AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Independent Auditor's Responsibility

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

   An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aksa Akrilik Kimya Sanayii A.Ş. and its Subsidiaries as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

Emphasis of Matter

5. As explained in Note 2.5 to the consolidated financial statements, US Dollar ("USD") amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira "TL", as a matter of arithmetic computation only, at the official USD bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2015 for consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2015 for the consolidated statement of consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and they do not form part of these consolidated financial statements.

Other Responsibilities Arising From Regulatory Requirements

6. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 19 February 2016.

7. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2015 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

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

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Ediz Günsel, SMMM
Partner

Istanbul, 19 February 2016

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.5)

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

CONTENTS **PAGE**

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.5)

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2015 AND 2014

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

	Notes	31 December 2015 USD (*)	*Audited* 31 December 2015 TL	*Audited* 31 December 2014 TL
ASSETS				
Current assets		**369,908**	**1,075,543**	**977,087**
Cash and cash equivalents	4	117,901	342,810	192,492
Trade receivables				
- Trade receivables from third parties	8	94,692	275,326	297,347
- Trade receivables from related parties	27	66,206	192,501	184,959
Other receivables				
- Other receivables from related parties	27	3,814	11,089	6,952
- Other receivables from third parties	9	88	257	224
Inventories	10	63,652	185,074	236,368
Prepaid expenses	17	3,605	10,482	13,653
Derivative financial instruments	18	2,472	7,189	2,673
Other current assets	17	17,478	50,815	42,419
Non-current assets		**405,328**	**1,178,532**	**1,021,411**
Other receivables				
- Other receivables from related parties	27	27,327	79,456	70,439
Financial investments	5	-	-	2,355
Investments accounted for using the equity method	6	83,690	243,337	242,588
Investment properties	11	16,652	48,418	-
Property, plant and equipment	12	247,136	718,574	678,535
Intangible assets				
- Goodwill	14	2,060	5,989	5,989
- Other intangible assets	13	26,471	76,967	7,417
Prepaid expenses	17	1,808	5,256	9,496
Derivative financial instruments	18	184	535	4,592
TOTAL ASSETS		**775,236**	**2,254,075**	**1,998,498**

(*) United States Dollar (“USD”) amounts presented above have been translated from Turkish Lira (“TL”) for convenience purposes only, at the official TL bid rate announced by the Central Bank of the Republic of Turkey (“CBRT”) at 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.5)

These consolidated financial statements at 31 December 2015 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 19 February 2016.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2015 AND 2014

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

	Notes	31 December 2015 USD (*)	*Audited* 31 December 2015 TL	*Audited* 31 December 2014 TL
LIABILITIES				
Current liabilities		**258,326**	**751,107**	**751,838**
Short-term borrowings	7	116,043	337,407	252,781
Short-term proportion of long-term borrowings	7	24,380	70,886	29,469
Trade payables				
- Trade payables to third parties	8	95,575	277,895	386,952
- Trade payables to related parties	27	9,461	27,510	44,494
Other payables				
- Other payables from third parties	9	176	508	756
Other current liabilities	16	771	2,243	2,066
Deferred income	17	2,445	7,108	12,256
Derivative financial instruments	18	-	-	87
Income tax payable	25	5,002	14,544	11,122
Short-term provisions				
- Short-term provisions for employee benefits	16	3,712	10,793	9,802
- Other short-term provisions	15	761	2,213	2,053
Non-current liabilities		**87,485**	**254,372**	**133,297**
Long-term borrowings	7	73,238	212,946	101,978
Trade payables				
- Trade payables to related parties	27	4,806	13,974	-
Long-term provisions				
- Provision for employment termination benefits	16	6,956	20,226	21,587
Derivative financial instruments	18	-	-	346
Deferred tax liabilities	25	2,485	7,226	9,386
Total liabilities		**345,810**	**1,005,479**	**885,135**
EQUITY		**429,425**	**1,248,596**	**1,113,363**
Attributable to equity holders of the parent		**429,408**	**1,248,548**	**1,113,306**
Share capital	19	63,626	185,000	185,000
Adjustment to share capital	19	67,126	195,175	195,175
Share premium		15	44	44
Other comprehensive income/(expense) not to be reclassified to profit and loss				
- Remeasurement gain/(loss) arising from defined benefit plans		(1,786)	(5,194)	(6,591)
Other comprehensive income/expense to be reclassified to profit and loss				
- Currency translation reserve		41,422	120,438	61,550
- Hedging reserve		113	330	(346)
Restricted reserves		36,972	107,501	95,907
Retained earnings		153,315	445,779	419,718
Net income		68,605	199,475	162,849
Attributable to non-controlling interests		**17**	**48**	**57**
TOTAL LIABILITIES AND EQUITY		**775,236**	**2,254,075**	**1,998,468**

(*) USD amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

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

	Notes	2015 USD (*)	*Audited* 2015 TL	*Audited* 2014 TL
Revenue	20	746,600	2,030,006	2,106,203
Cost of sales (-)	20, 21	(601,089)	(1,634,362)	(1,789,556)
Gross profit		**145,511**	**395,644**	**316,647**
General administrative expenses (-)	21	(16,895)	(45,938)	(43,859)
Marketing, selling and distribution expenses (-)	21	(21,773)	(59,200)	(43,126)
Research and development expenses (-)	21	(1,745)	(4,744)	(3,775)
Other operating income	22	60,049	163,274	66,220
Other operating expenses (-)	22	(35,445)	(96,376)	(57,892)
Operating profit		**129,702**	**352,660**	**234,215**
Share of loss of investment accounted for using the equity method	6	(21,734)	(59,094)	(20,192)
Operating profit before financial (loss)/income		**107,968**	**293,566**	**214,023**
Financial income	23	61,350	166,812	90,594
Financial expenses (-)	24	(74,729)	(203,188)	(96,488)
Profit before tax from continuing operations		**94,590**	**257,190**	**208,129**
Taxation expense on income:				
- Current income tax (-)	25	(22,221)	(60,418)	(42,076)
- Deferred income tax	25	991	2,694	(3,197)
Net income for the year from continuing operations		**73,360**	**199,466**	**162,856**
Earnings per share for equity holders of the parent (Kr)	26	0.40	1.08	0.88
Other comprehensive income/(expense):				
Items not to be reclassified to profit and loss				
Remeasurement (loss)/gain arising from defined benefit plan	16	642	1,746	(4,327)
Taxation on other comprehensive income not to be reclassified to profit and loss		(128)	(349)	865
Items to be reclassified to profit and loss				
Fair value changes on derivative financial instruments		311	845	(676)
Currency translation differences		21,658	58,888	18,069
Taxation on to be reclassified to profit and loss		(62)	(169)	135
Total comprehensive income		**95,781**	**260,427**	**176,922**
Net income for the period attributable to:				
Equity holders of the parent		73,363	199,475	162,849
Non-controlling interests		(3)	(9)	7
		73,360	**199,466**	**162,856**
Total comprehensive income attributable to:				
Equity holders of the parent		95,784	260,436	176,915
Non-controlling interests		(3)	(9)	7
		95,781	**260,427**	**176,922**

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the USD average CBRT bid rates for the year ended 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

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

	Attributable to equity holders of the parent											
	Share capital	**Adjustments to share capital**	**Share premium**	**Restricted reserves**	**Currency translation differences(1)**	**Hedging reserve(1)**	**Remeasurement loss arising from defined benefit plans(2)**	**Retained earnings**	**Net income for the period**	**Total**	**Non-controlling interests**	**Total equity**
1 January 2014	**185,000**	**195,175**	**44**	**82,764**	**43,481**	**195**	**(3,129)**	**403,221**	**140,685**	**1,047,436**	**50**	**1,047,486**
Transfers	-	-	-	13,143	-	-	-	127,542	(140,685)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(111,045)	-	(111,045)	-	(111,045)
Total comprehensive income	-	-	-	-	18,069	(541)	(3,462)	-	162,849	176,915	7	176,922
31 December 2014	**185,000**	**195,175**	**44**	**95,907**	**61,550**	**(346)**	**(6,591)**	**419,718**	**162,849**	**1,113,306**	**57**	**1,113,363**

	Attributable to equity holders of the parent											
	Share capital	**Adjustments to share capital**	**Share premium**	**Restricted reserves**	**Currency translation differences(1)**	**Hedging reserve(1)**	**Remeasurement loss arising from defined benefit plans(2)**	**Retained earnings**	**Net income for the period**	**Total**	**Non-controlling interests**	**Total equity**
1 January 2015	**185,000**	**195,175**	**44**	**95,907**	**61,550**	**(346)**	**(6,591)**	**419,718**	**162,849**	**1,113,306**	**57**	**1,113,363**
Transfers	-	-	-	11,594	-	-	-	151,255	(162,849)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(125,194)	-	(125,194)	-	(125,194)
Total comprehensive income-	-	-	-	-	58,888	676	1,397	-	199,475	260,436	(9)	260,427
31 December 2015	**185,000**	**195,175**	**44**	**107,501**	**120,438**	**330**	**(5,194)**	**445,779**	**199,475**	**1,248,548**	**48**	**1,248,596**

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

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

	Notes	2015 USD (*)	2015 TL	2014 TL
A. Cash Flows From Operating Activities		**101,780**	**276,732**	**170,524**
Net income for the period		73,360	199,466	162,856
Adjustments to reconcile net income before tax to net cash provided by operating activities:		**70,658**	**192,116**	**136,846**
Adjustments related to depreciation and amortization	21	23,646	64,294	60,175
Adjustments related to impairment/(reversal of impairment)		348	946	1,969
Adjustments related to provisions		736	2,002	3,585
Adjustments related to interest (income) and expense	23,24	(972)	(2,643)	1,861
Unrealized exchange differences		11,291	30,699	6,907
Adjustments related to losses of associates	6	21,734	59,094	20,192
Adjustments related to tax income/expenses		21,230	57,724	45,273
Adjustments related to income/expenses to dispose of fixed assets		(2,835)	(7,709)	(3,659)
Adjustments related to other items caused cash flow from investing or financing activities		(4,331)	(11,776)	-
Other adjustments		(189)	(515)	543
Changes in working capital		**(27,852)**	**(75,734)**	**(134,669)**
Adjustment related to increases/decreases in inventory		18,642	50,687	(50,002)
Adjustment related to increases/decreases in trade receivable		2,558	6,954	(131,168)
Adjustment related to increases/decreases in other receivables arising from operating activities		1,893	5,146	(12)
Adjustment related to increases/decreases in trade payables		(46,406)	(126,179)	97,436
Adjustment related to increases/decreases in other payables arising from operating activities		(92)	(251)	(467)
Other adjustment related to increases/decreases in working capital		(4,447)	(12,091)	(50,456)
Cash flows from operating activities		**(14,386)**	**(39,116)**	**5,491**
Interest paid		(2,304)	(6,264)	(7,096)
Interest received		4,072	11,071	12,855
Taxes paid/received		(16,154)	(43,923)	(268)
B. Cash Flows From Investing Activities		**(67,148)**	**(182,573)**	**(132,318)**
Proceeds from disposal of associate		4,288	11,660	-
Cash proceeds from disposal of property, plants and equipment and intangibles		4,028	10,953	292
Cash proceeds from purchase of property, plants and equipment and intangibles		(75,464)	(205,186)	(132,610)
C. Cash Flows From Financing Activities		**22,813**	**62,026**	**(86,581)**
Cash inflow arising from borrowings		207,432	564,004	408,540
Cash outflow arising from repayment of borrowings		(139,566)	(379,478)	(381,697)
Dividends paid		(46,045)	(125,194)	(111,045)
Interest received		4,468	12,148	4,800
Interest paid		(3,477)	(9,454)	(7,179)
Net increase in cash and cash equivalents before currency translation differences		**57,445**	**156,185**	**(48,375)**
D. Effect of Currency Translation Differences on Cash and Cash Equivalents		**339**	**922**	**397**
Net increase/(decrease) on cash and cash equivalents		**57,784**	**157,107**	**(47,978)**
E. Cash and Cash Equivalents at The Beginning of The Period		**66,827**	**181,703**	**229,681**
Cash and cash equivalents the end of period	4	**124,611**	**338,810**	**181,703**

(*) US Dollar ''USD'' amounts presented above have been translated from TL for convenience purposes only, at the USD average CBRT bid rates for the year ended 31 December 2015, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

Aksa is registered with the Capital Markets Board ("CMB") and its shares have been quoted in the Borsa İstanbul A.Ş. ("BİST") since 1986. As of 31 December 2015, the principal shareholders and their respective shareholding rates in the Company are as follows:

	%
Akkök Holding A.Ş. ("Akkök Holding")	39.59
Emniyet Ticaret ve Sanayi A.Ş.	18.72
Other (*)	41.69
Total	**100.00**

(*) As of 31 December 2015, 37.06% of the Group's shares are traded on Borsa Istanbul ("BIST") and Somerset em.mar.d.v.g hold 5.30% of the shares.

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

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

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

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

- Fibers
- Energy
- Other

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

2.1.1 Financial Reporting Standards Applied

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

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

The Group and its Turkish subsidiaries and joint ventures 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 TAS.

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

Currency and Financial Statements Presentation Currency

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

Amendments and Interpretations in TAS

Group has applied revised standards and interpretations which are published by POA and valid after 1 January 2015.

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

None

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

2.1. Basis of preparation (Continued)

(b) New standards, amendments and TFRICs applicable to 31 December 2015 year ends:

- Amendment to TAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:

  - TFRS 2, "Share-based payment"
  - TFRS 3, "Business Combinations"
  - TFRS 8, "Operating segments"
  - TFRS 13, "Fair value measurement"
  - TAS 16, "Property, plant and equipment" and TAS 38, "Intangible assets"
  - Consequential amendments to TFRS 9, "Financial instruments", TAS 37, "Provisions, contingent liabilities and contingent assets", and
  - TAS 39, "Financial instruments – Recognition and measurement"

- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 cycle of the annual improvements project, that affect 4 standards:

  - TFRS 1, "First time adoption"
  - TFRS 3, "Business combinations"
  - TFRS 13, "Fair value measurement"

These amendments have no impact on the financial position and performance of the Group.

(c) New TFRS standards, amendments and TFRICs effective after 1 January 2015

- Amendment to TFRS 11, "Joint arrangements" on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- Amendments to TAS 16 "Property, plant and equipment", and TAS 41, "Agriculture", regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.

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

2.1. Basis of preparation (Continued)

- Amendment to TAS 16, “Property, plant and equipment” and TAS 38, "Intangible assets”, on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- TFRS 14 “Regulatory deferral accounts”, effective from annual periods beginning on or after 1 January 2016. TFRS 14, “Regulatory deferral accounts” permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Amendments to TAS 27, ‘Separate financial statements’ on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to TFRS 10, “Consolidated financial statements” and TAS 28, “Investments in associates and joint ventures”, effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in TFRS 10 and those in TAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

    - TFRS 5, ‘Non-current assets held for sale and discontinued operations’ regarding methods of disposal.
    - TFRS 7, “Financial instruments: Disclosures”, (with consequential amendments to TFRS 1) regarding servicing contracts.
    - TAS 19, “Employee benefits” regarding discount rates.
    - TAS 34, “Interim financial reporting” regarding disclosure of information.

- Amendment to TAS 1, “Presentation of financial statements’ on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are to improve presentation and disclosure in financial reports.

- Amendment to TFRS 10 “Consolidated financial statements” and TAS 28, “Investments in associates and joint ventures”, effective from annual periods beginning on or after 1 January 2016.These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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

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

2.1. Basis of preparation (Continued)

The following standards, interpretations and amendmends have not been issued by POA as of the date of this report:

- TFRS 15 "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- TFRS 9 "Financial instruments", effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

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

2.1.2 Basis of Consolidation

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

b) Subsidiaries are all companies over which Aksa has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the principle of control sets out the following three elements of control:

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

The table below sets out all subsidiaries and demonstrates their shareholding structure as of 31 December 2015 and 2014:

	The Group's direct and indirect ownership interest (%)	
Subsidiary	**31 December 2015**	**31 December 2014**
Fitco	100.00	100.00
Aksa Egypt	99.50	99.57

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.

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

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

2.1. Basis of preparation (Continued)

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

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

c) Joint ventures

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

Joint ventures are accounted for using the equity method of accounting in accordance with TFRS 11 "Joint Arrangements" (Note 6).

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

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

	The Group's direct and indirect ownership interest (%)	
Joint venture	**31 December 2015**	**31 December 2014**
DowAksa Holdings	50.00	50.00

(d) Financial Investments

The company's share of net assets of the unquoted financial investment is considered as its fair value and accounted accordingly.

	The Group's direct and indirect ownership interest (%)	
Unquoted Financial Investments	**31 December 2015**	**31 December 2014**
Ak-Pa Tekstil İhracat Pazarlama A.Ş. ("Ak-Pa")	-	13.47

13.47% share of Ak-pa has been sold to Akkök Holding A.Ş. for amountingTL11,660 in 2015.

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

2.2 Changes in Accounting Policies, Accounting Estimates and Errors

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

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

Besides, according to CMB's decision on 07 June 2013 dated and 20/670 numbered meeting, for capital markets foundations which are fall under CMB Communique on Principles Regarding Financial Reporting, financial statement examples and usage directory which are become effective since interim period ended after 31 March 2014, are published. In accordance with mentioned examples, various classifications have been made on Group's consolidated financial statements. Classification made on Group's consolidated financial status statements which are dated 31 December 2014, are as follows:

- Social security premiums payable amounting to TL2,039 which were previously accounted for under other payables to third parties and payables to employee amounting to TL27 which were previously accounted for under other short-term liabilities have been stated under payables for employee benefits.
- Provision for performance premium amounting to TL8,504 TL which were previously accounted for under other short-term provision, has been accounted for under short-term provisions for employee benefits.
- Derivative financial instruments amounting to respectively TL87 and TL346 were previously classified under current and non – current assets have been stated as gross and provision for performance premium amounting to TL8,504 TL which were previously accounted for under short and long-term liabilities, has been accounted for under short-term provisions for employee benefits.

Classifications made in Group's consolidated statement of profit or loss and other comprehensive income dated 31 December 2014 are as follows:

- Real estate rental income amounting to TL1,305 which were previously classified in other operating income, have been stated in revenue.

2.3 Summary of Significant Accounting Policies

Cash and cash equivalents

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

Financial Assets

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

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

2.3 Summary of Significant Accounting Policies (Continued)

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

As of 31 December 2015 and 31 December 2014 the Group does not have any financial assets at fair value through profit or loss.

Loans and receivables

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

Available-for-sale financial assets

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

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

Subsidiaries that are excluded from the scope of consolidation on the grounds of materiality are carried at cost less any impairment in value where there is no quoted market price and where a reasonable estimate of fair value cannot be determined (Note 5).

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).

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

2.3 Summary of Significant Accounting Policies (Continued)

Finance Lease

As lessor

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

Trade payables

Trade payables have average maturities changing between 30-180 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 cost or net realizable value less costs to sell. Cost of inventories comprises the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. Net realizable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The unrecoverable amount is charged as an expense in the year when the write-down incurred (Note 10).

Investment properties

Investment property is a land or building held to earn rentals or for capital appreciation or both, rather than for; use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business (Note11) and carried at cost less accumulated depreciation in accordance with the cost model. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure.

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

Property, plant and equipment

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

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

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

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 12). 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 2015, the depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

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

Intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. They are initially recognized at acquisition cost and amortized on a straight-line basis over their estimated useful lives. The depreciation period for the intangibles capitalized in relation with the new models will be started after the production of these models is started. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (Note 13).

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

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Research and development costs

Expenditures for research and development are charged against income in the period incurred except for project development costs which comply with the following criteria. In accordance with IAS 38, "Intangible assets", the costs related to the development projects are capitalized when the criteria below are met and amortized by straight-line basis over the useful lives of related (Note 13).

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

Revenue recognition

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

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

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as credit sale financial income (Note 22).

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

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

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Bank borrowings

All bank borrowings are initially recognized at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortized cost using the effective yield method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement (Note 7). In factoring transactions, the Group, where necessary, may prefer early collection of some of its receivables. These transactions are treated as factoring transactions with resource; consequently, cash received is accounted for as a borrowing disclosed in notes (Note 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 incurred. Capitalized borrowing costs are presented as purchases of property, plant and equipment and intangibles in the consolidated statement of cash flow.

Fair value of financial instruments

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

Financial assets

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

Financial liabilities

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Employee termination benefits

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

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

Unused vacation rights

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

Seniority Incentive Bonus

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

Current and deferred income tax

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

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

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

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

2.3 Summary of Significant Accounting Policies (Continued)

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 25).

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 26).

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

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

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 goodwill impairment assessment is annually performed by the Group. Any impairment is not subsequently reversed. Gains/losses from the sale of business unit also include its carrying value of goodwill (Note 14).

Segment reporting

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

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

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

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

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

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

2.3 Summary of Significant Accounting Policies (Continued)

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

Derivative financial instruments

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

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

If the fair value change of derivate financial instruments is positive or not, the change affected at assets or liabilities in the balance sheet (Note 18).

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 27).

Reporting of cash flow

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

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

2.3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

Government grants

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

2.4 Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements requires the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

a) Goodwill impairment tests

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Recorded goodwill amount of the balance sheet date is arisen from acquisition of 50% share of Ak- Tops Tekstil Sanayi A.Ş. in 2007.

The Group tests annually goodwill for impairment and carries goodwill at cost less accumulated impairment loss. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by management covering a five-year period. Therefore, the value in use calculations is not affected by the fluctuations in the foreign exchange market.

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

As of 31 December 2015, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions. The discount rate used in the value in use calculations is 4% based on USD and the risk premium is 3%. The discount rate used is the rate before tax and contains risks specific to cash generating units.

If discount rate used in goodwill impairment calculation has been 1% higher/lower or profit margin has been 10% lower with all other variables held constant, there would not have been any impairment on goodwill.

b) 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).

c) Deferred Tax

The Group accounts deferred income tax from its financial losses to be expected to account in future corporate tax calculations at strategic plan and budget work. As of 31 December 2015 and 2014, the group accounts deferred income tax from the portion of the financial losses, which is appropriate to strategic plans, of its joint venture DowAksa İleri Kompozit Malzemeler San. Ltd. Şti..

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

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

2.5 Convenience Translation into English of Consolidated Financial Statements

USD amounts shown in the consolidated balance sheet prepared in accordance with CMB Financial Reporting Standards have been translated from TL, as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of the Republic of Turkey on 31 December 2015 of TL2.9076 = USD1 and USD amounts shown in the consolidated statements of income, comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, at the average official USD bid rates calculated from the official daily bid rates announced by the Central Bank of the Republic of Turkey for the period ended 31 December 2015 of TL2.7190 = USD1, and do not form part of these consolidated financial statements.

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

NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

	1 January - 31 December 2015			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	1,888,915	131,409	9,682	2,030,006
External revenues	**1,888,915**	**131,409**	**9,682**	**2,030,006**
Adjusted EBITDA (*)	**374,211**	**14,770**	**5,542**	**394,523**
Unallocated corporate expenses (**)	-	-	-	(44,467)
EBITDA	**-**	**-**	**-**	**350,056**
Amortization and depreciation	(43,784)	(15,967)	(4,543)	(64,294)
Other operating income, net	-	-	-	66,898
Share of loss of investments accounted for using the equity method	(59,094)	-	-	(59,094)
Financial income/(expense) net	-	-	-	(36,376)
Profit before tax				**257,190**

(*) Adjusted Earnings Before, Interest, Taxes, Depreciation, Amortization.
(**) Unallocated corporate expenses consist of unallocated parts of general administrative expenses as of 31 December 2015.

	1 January - 31 December 2015			
	Fibers	**Energy**	**Unallocated**	**Total**
Capital expenditure	87,294	66,118	72,463	225,875

			31 December 2015	
Total segment assets	1,044,011	395,972	-	1,439,983
Investment accounted for using the equity method	243,337	-	-	243,337
Unallocated corporate assets	-	-	570,755	570,755
Total assets	**1,287,348**	**395,972**	**570,755**	**2,254,075**
Total segment liabilities	340,317	2,741	-	343,058
Unallocated corporate liabilities	-	-	662,421	662,421
Total liabilities	**340,317**	**2,741**	**662,421**	**1,005,479**

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

NOTE 3 - SEGMENT REPORTING (Continued)

	1 January - 31 December 2014			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	1,977,485	120,059	8,659	2,106,203
External revenues	**1,977,485**	**120,059**	**8,659**	**2,106,203**
Adjusted EBITDA (*)	**314,647**	**10,365**	**2,481**	**327,493**
Unallocated corporate expenses (**)	-	-	-	(41,431)
EBITDA	-	-	-	**286,062**
Amortization and depreciation	(39,880)	(12,507)	(7,788)	(60,175)
Other operating income, net	-	-	-	8,328
Share of loss of investments accounted for using the equity method	(20,192)	-	-	(20,192)
Financial income/(expense) net	-	-	-	(5,894)
Profit before tax				**208,129**

(*) Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization.
(**) Unallocated corporate expenses consist of unallocated parts of general administrative expenses as of 31 December 2014.

	1 January - 31 December 2014			
	Fibers	**Energy**	**Unallocated**	**Total**
Capital expenditure	103,571	29,039	-	132,610
				31 December 2015
Total segment assets	1,077,197	364,251	-	1,441,448
Investment accounted for using the equity method	242,588	-	-	242,588
Unallocated corporate assets	-	-	314,462	314,462
Total assets	**1,319,785**	**364,251**	**314,462**	**1,998,498**
Total segment liabilities	458,094	3,431	-	461,525
Unallocated corporate liabilities	-	-	423,610	423,610
Total liabilities	**458,094**	**3,431**	**423,610**	**885,135**

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

NOTE 3 - SEGMENT REPORTING (Continued)

Segment Assets

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

	31 December 2015	31 December 2014
Reportable segment assets	**1,683,320**	**1,684,036**
Cash and cash equivalents	342,810	192,492
Other receivables	-	148
Other assets	54,303	42,791
Financial investments	-	2,355
Derivative financial instruments (*)	7,724	7,265
Property, plants and equipment and intangibles	165,918	69,411
Total assets	**2,254,075**	**1,998,498**

Segment Liabilities

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

	31 December 2015	31 December 2014
Reportable segment liabilities	**343,058**	**461,525**
Financial liabilities (*)	621,239	384,228
Derivative financial instruments (**)	-	433
Other payables	508	756
Provisions	2,213	2,053
Income tax payable	14,544	11,122
Provision for employment termination benefits	14,448	13,566
Other current liabilities	2,243	2,066
Deferred income tax liabilities	7,226	9,386
Total liabilities	**1,005,479**	**885,135**

(*) As of 31 December 2015, TL283,832 (31 December 2014: TL131,447) of the borrowings issued for fiber investment and TL337,407 (31 December 2014: TL252,781) issued for working capital.

(**) As of 31 December 2015, the interest rate swap agreement asset, amounting to TL413 (31 December 2014: TL433 liability) of the derivative financial instruments is related to borrowings for fiber investment.

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	31 December 2015	31 December 2014
Cash	70	41
Bank		
Demand deposit (TL)	7,390	5,437
Foreign currency demand deposit	45,493	24,960
Time deposits (TL)	75,556	41,041
Foreign currency time deposit	210,448	110,242
Other	3,853	10,771
Total	**342,810**	**192,492**

Maturity of time deposits are less than three months and weighted average effective interest rates on TL denominated time deposits at 31 December 2015 is 12.69% (31 December 2014: 9.82%) for USD 2.65% (31 December 2014: 2.30%) and for EUR 1.40% (31 December 2014: 2.20%) respectively.

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

	31 December 2015	31 December 2014	31 December 2013
Cash and cash equivalents	342,810	192,492	233,208
Less: Restricted cash with maturity of three months or less (Note 7)	(3,853)	(10,771)	(3,415)
Interest accrual	(147)	(18)	(112)
As reported in the consolidated statements of cash flows	**338,810**	**181,703**	**229,681**

NOTE 5 - FINANCIAL INVESTMENTS

Details of financial investments of the Group are as follows:

	31 December 2015	31 December 2014
Unquoted financial assets:		
Ak-Pa	-	2,355

Income amounting to TL11,660, which is arising from the sales of 13.47% share of Ak-pa was classified under financial investment of the Company, accounted for "Other Operating Income".

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

NOTE 6 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint Ventures

	31 December 2015	**31 December 2014**
DowAksa Holdings	243,337	242,588

Summarized financial information of DowAksa Holding is presented below;

	31 December 2015	**31 December 2014**
Current assets	181,257	193,491
Non-current assets	765,272	644,950
Total Assets	**946,529**	**838,441**
Short-term liabilities	205,492	101,997
Long-term liabilities	254,363	251,268
Equity	486,674	485,176
Total Liabilities	**946,529**	**838,441**
Equity corresponding to Group's interest of 50%	**243,337**	**242,588**

	2015	**2014**
Revenue	74,258	75,226
Net loss	(118,188)	(40,384)
Net loss corresponding to Group's interest of 50%	**(59,094)**	**(20,192)**

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

	2015	**2014**
1 January	242,588	245,108
Net loss corresponding to Group's interest of 50%	(59,094)	(20,192)
Currency translation differences	57,372	17,448
Adjustment to gain on sale (*)	2,471	-
Hedging reserve	-	224
31 December	**243,337**	**242,588**

(*) Amount consists of an adjustment to the fair value of the business transferred during formation of the joint venture and subsequent additional capital contribution by Dow Europe Holdings BV ("Dow Europe") to the joint venture. Increase in Group's share in the joint venture is recorded as a gain under "other operating income" in the consolidated financial statements.

The Group has additional capital commitment not exceeding 15 million USD to its joint venture DowAksa on the condition that the other joint venturer, Dow Europe also participates; with the timing and the amount needed by DowAksa in line with their business plan.

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

NOTE 7 - BORROWINGS

Group's financial liabilities are as follows:

	31 December 2015	31 December 2014
Short-term bank borrowings	323,879	227,609
Short-term factoring liabilities	13,528	25,172
Short-term portion of long-term bank borrowings	70,886	29,469
Total short-term borrowings	**408,293**	**282,250**
Long-term bank borrowings	212,946	101,978
Total long-term borrowings	**212,946**	**101,978**
Total borrowings	**621,239**	**384,228**

Bank Borrowings

	31 December 2015		31 December 2014	
	Yearly weighted average interest rate %	TL	Yearly weighted average interest rate %	TL
a) Short-term bank borrowings:				
USD borrowings	1.53	319,836	1.51	227,252
EUR borrowings (*)	2.28	1,611	-	-
TL borrowings	-	2,432	-	357
Total short-term bank borrowings:		**323,879**		**227,609**
Factoring liabilities	1.60	13,528	1.60	25,172
b) Short-term portion of long-term bank borrowings:				
USD bank borrowings	3.85	24,230	3.85	19,519
EUR bank borrowings (*)	2.44	46,656	3.68	9,950
Total short-term portion of long-term bank borrowings		**70,886**		**29,469**
Total short-term borrowings		**408,293**		**282,250**
c) Long-term bank borrowings:				
USD bank borrowings	3.85	72,690	3.85	77,297
EUR bank borrowings	2.32	140,256	3.68	24,681
Total long-term borrowings		**212,946**		**101,978**

The Group does not have any covenant breaches in relation to its borrowings.

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

NOTE 7 - BORROWINGS (Continued)

(*) Short – term EUR borrowings arises from sale and leaseback agreement made with a financial lease institution for a portion of real estate properties of the Company. The Company has interpreted this agreement in the context of IAS Interpretation 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease" and in order to reflect the substance of the transaction in the consolidated financial statements. The company has not applied the accounting guidance for sale and leaseback transactions in IAS 17. In this respect, the amount corresponding to fair value of the relevant real estate and collected from the leasing company has been accounted for under "short – term borrowings" in the financial statements.

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

	31 December 2015		31 December 2014	
	Fair value	**Book value**	**Fair value**	**Book value**
EUR borrowings	151,049	140,256	26,579	24,681
USD borrowings (**)	79,651	72,690	85,856	77,297

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

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

	31 December 2015	**31 December 2014**
Less than 3 months	174,789	125,242
Between 3-12 months	233,504	157,008
Between 1-2 years	70,658	29,197
Between 2-3 years	65,097	29,197
Between 3-4 years	59,537	24,260
4 years and longer	17,654	14,387
	621,239	**384,228**

As of 31 December 2015, according to the general credit agreements, the Group has unused credit limit amounting to TL1,883,278 (31 December 2014: TL1,059,519).

As of 31 December 2015, according to the general credit agreements, the Group has blocked deposits of TL3,853 in relation to its borrowings (31 December 2014: TL10,771) (Note 4).

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Details of trade receivables of the Group are as follows:

a) Short-term Trade Receivables:

	31 December 2015	31 December 2014
Trade receivables	243,344	199,011
Notes receivable and cheques	77,277	144,396
Less: Provision for doubtful receivables	(42,388)	(42,973)
Less: Unearned finance income on credit sales	(2,907)	(3,087)
Total short-term trade receivables, net	**275,326**	**297,347**

TL and foreign currency denominated trade receivables as of 31 December 2015 have an average maturity of 3 months (31 December 2014: 3 months) and are discounted with an average annual interest rate of 7% (31 December 2014: 6%).

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

Movements of provision for doubtful receivables for 31 December 2015 and 2014 are as follows:

	2015	2014
1 January	**42,973**	**40,981**
Collections	(2,015)	(23)
Current period charge	1,430	2,015
31 December	**42,388**	**42,973**

The explanation for the nature and level of the risk in trade receivables is shown in Note 28, Credit Risk section.

b) Short-term trade payables:

	31 December 2015	31 December 2014
Suppliers	279,366	389,593
Less: Unaccrued finance costs on credit purchases (-)	(1,471)	(2,641)
Total	**277,895**	**386,952**

TL and foreign currency denominated trade payables as of 31 December 2015 have an average maturity of 3 months and they are discounted with an average annual interest rate of 4% in USD terms (31 December 2014: 4%).

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

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 2015**	**31 December 2014**
Deposits and guarantees given	257	224

b) Short-term other payables:	**31 December 2015**	**31 December 2014**
Taxes and funds payable	310	293
Other	198	463
Total	**508**	**756**

NOTE 10 - INVENTORIES

	31 December 2015	**31 December 2014**
Raw materials	116,040	151,931
Semi-finished goods	12,726	19,957
Finished goods	33,517	44,588
Other stocks and spare parts	24,363	19,933
Less: Provision for impairment on inventories	(1,572)	(41)
Total	**185,074**	**236,368**

The inventory impairment provision is related with the finished goods.

Group has included the movements in the provision for impairment between 31 December 2015 and 2014 in the cost of sales (The increase in provision for the impairment amount is due to the cost of relevant inventory is higher than the realizable sales price).

Group has insured its inventory amounting to TL138,620 (excluding raw materials in transit) as of 31 December 2015 (TL161,746 as of 31 December 2014) for USD 65 million (31 December 2014: 65 million USD).

As of 31 December 2015 raw materials include goods in transit amounting TL46,454 (31 December 2014: TL77,309).

As of 31 December 2015, the cost of raw material and goods is shown in Note 21.

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

NOTE 11 - INVESTMENT PROPERTIES

	1 January 2015	Additions	Transfers (*)	31 December 2015
Cost				
Land and buildings	-	47,509	-	47,509
Independent units	-	-	3,091	3,091
	-	**47,509**	**3,091**	**50,600**
Accumulated depreciation				
Land and buildings	-	76	1,710	1,786
Independent units	-	396	-	396
	-	**472**	**1,710**	**2,182**
Net book value	**-**			**48,418**

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

Land and Buildings

The land and buildings classified as investment properties consist of land and buildings at the city of Yalova, town of Çiftlikköy, village of Deniz Çalı, locality of Topçuçiftliği at plots no. 1126, 1145 and city block no. 151 / plot no. 1. These land and buildings have been purchased from Akiş Gayrimenkul Yatırım Ortaklığı A.Ş. for TL45,100 on 10 September 2015. The fair value of the plant in Yalova is equal to cost of land and buildings and they have been rented for USD 75,000 and TL15 as of the same date.

Independent Units

Independent units consist of offices of the Company located in Gümüşsuyu and Maçka. According to the recent valuation report, the fair value of the independent units is TL19,200 and it provides rent income amounting to USD30,000 per month.

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

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

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2015	**Additions**	**Disposals**	**Transfers (*)**	**Currency translation differences**	**31 December 2015**
Cost						
Land	61,823	5,037	(2,993)	-	216	64,083
Land improvements	95,938	-	-	3,580	-	99,518
Buildings	160,793	29	-	22,603	447	183,872
Machinery and equipment	950,341	4,087	(3,467)	85,709	867	1,037,537
Motor vehicles	1,244	92	(180)	-	54	1,210
Furniture and fixture	40,533	2,214	(7)	6,068	36	48,844
Construction in progress	84,245	97,799	-	(124,646)	-	57,398
	1,394,917	**109,258**	**(6,647)**	**(6,686)**	**1,620**	**1,492,462**
Accumulated depreciation						
Land improvements	39,727	3,177	-	-	-	42,904
Buildings	43,175	4,385	-	(1,710)	210	46,060
Machinery and equipment	608,733	50,293	(3,219)	-	822	656,629
Motor vehicles	1,049	44	(180)	-	54	967
Furniture and fixtures	23,698	3,600	(4)	-	34	27,328
	716,382	**61,499**	**(3,403)**	**(1,710)**	**1,120**	**773,888**
Net book value	**678,535**				**718,574**	**718.574**

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

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

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

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

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2014	Additions	Disposals (*)	Transfers	Currency translation differences	31 December 2014
Cost						
Land	61,746	-	-	-	77	61,823
Land improvements	94,873	240	-	825	-	95,938
Buildings	139,663	14	-	20,957	159	160,793
Machinery and equipment	912,425	2,623	(1,827)	36,791	329	950,341
Motor vehicles	1,219	6	-	-	19	1,244
Furniture and fixture	34,708	2,865	(6)	2,953	13	40,533
Construction in progress	93,105	126,590	(73,924)	(61,526)	-	84,245
	1,337,739	**132,338**	**(75,757)**	**-**	**597**	**1,394,917**
Accumulated depreciation						
Land improvements	36,392	3,335	-	-	-	39,727
Buildings	39,265	3,842	-	-	68	43,175
Machinery and equipment	562,038	48,115	(1,732)	-	312	608,733
Motor vehicles	966	64	-	-	19	1,049
Furniture and fixtures	20,567	3,121	(2)	-	12	23,698
	659,228	**58,477**	**(1,734)**	**-**	**411**	**716,382**
Net book value	**678,511**					**678,535**

(*) Disposal amounting to TL73,924 from construction in progress is related to leased 'Solvent Recovery Unit' to Aksa's joint venture, Dow Aksa (Note 26).

The borrowing cost amounting to TL9,019 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2014.

TL56,124 of current year depreciation and amortization expense is charged to "cost of sales", TL513 is charged to "research and development expenses", TL671 is charged to "general administrative expenses, TL43 is charged to "marketing, selling and distribution expenses'' and TL1,126 is charged to "inventory".

As of 31 December 2014 there is no mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for USD 412 million.

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

NOTE 13 - INTANGIBLE ASSETS

	1 January 2015	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2015
Cost						
Rights (**)	3,515	68,945	-	1,505	208	74,173
Development cost	10,583	-	-	-	-	10,583
Other intangible assets	3,246	203	-	2,090	-	5,539
	17,344	**69,148**	**-**	**3,595**	**208**	**90,295**
Accumulated depreciation						
Rights	2,575	280	-	-	114	2,969
Development cost	4,808	2,116	-	-	-	6,924
Other intangible assets	2,544	891	-	-	-	3,435
	9,927	**3,287**	**-**	**-**	**114**	**13,328**
Net book value	**7,417**					**76,967**

(*) Consists of the capitalized cost of development projects.
(**) Main additions to rights consist of the joint treatment facility in Yalkim OSB and use rights of lands amounting to TL32,357.

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

NOTE 13 - INTANGIBLE ASSETS (Continued)

	1 January 2014	Additions	Disposals	Transfers	Currency translation differences	31 December 2014
Cost						
Rights	3,417	27	(1)	-	72	3,515
Development cost	10,583	-	-	-	-	10,583
Other intangible assets	3,001	245	-	-	-	3,246
	17,001	**272**	**(1)**	**-**	**72**	**17,344**
Accumulated depreciation						
Rights	2,417	125	(1)	-	34	2,575
Development cost	2,686	2,122	-	-	-	4,808
Other intangible assets	1,967	577	-	-	-	2,544
	7,070	**2,824**	**(1)**	**-**	**34**	**9,927**
Net book value	**9,931**					**7,417**

TL889 (2014: TL854) of the current amortization expense is charged to "cost of sales", TL2,119 (2014: TL1,660) is charged to "research and development expenses", TL279 (2014: TL310) is charged to "general administrative expenses''.

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

NOTE 14 - GOODWILL

The goodwill balance with the carrying amount of TL5,989 (2014: TL5,989) as of 31 December 2015 resulted from the acquisition of 50% of shares Ak-Tops Tekstil Sanayi A.Ş. during 2007.

In Note 2.4 details of assessment for the impairment of Goodwill is defined. There is no change in the book value of the goodwill, which is TL5,989 for the period ended as of 31 December 2015 (31 December 2014: TL5,989).

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	31 December 2015	**31 December 2014**
Provision for lawsuits	2,213	2,053
Total	**2,213**	**2,053**

Contingent assets and liabilities are as follows:

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

	31 December 2015	**31 December 2014**
Collaterals given	225,984	332,414
Letter of credit commitments	194,572	285,434
Total	**420,556**	**617,848**

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

	31 December 2015	**31 December 2014**
Credit insurance	505,111	473,432
Pledged cheques and notes receivable	53,662	73,204
Pledges received	42,992	43,020
Confirmed/unconfirmed letters of credit	57,342	24,110
Limits of Direct Debiting System ("DDS")	19,563	16,054
Guarantee letters received	25,788	12,316
Total	**704,458**	**642,136**

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

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

b) Given Collaterals, Pledges, Mortgages ("CPM"):

		31 December 2015	31 December 2014
A.	CPM given on behalf of the Company's legal personality	390,408	590,369
	- USD	*202,597*	*394,137*
	- Turkish Lira	*187,201*	*171,426*
	- EUR	*610*	*24,634*
	- Other	*-*	*172*
B.	CPM given on behalf of fully consolidated subsidiaries	-	-
C.	CPM given for continuation of its economic activities on behalf of third parties	30,148	27,479
	- USD	*30,148*	*27,479*
D.	Total amount of other CPM given	-	-
	i) Total amount of CPM given on behalf of the majority shareholder	-	-
	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		**420,556**	**617,848**

As of 31 December 2015, total amount of the Company's given CPM (D) equals to 0% of its equity (31 December 2014: 0%).

NOTE 16 - EMPLOYEE BENEFITS

Payables for employee benefits	**31 December 2015**	**31 December 2014**
Social security premiums payable	2,229	2,039
Payables to employees	14	27
Total	**2,243**	**2,066**

Short-term provisions for employee benefits	**31 December 2015**	**31 December 2014**
Provision for premium	9,662	8,504
Provision for unused vacation	1,131	1,298
Total	**10,793**	**9,802**

Long-term rrovision for employee benefits		
Provision for employee termination benefits and employee termination incentive	20,226	21,587

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for employee termination benefits

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

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

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

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

	31 December 2015	31 December 2014
Discount rate (%)	3.27	1.71
Probability of retirement (%)	98.44	98.78

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. . As the maximum liability is revised once every six months, the maximum amount of TL4,092.53 effective from 1 January 2016 (1 January 2014: TL3,541.37) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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

	2015	2014
Balances as of 1 January	**21,587**	**15,338**
Service cost	1,634	3,023
Interest cost	368	562
Compensation paid	(1,617)	(1,663)
Actuarial losses / (gain)	(1,746)	4,327
Balances as of 31 December	**20,226**	**21,587**

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

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2015	31 December 2014
Value Added Taxes (''VAT'') receivables	50,815	42,363
Personnel advances	-	56
Total	**50,815**	**42,419**

b) Prepaid expenses - Short-term:

	31 December 2015	31 December 2014
Order advances given	5,466	9,394
Prepaid expenses	4,941	4,235
Job advances	75	24
Total	**10,482**	**13,653**

c) Prepaid expenses - Long-term:

	31 December 2015	31 December 2014
Advances given for purchase of property, plant and equipment	5,172	8,722
Prepaid expenses	84	774
Total	**5,256**	**9,496**

d) Deferred Income:

	31 December 2015	31 December 2014
Order advances received	7,108	12,256
Total	**7,108**	**12,256**

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2015		31 December 2014	
	Asset	Liability	Asset	Liability
Held for trading	7,311	-	7,265	-
Subject to hedge accounting	413	-	-	433
Total	**7,724**	**-**	**7,265**	**433**

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

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative instruments held for hedging:

	31 December 2015		31 December 2014	
	Contract amount USD thousand	Fair value Asset amount TL	Contract amount USD thousand	Fair value Liability amount TL
Interest rate swap	33,333	413	41,667	433

Derivative financial instruments are initially recognized in the balance sheet at cost (including transaction cost) and are subsequently re-measured at their fair value. Group accepts initial cost of derivative financial instruments equal to their fair value. Derivative financial instruments of the Group generally consist of forward foreign exchange contracts and interest rate swap instruments.

The Group designates to transactions that protect against effect of profit/loss (protection of cash flow risk) and cash flows transactions, which are likely to happen and relation can be established with certain risk or registered asset or liability, caused with specific reason on the date of derivative contract is signed.

These derivative transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting. Changes in the fair value of such derivatives are recognized directly in equity under "hedging reserve", net-off relevant deferred taxation impact.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, or when a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. The realization of promised or probable future transactions are recorded in the income statement, if not realized, accumulated gains or losses are recognized as profit/(loss) in the consolidated financial statements.

At 31 December 2015, such arrangements fixed LIBOR and EURIBOR to 1.35% (31 December 2014: 1.35%). Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts as of 31 December 2015 will be gradually released to the income statement within finance cost until the repayment of the bank borrowings (Note 7).

Derivative financial instruments held for trading

The Group has option contracts regarding to foreign exchange trading transactions as of 31 December 2015. The mentioned option transactions are accounted for as derivative financial instruments held for trading in the consolidated financial statements, as they do not qualify for hedge accounting and changes in fair value of these financial instruments are recognized in the consolidated statement of income.

	31 December 2015		31 December 2014	
	Fair value		Fair value	
	Contract amount (thousand)	Asset / (Liability) amount TL	Contract amount (thousand)	Asset / (Liability) amount TL
Foreign exchange held for trading transactions:		7,311		7,265
- USD	39,531	1,140	30,833	3,025
- EUR	68,500	6,171	82,250	4,240

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

NOTE 19 - EQUITY

Aksa has adopted the registered share capital system applicable to companies registered on the CMB and set a limit on its registered share capital representing type of registered shares with a nominal value of Kr 1. Historical, authorized and issued capital of Aksa as of 31 December 2015 and 2014 is presented below:

	31 December 2015	**31 December 2014**
Limit on registered share capital	425,000	425,000
Issued share capital	185,000	185,000

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

	Share %	**31 December 2015**	**Share %**	**31 December 2014**
Akkök Holding	39.59	73,237	39.59	73,237
Emniyet Ticaret ve Sanayi A.Ş.	18.72	34,638	18.72	34,638
Other	41.69	77,125	41.69	77,125
	100.00	**185,000**	**100.00**	**185,000**
Adjustment to share capital		195,175		195,175
Total paid-in share capital		**380,175**		**380,175**

The approved and paid-in share capital of the Company consists of 18,500,000,000 (31 December 2014: 18,500,000,000) shares issued on bearer with a nominal value of Kr 1(31 December 2014: Kr 1) each. All shareholders have same rights and there are not issued different type of shares such as privilege and common shares. Adjustment to share capital represents the difference between the amounts of the restatement effect of cash and cash equivalents contributions to share capital and the amounts before the restatements.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. According to the TCC, the legal reserve does not exceed half of the capital or issued capital can be used only to offset losses, to continue the business when things did not go well or to get ahead of unemployment and mitigate its results.

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL107,501as of 31 December 2015 (31 December 2014: TL95,907). 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.

NOTE 19 - EQUITY (Continued)

In accordance with the CMB regulations effective until 1 January 2008, “Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves” were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under “inflation adjustment differences” at the initial application of inflation accounting. “Equity inflation adjustment differences” could have been utilized in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, “Share Capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- The difference arising from the “Paid-in Capital” and not been transferred to capital yet, shall be classified under the “Adjustments to Share Capital”;
- The difference due to the inflation adjustment of “Restricted Reserves” and “Share Premium” and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under “Retained Earnings”,

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Adjustment to share capital has no use other than being transferred to paid-in share capital.

Dividend Distribution

Regarding the dividend distribution, the entities are to distribute their profits under the scope of CMB Communiqué Serial: II-19.1 , their articles of association and their previously publicly declared profit distribution policies.

Besides that, it is regulated that companies which are obligated to prepare consolidated financial statements under CMB policies, if it’s allowed in their statutory reserves, amount of profit available for distribution, in accordance with CMB Communiqué No. II -14.1 announced publicly consolidated financial statements taking into account net profit of the period.

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

In statutory accounts of the company, net profit after deducting prior years losses and other reverses which can be subject to profit distribution amounts TL876,290 (31 December 2014: TL756,676). Amounts in the consolidated financial statement prepared according to CMB Communique on Principles Regarding Financial Reporting, net profit after deducting prior years losses and other reverses which can be subject to profit distribution amounts TL645,254 (31 December 2014: TL582,567).

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

NOTE 20 - REVENUE AND COST OF SALES

Sales and cost of goods sold for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Domestic sales	1,396,566	1,473,000
Export sales	812,996	720,063
Less: Sales returns	(3,141)	(6,743)
Less: Other discounts	(176,415)	(80,117)
Net sales income	**2,030,006**	**2,106,203**
Cost of sales (-)	**(1,634,362)**	**(1,789,556)**
Gross profit	**395,644**	**316,647**

NOTE 21 - EXPENSES BY NATURE

Cost of sales, marketing, selling and distribution expenses and general administrative expenses by nature for the years ended as of 31 December 2015 and 2014 are as follows;

	31 December 2015	31 December 2014
Raw materials and goods	1,405,839	1,590,106
Employee benefits	98,852	90,064
Depreciation and amortization	64,294	60,175
Commission expenses	23,075	17,807
Repair, maintenance and cleaning expenses	30,973	19,935
Export expenses	25,913	16,358
Consultancy expenses	10,948	9,327
Rent Expenses	5,645	5,929
Information technologies expense	6,560	5,394
Miscellaneous tax expenses	2,370	2,667
Travel expenses	2,042	2,540
Other	67,733	60,014
Total	**1,744,244**	**1,880,316**

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

NOTE 22 - OTHER OPERATING INCOME / EXPENSE

Income from other operating activities by nature for the years ended as of 31 December 2015 and 2014 are as follows;

	31 December 2015	31 December 2014
Foreign exchange income from trading transactions	128,300	48,721
Income from sales of subsidiary/joint venture shares (*)	11,776	-
Interest income from credit sales	11,071	12,855
Income from fixed assets sales	7,724	261
Released provisions	2,015	102
Dividend income	-	1,101
Other	2,388	3,180
Total	**163,274**	**66,220**

(*) It comprises of income amounting to TL9,305 which is arising from the sales of 13.47% share of Ak-Pa Tekstil İhracat Pazarlama A.Ş. ("Ak-Pa") to Akkök Holding which was previously classified as a financial investment of the Company and a positive adjustment to sales gain previously recognised on establishment of Dowaksa Holdings of TL2,471 (Note 6).

Expense from other operating activities by nature for the years ended as of 31 December 2015 and 2014 are as follows;

	31 December 2015	31 December 2014
Foreign exchange expense from trading transactions	87,505	46,992
Interest expense from credit purchases	6,264	7,096
Provision for doubtful receivables (Note 8)	1,430	2,015
Other	1,177	1,789
Total	**96,376**	**57,892**

NOTE 23 - FINANCIAL INCOME

Financial income for the years ended at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Foreign exchange gains	118,214	77,636
Income from derivative financial instruments	36,501	7,640
Interest income	12,097	5,318
Total	**166,812**	**90,594**

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

NOTE 24 - FINANCIAL EXPENSES

Financial expense for the years ended at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Foreign exchange loss	175,197	88,934
Loss from derivative financial instruments	18,537	375
Borrowing costs	9,454	7,179
Total	**203,188**	**96,488**

NOTE 25 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Income tax expense	(60,418)	(42,076)
Deferred tax income/(expense)	2,694	(3,197)
Total tax expense	**(57,724)**	**(45,273)**

Deferred Income Tax Assets and Liabilities

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2015 and 2014 are as follows:

	Temporary taxable differences		Deferred income tax asset/liability	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Property, plant and equipment and intangible assets	(55,539)	(66,799)	(11,108)	(13,360)
Derivative financial instruments	(7,724)	(6,832)	(1,545)	(1,366)
Trade payables	(1,471)	(2,745)	(294)	(549)
Deferred income tax liabilities			**(12,947)**	**(15,275)**
Employee termination benefits	21,357	22,885	4,271	4,577
Trade receivables	3,876	5,477	775	1,095
Inventories	1,982	586	396	117
Other short-term liabilities	1,395	500	279	100
Deferred income tax assets			**5,721**	**5,889**
Deferred income tax liabilities, net			**(7,226)**	**(9,386)**

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

NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Movement for the deferred income tax liabilities for the periods ended at 31 December 2015 and 2014 are as follows:

	2015	**2014**
1 January	**9,386**	**7,245**
Deferred tax income for the period, net	(2,694)	3,197
Amounts recognized under the equity	169	(1,056)
Currency translation differences	365	-
31 December	**7,226**	**9,386**

	31 December 2015	**31 December 2014**
Calculated corporate income tax	60,418	42,076
Amount offset from VAT receivables and prepaid corporate taxes	(45,874)	(30,954)
Income tax payable	**14,544**	**11,122**

The reconciliation of tax expenses stated in consolidated income statements for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	**31 December 2014**
Profit before tax	257,190	208,129
Expected tax expense of the Group (20%)	**51,438**	**41,626**
The effect of application of equity method	59,094	20,192
Expenses not deductible for tax purposes	1,842	1,896
The effect of foreign subsidiaries	45	(1,641)
Impact of tax exemption for profit from lands sold	(5,067)	-
Impact of tax exemption for profit from investments sold	(7,148)	-
Impact of tax exemption for sale and leaseback transaction	(18,024)	-
Dividend income	-	(1,101)
Other	690	(1,110)
Tax effect (20%)	6,286	3,647
Current period tax expense of the Group	**57,724**	**45,273**

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

NOTE 26 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the period. The earnings per share calculation for the years ended 31 December 2015 and 2014 as follows:

	31 December 2015	**31 December 2014**
Net income attributable to the equity holders of the parent (TL) (*) (A)	199,474,944	162,848,735
Weighted average number of shares (B)	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	1.08	0.88

(*) Amounts expressed in Turkish Lira.

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Short-Term Trade Receivables

As of 31 December 2015 and 2014, trade receivables from related parties are as follows:

	31 December 2015	**31 December 2014**
Ak-Pa (*)	182,737	170,109
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. ("DowAksa")	5,456	3,105
Akkim Kimya San, ve Tic. A.Ş.	4,391	4,261
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A,Ş.	-	7,512
Other	16	-
Less: Unearned finance income on credit sales (-)	(99)	(28)
Total	**192,501**	**184,959**

(*) Sales to Ak-Pa comprise of export sales made to third party customers by export register and the balance consists of trade receivables arising from these transactions.

Foreign currency denominated trade receivables have average 3 months maturity as of 31 December 2015 and 2014 and are discounted with annual average discount rate of 1% (31 December 2014:1%) based on USD.

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Short-Term Trade Payables

As of 31 December 2015 and 2014, short-term trade payables to related parties are as follows:

	31 December 2015	31 December 2014
Ak-Pa	5,105	28,289
Akkim Kimya San, ve Tic, A.Ş.	7,126	6,539
Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi ("Yalkim OSB") (*)	6,715	-
Akgirişim Müt. Müş. Çevre Tek. San. Tic. A.Ş. ("Akgirişim")	3,553	5,105
Dinkal Sigorta Acenteliği A.Ş.	2,126	1,372
Akkök Holding	1,666	1,932
Aktek Bilgi İşlem Tekn. San.ve Tic. A.Ş.	687	745
Other	532	616
Less: Unincurred finance costs on purchases	-	(104)
Total	**27,510**	**44,494**

c) Long-Term Trade Payables

As of 31 December 2015 and 2014, long-term trade payables to related parties are as follows:

	31 December 2015	31 December 2014
Yalkim OSB (*)	13,974	-

(**) Relevant payables consist of the reflected fee to the Company for use rights of joint treatment plant with in Yalkim OSB.

d) Financial Liabilities

As of 31 December 2015 and 2014, short-term borrowings from related parties are as follows:

	31 December 2015	31 December 2014
Ak-Pa	13,528	25,172

Borrowings comprise cash received from factoring transactions (Note 7).

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Other Receivables

Other receivables from joint ventures for the year ended as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December2014
DowAksa - Leasing receivables	13,017	8,686
DowAksa - Unearned finance income (-)	(1,928)	(1,734)
Other short-term receivables	**11,089**	**6,952**
DowAksa - Leasing receivables	87,020	78,175
DowAksa - Unearned finance income (-)	(7,564)	(7,736)
Other long-term receivables	**79,456**	**70,439**
Total	**90,545**	**77,391**

Leasing receivables are shown as below in terms of period the collection as of 31 December 2015:

	31 December 2015			31 December 2014		
	Leasing	**Interest**	**Total**	**Leasing**	**Interest**	**Total**
Less than 3 months	4,358	501	4,859	1,723	449	2,172
Between 3-12 months	6,731	1,427	8,158	5,229	1,285	6,514
Between 1-2 years	9,156	1,721	10,877	7,116	1,570	8,686
Between 2-3 years	9,367	1,510	10,877	7,284	1,402	8,686
Between 3-4 years	9,584	1,293	10,877	7,456	1,230	8,686
4 years and longer	51,349	3,040	54,389	48,583	3,534	52,117
	90,545	**9,492**	**100,037**	**77,391**	**9,470**	**86,861**

f) Advances Given

Advances given to related parties for the year ended as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Akgirişim	1,969	5,193
Yalkim OSB	1,859	-

Advances given to related parties consist of advance payment related to various investment projects in the facilities located in Yalova.

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

g) Sales and other income

Sales and other income to related parties for the years ended as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Ak-Pa (*)	785,535	697,460
Akkim Kimya San. ve Tic. A.Ş.	43,828	43,057
DowAksa	33,237	24,346
Akkök Holding (**)	12,223	444
Yalkim OSB	6,000	-
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş.	597	52,886
Other	1,165	581
Total	**882,585**	**818,330**

(*) The sales to Ak-pa consist of sales to third parties via Ak-Pa.
(**) The sales to Akkök Holding consist of income amounting to TL11,660, which is arising from the sales of 13.47% share of Ak-pa which was classified as financial investment of the Company.

Other sales to related parties mainly consist of rent income, steam and energy sales.

h) Foreing Exchange Gain/Loss

Foreing exchange income from related parties for the years ended at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Ak-Pa	38,733	17,314

i) Purchases

Product and service purchases from related parties for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Yalkim OSB (*)	71,748	-
Akkim Kimya San. ve Tic, A.Ş.	71,532	57,342
Akiş Gayrimenkul Yatırımı A.Ş. (**)	46,560	-
Akgirişim	27,776	22,455
Ak-Pa	12,904	10,907
Dinkal Sigorta Acenteliği A.Ş. (***)	11,492	9,728
Akkök Holding	8,666	6,957
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş.	7,217	6,798
Other	1,965	2,700
Total	**259,860**	**116,887**

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Purchases from related parties consist of chemicals, insurance, construction business, consulting, commission, rent expenses and various service procurement.

(*) Purchases from Yalkim OSB consist of usage rights acquired for waste treatment facility and other property, plant and equipment owned by Yalkim OSB and operating costs of Yalkim OSB, which are charged to its participants.

(**) Purchases from Akiş Gayrimenkul Yatırımı A.Ş. are related to purchases of factory building and land in Yalova (Note 11).

(***) Purchases comprise insurance payments for which Dinkal Sigorta Acenteliği A.Ş. acts as an agent.

The Company defined its key management personnel as board of directors and members of the executive committee. Benefits provided to key management personnel as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Salary and other short-term employee benefits	5,838	4,627
Employment termination benefits	41	53
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	**5,879**	**4,680**

Benefits provided to the Board of Directors, for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Salary and other short-term employee benefits	1,467	1,542
Employment termination benefit	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	**1,467**	**1,542**

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk factors

The Groups principal financial instruments are cash and cash equivalents, trade receivables and financial liabilities. The main purpose of these financial instruments is to raise finance 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.

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

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

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).

Trade Receivable Aging Analysis

Aging of the receivables which are overdue but not impaired is as follows:

31 December 2015	**Trade Receivables**
1-30 days overdue	29,351
1-3 months overdue	19,362
3-12 months overdue	1,645
More than 12 months overdue	634
Total (*)	**50,992**
Secured with guarantees	**28,615**

(*) TL38,968 of the amount has been collected as of the date the report.

31 December 2014	**Trade Receivables**
1-30 days overdue	19,002
1-3 months overdue	6,535
3-12 months overdue	579
More than 12 months overdue	660
Total	**26,776**
Secured with guarantees	**19,405**

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

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2015 the Group's maximum exposure to credit risk is presented below:

	Trade receivables		Other receivables		Deposits at bank	
31 December 2015	**Related Parties**	**Other**	**Related Parties**	**Other**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**192,501**	**275,326**	**90,545**	**257**	**-**	**342,740**
- Secured portion of maximum credit risk by guarantees (*)	***148,807***	***245,361***	**-**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	167,135	245,292	90,545	257	-	342,740
Net book value of the expired or not impaired financial assets	25,366	25,626	-	-	-	-
- Secured portion with guarantees	13,239	15,376	-	-	-	-
Net book value of impaired assets	-	4,408	-	-	-	-
- Matured (net book value)	-	46,796	-	-	-	-
- Impairment (-) (Note 8)	-	(42,388)	-	-	-	-
- Secured portion with guarantees	-	*4,408*	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

(*) Guarantees taken from the related parties consist of Ak-Pa's guarantees received from export customers.

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

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2014 the Group's maximum exposure to credit risk is presented below:

	Trade receivables		**Other receivables**		**Deposits at bank**	
31 December 2014	**Related Parties**	**Other**	**Related Parties**	**Other**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**184,959**	**297,347**	**77,391**	**224**	**-**	**192,451**
- Secured portion of maximum credit risk by guarantees (*)	***158,467***	***287,087***	**-**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	169,515	286,015	77,391	224	-	192,451
Net book value of the expired or not impaired financial assets	15,444	11,332	-	-	-	-
- Secured portion with guarantees	11,095	8,310	-	-	-	-
Net book value of impaired assets	-	1,192	-	-	-	-
- *Matured (net book value)*	-	44,165	-	-	-	-
- Impairment (-) (Note 8)	-	(42,973)	-	-	-	-
- Secured portion with guarantees	-	*1,192*	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

(*) Guarantees taken from the related parties consist of Ak-Pa's guarantees received from export customers.

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

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (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 the 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 TL is as follows:

	31 December 2015	**31 December 2014**
Assets	797,774	678,790
Liabilities	(863,643)	(781,952)
Net balance sheet position	**(65,869)**	**(103,162)**

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

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position as of 31 December 2015 and 2014 are as follows:

	31 December 2015			
	TL equivalent	**USD position**	**EUR position**	**Other**
1. Trade Receivables	447,385	136,535	15,860	-
2a. Monetary Financial Assets (including cash and bank accounts)	259,844	75,877	1,533	34,354
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	11,089	3,814	-	-
4. Current Assets (1+2+3)	**718,318**	**216,226**	**17,393**	**34,354**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	79,456	27,327	-	-
8. Non-Current Assets (5+6+7)	**79,456**	**27,327**	**-**	**-**
9. Total Assets (4+8)	**797,774**	**243,553**	**17,393**	**34,354**
10. Trade Payables	244,836	83,243	874	22
11. Financial Liabilities	405,861	122,986	15,190	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**650,697**	**206,229**	**16,064**	**22**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	212,946	25,000	44,139	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**212,946**	**25,000**	**44,139**	**-**
18. Total Liabilities (13+17)	**863,643**	**231,229**	**60,203**	**22**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	**(1,720)**	**38,533**	**(35,800)**	**-**
19a. Net Assets of Statement … of Financial Position	330,886	78,064	32,700	-
19b. Net Liabilities of Statement … of Financial Position	332,606	39,531	68,500	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(67,589)**	**50,857**	**(78,610)**	**34,332**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(156,414)**	**(18,817)**	**(42,810)**	**34,332**
22. Fair Value of Financial Instruments Used for Foreign Hedge	7,311	392	1,942	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2014			
	TL equivalent	**USD position**	**EUR position**	**Other**
1. Trade Receivables	462,378	178,053	17,117	-
2a. Monetary Financial Assets (including cash and bank accounts)	145,973	54,843	3,274	9,332
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. Current Assets (1+2+3)	**608,351**	**232,896**	**20,391**	**9,332**
5. Trade Receivables	70,439	30,376	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**70,439**	**30,376**	**-**	**-**
9. Total Assets (4+8)	**678,790**	**263,272**	**20,391**	**9,332**
10. Trade Payables	398,082	161,675	8,013	3
11. Financial Liabilities	281,892	117,272	3,441	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**679,974**	**278,947**	**11,454**	**3**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	101,978	33,333	8,536	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**101,978**	**33,333**	**8,536**	**-**
18. Total Liabilities (13+17)	**781,952**	**312,280**	**19,990**	**3**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	**(6,648)**	**73,655**	**(62,909)**	**-**
19a. Net Assets of Statement … of Financial Position	296,854	104,488	19,341	-
19b. Net Liabilities of Statement … of Financial Position	303,502	30,833	82,250	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(109,810)**	**24,647**	**(62,498)**	**9,329**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(173,601)**	**(79,384)**	**411**	**9,329**
22. Fair Value of Financial Instruments Used for Foreign Hedge	7,265	1,305	1,503	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2015 and 2014, 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 2015	**Profit/Loss**		**Equity**	
	Appreciation of foreign currency	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL				
USD net asset/ (liability)	3,583	(3,583)	24,334	(24,334)
Amount hedged for USD risk	-	-	-	-
USD net effect	**3,583**	**(3,583)**	**24,334**	**(24,334)**
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(13,603)	13,603	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	**(13,603)**	**13,603**	**-**	**-**

31 December 2014	**Profit/Loss**		**Equity**	
	Appreciation of foreign currency	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL				
USD net asset/ (liability)	(13,868)	13,868	24,258	(24,258)
Amount hedged for USD risk	-	-	-	-
USD net effect	**(13,868)**	**13,868**	**24,258**	**(24,258)**
In case 10% change of EUR against TL				
EUR net asset/ (liability)	324	(324)	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	**324**	**(324)**	**-**	**-**

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

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (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 2015, other things being constant, if the interest rate depreciate/ appreciate by 1%, profit before tax would TL59 (31 December 2014: would not change), capitalized financial cost on construction in progress would TL9 (31 December 2014: TL230).

	31 December 2015	**31 December 2014**
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	*286,004*	*151,283*
Financial liabilities		
USD borrowings (fixed due to interest rate swap)	430,284	349,239
TL borrowings	2,432	358
EUR borrowings	1,611	-
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	-	-
Financial liabilities		
EUR bank borrowings	186,912	34,631

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

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

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (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 2015:

Expected or maturities per agreement	**Carrying value**	**Contractual cash flows**	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over than 5 years**
Non-derivative financial liabilities						
Financial liabilities	621,239	638,637	175,410	240,136	223,091	-
Trade payables	277,895	279,366	170,857	108,509	-	-
Due to related parties	41,484	41,484	20,362	7,148	13,974	-
	940,618	**959,487**	**366,629**	**355,793**	**237,065**	**-**

31 December 2014:

Expected or maturities per agreement	**Carrying value**	**Contractual cash flows**	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over than 5 years**
Non-derivative financial liabilities						
Financial liabilities	384,228	389,494	125,242	158,858	105,394	-
Trade payables	386,952	389,593	258,194	131,399	-	-
Due to related parties	44,494	44,598	42,238	2,360	-	-
	815,674	**823,685**	**425,674**	**292,617**	**105,394**	**-**
Derivative financial liabilities						
Derivative cash outflow	433	433	-	87	346	-

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

NOTE 28 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Import and export information:

Import and export for the years ended at 31 December 2015 and 2014 are as follows:

Export

	31 December 2015	31 December 2014
USD	513,367	433,606
EUR	207,053	194,885
Other	92,576	91,572
Total	**812,996**	**720,063**

Import

	31 December 2015	31 December 2014
USD	942,577	1,130,879
EUR	81,090	70,155
Other	1,212	1,609
Total	**1,024,879**	**1,202,643**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including financial liabilities, trade payables and due to related parties, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The ratio of net debt to equity is as follows:

	31 December 2015	31 December 2014
Total monetary liabilities (*)	940,618	815,674
Less: Cash and cash equivalents (Note 4)	(342,810)	(192,492)
Net debt	**597,808**	**623,182**
Total shareholders' equity	1,248,596	1,113,363
Total capital	**1,846,404**	**1,736,545**
Debt/equity ratio	**32%**	**36%**

(*) Short-term and long-term liabilities comprised from trade payable to related parties and trade payables to other parties.

NOTE 29 - FINANCIAL INSTRUMENTS

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are used to estimate the fair value of the financial instruments:

Financial assets

Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. These balances are anticipated to close their book value.

The carrying values of significant portion of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

The carrying values of trade receivables are assumed to approximate to their fair value.

Financial liabilities

The fair values of short-term borrowings and trade payables are assumed to approximate to their carrying values due to their short-term nature.

The estimated fair value of demand deposits expresses the amount to be paid at the moment of withdrawal. The fair value of the overnight deposits indicates the book value. The estimated fair value of the fixed interest deposits is determined by calculating the discounted cash flows, using the market interest rates applied to similar loan and other debts. In case where the maturities are short, the carrying values are assumed to reflect the fair values (Note 7).

Fair Value Estimation:

Effective 1 January 2010, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

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

NOTE 29 - FINANCIAL INSTRUMENTS (Continued)

31 December 2015

	Level 1	Level 2	Level 3
Foreign currency held for trading	-	7,311	-
Hedging derivative financial instruments	-	413	-
Total asset / (liabilities)	**-**	**7,724**	**-**

31 December 2014

	Level 1	Level 2	Level 3
Financial investments	-	-	2,355
Foreign currency held for trading	-	7,265	-
Hedging derivative financial instruments	-	(433)	-
Total asset / (liabilities)	**-**	**6,832**	**2,355**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instruments are observable, the instrument is included in level 2.

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