912	52,101	29,535	-
16 a. Other Monetary Liabilities	13,301	-	2,000	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	519,213	52,101	31,535	-
18. Total Liabilities (13+17)	2,353,169	336,449	53,242	501
19. Off Balance Sheet Derivative Items'				
Net Asset/(Liability) Position (19a-19b)	-	-	-	-
19a. Off balance sheet derivative asset amount	-	-	-	-
19b. Off balance sheet derivative liability amount	-	-	-	-
20. Net Foreign Currency Asset / (Liability)				
Position (9-18+19)	(1,147,826)	(184,010)	(11,648)	22,700
21. Monetary Net Foreign Currency				
Assets/(Liabilities) Position				
(=1+2a+5+6a-10-11-12a-14-15-16a)	(1,161,669)	(186,340)	(11,648)	22,700
22. Fair Value of Financial Instruments				
Used for Foreign Hedge	-	-	-	-
23. Amount of Hedged Foreign				
Currency Assets	636,726	107,189	-	-
24. Amount of Hedged Foreign				
Currency Liabilities	368,528	37,308	22,090	-

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2020 and 2019, 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 2020	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation of USD against TRY				
USD net asset/(liability)	(49,681)	49,681	38,853	(38,853)
Amount hedged for USD risk	34,147	(34,147)	49,256	(49,256)
USD net effect	(15,534)	15,534	88,109	(88,109)
In case 10% appreciation of EUR against TRY				
EUR net asset/(liability)	4,326	(4,326)	-	-
Amount hedged for EUR risk	12,925	(12,925)	26,532	(26,532)
EUR net effect	17,251	(17,251)	26,532	(26,532)
31 December 2019	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation of USD against TRY				
USD net asset/(liability)	(109,306)	109,306	30,285	(30,285)
Amount hedged for USD risk	22,162	(22,162)	(22,162)	22,162
USD net effect	(87,144)	87,144	8,123	(8,123)
In case 10% appreciation of EUR against TRY				
EUR net asset/(liability)	(7,747)	7,747	-	-
Amount hedged for EUR risk	14,691	(14,691)	(14,691)	14,691
EUR net effect	6,944	(6,944)	(14,691)	14,691

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

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 2020, other things being constant, if the interest rate depreciate/ appreciate by 1%, profit before tax would TRY8 (31 December 2019: TRY12), capitalized financial cost on construction in progress would TRY134 (31 December 2019: TRY12).

31 December 2020 31 December 2019

Fixed interest rate financial instruments

Financial assets

Cash and cash equivalents (*)	884,033	622,479
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Financial liabilities

Lease liabilities	41,983	15,585
USD borrowings (fixed due to interest rate swaps)	1,080,749	851,134
TRY borrowings	527,616	121,946

Floating interest rate financial instruments

Financial assets

Financial investments held to maturity (Note 5)	37,261	20,173
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Financial liabilities

EUR borrowings	265,811	301,455
USD borrowings	-	313,135

(*) Cash and cash equivalents consist of bank deposits with maturity less than three months

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

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 2020:

Expected or maturities per agreement	Book value	Contractual cash outflows	Up to 3 months	3-12 months	1-5 years	Over than 5 years
Non-derivative financial liabilities						
Financial liabilities	1,858,114	1,919,036	347,601	391,718	1,114,077	65,640
Trade payables	707,133	709,959	517,622	192,337	-	-
Lease liabilities	41,983	147,468	2,970	8,288	35,845	100,365
Due to related parties	56,681	56,681	54,431	2,250	-	-
	2,663,911	2,833,144	922,624	594,593	1,149,922	166,005

31 December 2019:

Expected or maturities per agreement	Book value	Contractual cash outflows	Up to 3 months	3-12 months	1-5 years	Over than 5 years
Non-derivative financial liabilities						
Financial liabilities	1,578,604	1,664,469	485,543	621,158	400,493	157,275
Trade payables	877,748	880,405	688,068	192,337	-	-
Lease liabilities	15,585	97,275	1,444	4,265	14,866	76,700
Due to related parties	38,380	38,380	36,130	2,250	-	-
	2,510,317	2,680,529	1,211,185	820,010	415,359	233,975

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

Import and export information:

Import and export in TRY according to their original currency for the years ended at 31 December 2020 and 2019 are as follows:

Export	31 December 2020	31 December 2019
EUR	643,682	692,161
USD	768,454	551,463
Other	3,364	318,890
Total	1,415,500	1,562,514
Import	31 December 2020	31 December 2019
USD	1,541,037	1,859,624
EUR	178,147	385,273
Other	1,187	2,105
Total	1,720,371	2,247,002

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.

The Group monitors capital based on 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.

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NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

The ratio of net debt to equity is as follows:

	31 December 2020	31 December 2019
Total monetary liabilities (*)	2,663,911	2,510,317
Less: Cash and cash equivalents (Note 4)	(906,204)	(635,091)
Net debt	1,757,707	1,875,226
Total shareholders' equity	1,866,160	1,535,220
Total capital	3,623,867	3,410,446
Debt/equity ratio	49%	55%

(*) It consists of short-term and long-term borrowings, short-term and long-term lease liabilities, trade payables to related parties and trade payables to other parties.

NOTE 30 - FINANCIAL INSTRUMENTS

Fair value 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 30 - FINANCIAL INSTRUMENTS (Continued)

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 7).

Fair Value Estimation:

Effective 1 January 2010, the group adopted the amendment to TFRS 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 are, as prices) or indirectly (that are, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (that are, unobservable inputs).

31 December 2020	Level 1	Level 2	Level 3
Derivative financial assets for hedging purposes	(2,222)	(63,845)	-
Total asset/(liabilities)	(2,222)	(63,845)	-
31 December 2019	Level 1	Level 2	Level 3
Derivative financial assets for hedging purposes	-	646	-
Total asset / (liabilities)	-	646	-

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 are observable in terms of the fair value of a financial instrument is included in level 2.

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