AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH
OF CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2017 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2017, and the consolidated statement of profit or loss, consolidated comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

2) Basis for Opinion

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

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3) Key Audit Matters

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

Key Audit Matters	Auditor's response
Recoverability of DowAksa Advanced Composites Holdings BV ("DowAksa")	
As of 31 December 2017, as stated in Note 5 to the consolidated financial statements; the investment accounted for using equity method, DowAksa, which is owned by the Group by 50%, is presented in the consolidated financial statements with the carrying value of TL 222,014 thousand (7% of total assets). DowAksa has losses in the years 2017 and 2016. The Group Management's assessment related with the recoverable amount of DowAksa requires to use significant estimates and assumptions. Changes in these assumptions may affect the recoverable value of DowAksa, which may lead the impairment.	During our audit work, we reviewed the methods and assumptions used in the valuation studies prepared by the management, together with the experts of another company within the same audit network we are affiliated with. We questioned the business plans approved by management. We tested whether the discount rates used were reasonable and also tested the mathematical accuracy of the valuation studies. In addition, we reviewed the accuracy of the information in the footnotes related to the financial statements.
Trade receivable – Impairment	
As stated in Note 7 to the consolidated financial statements as of 31 December 2017, the Group has recognized a provision for doubtful receivables amounting to TL 27,437 thousand. Trade receivables represent 22% of total assets. The Group Management has credit limits for customers and receives various guarantees for these limits. Due to the judgement related with the recoverability assessments of the trade receivables, the existence and collectability of trade receivables is considered as a key audit matter.	During our audit, we tested the accuracy of the aging analyses prepared by the management. We received confirmation replies. We performed counting procedures for the various guarantees received from customers and compared the results of counts with the lists of guarantees. We reviewed whether the guarantees are recovering the risk of the relevant customers' balances. We reviewed the risks of lawsuits related to trade receivables through lawyer letters which we received from the Company's lawyers. In addition, we tested the subsequent collections after the balance sheet date to ensure that the relevant customer balances were recoverable.

Corporate tax calculation	
As stated in Note 23 to the consolidated financial statements as of 31 December 2017, the Group accounted for the tax expense amounting to TL 69,819 thousand on its consolidated financial statements. The investment incentive documents and investments accounted for by the equity method have significant effect while the Company is reaching its tax base through its profit before tax. Due to the significance of the tax provision and complexity of the calculation of items between profit before tax and tax base, the corporate tax calculation has been identified as a key audit matter.	During our audit, we reviewed the investment incentive documents for investment incentive exemptions subject to the reconciliation of corporate tax expenses, together with the experts of another company within the same audit network. We tested the appropriateness of mathematical calculations with the accuracy of the amount on the investment incentive documents, the rate of contribution to investment and discount rates. In addition, we confirmed with the related experts whether the shares received from investments accounted for by the equity method are exempt from tax.

4) Other Matters

The consolidated financial statements of Aksa Akrilik Kimya Sanayii Anonim Şirketi as of 31 December 2016, were audited by another audit firm whose independent auditor's report thereon dated 17 February 2017 expressed an unqualified opinion.

Emphasis of a Matter

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 ("TRY"), 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 2017 for consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2017 for the 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, 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 error or fraud.

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

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

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

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

In an independent audit, our responsibilities as the auditors are:

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 16 February 2018.

2) In accordance with paragraph 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 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ferzan Ülgen, SMMM
Partner

February 16, 2018
Istanbul, Turkey

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 2017

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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 2016

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

	Notes	31 December 2017 USD (*)	*Audited* 31 December 2017 TL	*Audited* 31 December 2016 TL
ASSETS				
Current assets		**492,832**	**1,858,921**	**1,387,576**
Cash and cash equivalents	4	148,343	559,536	458,301
Trade receivables				
- Trade receivables due from unrelated parties	7	145,586	549,135	404,647
- Trade receivables due from related parties	25	47,912	180,720	213,420
Other receivables				
- Other receivables due from related parties	25	2,742	10,342	83
- Other receivables due from unrelated parties	8	867	3,271	677
Derivative financial assets	16	-	-	673
Inventories	9	111,115	419,114	217,522
Prepayments	15	2,151	8,114	13,641
Other current assets	15	34,116	128,689	78,612
Non-current assets		**396,453**	**1,495,380**	**1,245,394**
Other receivables				
- Other receivables due from related parties	25	27,248	102,777	105,374
Derivative financial assets	16	665	2,507	1,881
Investments accounted for using equity method	5	58,860	222,014	214,252
Investment property	10	12,167	45,891	47,155
Property, plant and equipment	11	273,533	1,031,738	756,840
Intangible assets and goodwill				
- Goodwill	12	1,588	5,989	5,989
- Other intangible assets	12	19,543	73,714	72,337
Prepayments	15	2,849	10,750	41,566
TOTAL ASSETS		**889,285**	**3,354,301**	**2,632,970**

(*) 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 2017, and therefore do not form part of these consolidated financial statements (Note 2.5).

These consolidated financial statements at 31 December 2017 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 16 February 2018.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 2016

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

	Notes	31 December 2017 USD (*)	*Audited* 31 December 2017 TL	*Audited* 31 December 2016 TL
Current liabilities		401,451	**1,514,236**	**1,097,750**
Current borrowings	6	190,960	720,281	469,319
Current proportion of non-current borrowings	6	2,773	10,461	111,479
Trade payables				
- Trade payables to unrelated parties	7	189,281	713,949	453,949
- Trade payables to related parties	25	9,117	34,388	33,716
Employee benefits obligations	14	844	3,182	2,727
Other payables				
- Other payables to unrelated parties	8	160	603	409
Derivative financial liabilities	16	464	1,752	1,653
Deferred income	15	2,207	8,325	3,304
Current tax liabilities	23	2,180	8,224	7,411
Current provisions				
- Current provisions for employee benefits	14	2,923	11,027	11,369
- Other current provisions	13	542	2,044	2,414
Non-current liabilities		**123,000**	**463,946**	**285,515**
Long-term borrowings	6	111,308	419,844	253,574
Derivative financial liabilities	16	-	-	1,137
Non-current provisions				
- Non-current provisions for employee benefits	14	6,410	24,178	19,131
Deferred tax liabilities	23	5,282	19,924	11,673
Total liabilities		**524,451**	**1,978,182**	**1,383,265**
EQUITY		**364,834**	**1,376,119**	**1,249,705**
Equity attributable to owners of parent		**364,834**	**1,376,119**	**1,249,705**
Issued capital	17	49,047	185,000	185,000
Inflation adjustments on capital	17	51,744	195,175	195,175
Share premium		12	44	44
Other accumulated comprehensive income / (loss) that will not be reclassified in profit and loss				
- Gains / (losses) on remeasurements of defined benefit plans		(1,625)	(6,128)	(3,125)
Other comprehensive income / (loss) that will be reclassified in profit and loss				
- Exchange differences on translation		46,919	176,974	155,147
Restricted reserves appropriated from profits	17	37,249	140,498	122,685
Prior years' profits or losses		103,286	389,585	468,981
Current period net profit or loss		78,202	294,971	125,798
Non-controlling interests		**-**	**-**	**-**
TOTAL LIABILITIES AND EQUITY		**889,285**	**3,354,301**	**2,632,970**

(*) 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 2017, 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 2017 AND 2016

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

Profit or loss	**Notes**	**2017 USD (*)**	***Audited*** **2017 TL**	***Audited*** **2016 TL**
Revenue	18	759,373	2,767,384	1,954,385
Cost of sales (-)	18, 19	(604,545)	(2,203,144)	(1,517,371)
Gross profit / (loss)		**154,828**	**564,240**	**437,014**
General administrative expenses	19	(17,151)	(62,503)	(57,260)
Marketing expenses	19	(17,625)	(64,232)	(56,150)
Research and development expense	19	(1,398)	(5,093)	(5,426)
Other income from operating activities	20	70,523	257,008	164,785
Other expenses from operating activities	20	(58,274)	(212,372)	(108,268)
Profit / (loss) from operating activities		**130,903**	**477,048**	**374,695**
Share of profit / (loss) from investments accounted for using equity method	5	(13,280)	(48,394)	(79,152)
Profit/ (loss) before financing income/ (expense)		**117,623**	**428,654**	**295,543**
Finance income	21	69,139	251,963	185,428
Finance cost	22	(86,663)	(315,827)	(298,311)
Profit/ (loss) from continuing operations, before tax		**100,099**	**364,790**	**182,660**
Tax (expense)/income, continuing operations				
- Current period tax (expense) / income	23	(16,686)	(60,807)	(52,985)
- Deferred tax (expense) / income	23	(2,473)	(9,012)	(3,925)
Profit / (loss)		**80,940**	**294,971**	**125,750**
Profit/ (loss), attributable to:				
Owners of parent		80,940	294,971	125,798
Non-controlling interests		-	-	(48)
		80,940	**294,971**	**125,750**
Basic earnings/ (loss) per share for owners of parent (Kr)	24	0.44	1.59	0.68
Other comprehensive income / (loss)				
Other comprehensive income that will not be reclassified to profit or loss				
Gains / (losses) on remeasurements of defined benefit plans	14	(1,030)	(3,754)	2,586
Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss	23	206	751	(517)
Other comprehensive income that will be reclassified to profit or loss				
Other comprehensive income (loss) related with cash flow hedges			-	(413)
Exchange differences on translation		5,989	21,827	34,709
Taxes relating to components of other comprehensive income that will be reclassified to profit or loss	23	-	-	83
Total comprehensive income / (loss)		**86,106**	**313,795**	**162,198**
Total comprehensive income / (loss) attributable to:				
Owners of parent		86,106	313,795	162,246
Non-controlling interests		-	-	(48)
		86,106	**313,795**	**162,198**

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUİTY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

	Attributable to equity holders of the parent											
	Issued capital	**Inflation adjustments on capital**	**Share premium**	**Restricted reserves appropriated from profits**	**Exchange differences on translation [(1)]**	**Gains/ (losses) on hedge [(1)]**	**Gains/(losses) on remeasurements of defined benefit plans[(2)]**	**Prior years' profits or losses**	**Current period net profit or loss**	**Total**	**Non-controlling interests**	**Total equity**
1 January 2016	**185,000**	**195,175**	**44**	**107,501**	**120,438**	**330**	**(5,194)**	**445,779**	**199,475**	**1,248,548**	**48**	**1,248,596**
Transfers	-	-	-	15,184	-	-	-	184,291	(199,475)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(161,089)	-	(161,089)	-	(161,089)
Total comprehensive income/(loss)	-	-	-	-	34,709	(330)	2,069	-	125,798	162,246	(48)	162,198
31 December 2016	**185,000**	**195,175**	**44**	**122,685**	**155,147**	**-**	**(3,125)**	**468,981**	**125,798**	**1,249,705**	**-**	**1,249,705**

	Attributable to equity holders of the parent											
	Issued capital	**Inflation adjustments on capital**	**Share premium**	**Restricted reserves appropriated from profits**	**Exchange differences on translation [(1)]**	**Gains/ (losses) on hedge [(1)]**	**Gains/(losses) on remeasurements of defined benefit plans[(2)]**	**Prior years' profits or losses**	**Current period net profit or loss**	**Total**	**Non-controlling interests**	**Total equity**
1 January 2017	**185,000**	**195,175**	**44**	**122,685**	**155,147**	**-**	**(3,125)**	**468,981**	**125,798**	**1,249,705**	**-**	**1,249,705**
Transfers	-	-	-	17,813	-	-	-	107,985	(125,798)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(187,381)	-	(187,381)	-	(187,381)
Total comprehensive income/(loss)	-	-	-	-	21,827	-	(3,003)	-	294,971	313,795	-	313,795
31 December 2017	**185,000**	**195,175**	**44**	**140,498**	**176,974**	**-**	**(6,128)**	**389,585**	**294,971**	**1,376,119**	**-**	**1,376,119**

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

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

	Notes	2017 USD (*)	2017 TL	2016 TL
A. Cash Flows From/ (Used in) Operating Activities		**120,374**	**438,678**	**296,517**
Profit/ (loss)		80,940	294,971	125,750
Adjustments to reconcile Profit/ (loss):		**74,103**	**270,054**	**290,466**
Adjustments for depreciation and amortization expense	19	22,704	82,738	71,476
Adjustments for impairment loss/ (reversal of impairment loss)		153	558	(848)
Adjustments for provisions		1,004	3,659	5,997
Adjustments for interest (income)/expense	21, 22	1,339	4,881	1,708
Adjustments for unrealised foreign exchange losses/ (gains)		16,920	61,658	75,900
Adjustments for undistributed profits of investments accounted for using equity method	5	13,279	48,394	79,152
Adjustments for tax (income)/expenses	23	19,158	69,819	56,910
Adjustments for losses/ (gains) on disposal of non-current assets		(552)	(2,010)	(68)
Other adjustments to reconcile profit/ (loss)		98	357	239
Changes in working capital		**(36,140)**	**(131,704)**	**(64.505)**
Adjustments for decrease (increase) in inventories		(54,917)	(200,135)	(31,728)
Adjustments for decrease (increase) in trade accounts receivable		(32,217)	(117,408)	(102,989)
Adjustments for decrease (increase) in other receivables related with operations		(735)	(2,678)	2,953
Adjustments for increase (decrease) in trade payable		70,054	255,298	130,934
Adjustments for increase (decrease) in other operating payables		53	194	(99)
Other adjustments for other increase (decrease) in working capital		(18,378)	(66,975)	(63.576)
Cash flows from/ (used in) operating activities		**118,903**	**433,321**	**351,711**
Interest paid		(2,469)	(8,999)	(8,072)
Interest received		5,507	20,069	12,487
Payments related with provisions for employee benefits	14	(649)	(2,366)	(4,506)
Income taxes refund/ (paid)		(918)	(3,347)	(55,103)
B. Cash Flows From/ (Used in) Investing Activities		**(106,642)**	**(388,635)**	**(123,669)**
Cash payments to acquire equity or debt instruments of other entities	5	(9,709)	(35,382)	(16,835)
Proceeds from sales of property, plant, equipment and intangible assets		1,090	3,973	82
Purchase of property, plant, equipment and intangible assets		(98,023)	(357,226)	(106,916)
C. Cash Flows From/(Used in) Financing Activities		**13,888**	**50,615**	**(58,129)**
Proceeds from borrowings		320,747	1,168,899	683,296
Repayments of borrowings		(253,229)	(922,841)	(576,449)
Dividends paid		(51,418)	(187,381)	(161,089)
Interest received		5,956	21,705	14,084
Interest paid		(8,168)	(29,767)	(17,971)
Net increase/(decrease) in cash and cash equivalents before effect of exchange rate changes		**27,621**	**100,658**	**114,719**
D. Effect of exchange rate changes on cash and cash equivalents		**189**	**689**	**3,934**
Net increase/(decrease) in cash and cash equivalents		**27,810**	**101,347**	**118,653**
E. Cash and Cash Equivalents at the Beginning of the Period	**4**	**125,528**	**457,463**	**338,810**
Cash and cash equivalents the end of period	**4**	**153,338**	**558,810**	**457,463**

(*) 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 2017, 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, rental of real estate, 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 2017, 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 2017, 37.19% of the Group's shares are traded on Borsa Istanbul ("BIST") and Somerset em.mar.d.v.g hold 5.43% of these 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:

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

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

- Fibers
- Energy
- Other

The Company has the following subsidiaries and joint venture. Country, 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 Communiqué Serial XII, No: 14.1 of relating to financial statements presentation.

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

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

Currency and Financial Statements Presentation Currency

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

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

2.1.1 Financial Reporting Standards Applied (continued)

i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are retrospectively applied for annual periods beginning on or after January 1, 2017. If the Group applies this exemption, the Group will make disclosures in the footnotes of the financial statements.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The changes in the financial status and its impact on its performance are assessed by the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group expects no significant impact on its balance sheet and equity.

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

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group expects no significant impact on its balance sheet and equity.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—TAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Company.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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

2.1.1 Financial Reporting Standards Applied (continued)

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment is not applicable for the Group.

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

2.1.1 Financial Reporting Standards Applied (continued)

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

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

2.1.1 Financial Reporting Standards Applied (continued)

Annual Improvements – 2011–2013 Cycle

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

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

2.1.1 Financial Reporting Standards Applied (continued)

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 *Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 *Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

2.1.2 Basis of Consolidation

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

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

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

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

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

2.1.2 Basis of Consolidation (continued)

The table below sets out all subsidiaries and demonstrates their shareholding structure as of 31 December 2017 and 2016:

	The Group's direct and indirect ownership interest (%)	
Subsidiary	**31 December 2017**	**31 December 2016**
Fitco	100.00	100.00
Aksa Egypt (*)	99.84	99.50

(*) On May 4, 2017, a capital increase of US $ 3.7 million was made. Direct and indirect shareholding in Aksa Egypt capital changed from 99,50% to 99,84%.

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

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

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

c) Joint ventures

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

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

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

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

	The Group's direct and indirect ownership interest (%)	
Joint venture	**31 December 2017**	**31 December 2016**
DowAksa Holdings	50.00	50.00

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

2.3 Summary of Significant Accounting Policies

Cash and cash equivalents

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

Financial Assets

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

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

As of 31 December 2017 and 31 December 2016 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.

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

2.3 Summary of Significant Accounting Policies (continued)

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.

Financial assets, whose fair value can not be determined reliably are carried at cost less any impairment in value where there is no quoted market price and where a reasonable estimate of fair value cannot be determined.

Trade receivables

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

Finance Lease

As lessor

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

Operational Lease

As lessee

A lease is classified as an operating lease if the risks and rewards of ownership are attributable to the lessor. Payments made under operating leases are recognized as expense in the comprehensive income statement on a straight-line basis on an accrual basis over the term of the lease.

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

2.3 Summary of Significant Accounting Policies (continued)

Trade payables

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

Inventories

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

Investment properties

Investment property is a land or building held to earn rentals or for capital appreciation or both, rather than for; use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business (Note 10) and carried at cost less accumulated depreciation in accordance with the cost model. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure.

The average useful life of investment properties changes between five (5) and fifty (50) 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.

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 11). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. As of 31 December 2017, the depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the event of circumstances indicating that impairment has occurred in the tangible assets, an inspection is performed for the purpose of determining a possible impairment, and if the registered value of the tangible asset is higher than its recoverable value, the registered value is reduced to its recoverable value by 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 12).

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

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

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 12).

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

Revenue recognition

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

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

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

Rental income is reflected in the financial statements when earned on a monthly accrual basis.

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 6). In factoring transactions, the Group, where necessary, may prefer early collection of some of its receivables. These transactions are treated as factoring transactions with resource; consequently, cash received is accounted for as a borrowing disclosed in notes (Note 6).

Borrowing costs

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

Fair value of financial instruments

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

Financial assets

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

Financial liabilities

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

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 actuarial gains/losses.

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

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 23).

Earnings per share

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

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

Events after the balance sheet date

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

Provisions

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

Contingent assets and liabilities

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

Offsetting

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

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.

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".

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

2.3 Summary of Significant Accounting Policies (Continued)

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

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

Derivative instruments

The derivative financial instruments of the Group mainly consist of forward foreign currency purchase and sale agreements and interest rate swap transactions. 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 Group has shown interest income and losses related to the effective hedge accounting in the income statement by considering the conditions that should be borne in terms of risk accounting.

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

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

Related parties

Parties are considered related to the Group if;

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

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Reporting of cash flow

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

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

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

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

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

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government incentives that allow for the payment of discounted corporation tax within the scope of investment reduction exemption are evaluated within the scope of TAS 12 – "Income Tax" standard.

2.4 Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements requires the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. Estimates are reviewed on an ongoing basis, necessary adjustments are made and recognised in the statement of profit or loss in the period in which the estimates are revised.

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

a) Provisions

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

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

2.4 Critical Accounting Judgments, Estimates and Assumptions (continued)

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

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

c) Joint venture impairment analysis

The Company makes impairment analysis for its joint venture, DowAksa Holdings, using discounted cash flows. In these analyzes, various assumptions are used regarding the future activities of the related company and the discount rates (Note 5).

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 2017 of TL3,7719 = 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 2017 of TL3,6443 = USD, 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 2017			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	2,650,939	101,748	14,697	2,767,384
Revenue from external customers	**2,650,939**	**101,748**	**14,697**	**2,767,384**
Adjusted EBITDA (*)	**557,154**	**10,684**	**7,068**	**574,906**
Unallocated corporate expenses (**)	-	-	-	(59,756)
EBITDA	**-**	**-**	**-**	**515,150**
Amortization and depreciation	(63,358)	(14,027)	(5,353)	(82,738)
Other income from operating activities, net	-	-	-	44,636
Share of profit/(loss) of investment accounted for using equity method	(48,394)	-	-	(48,394)
Finance income/(expense), net	-	-	-	(63,864)
Profit before tax				**364,790**

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

(**) Unallocated corporate expenses consist of unallocated parts of general administrative expenses as of 31 December 2017.

	1 January - 31 December 2017			
	Fibers	**Energy**	**Unallocated**	**Total**
Capital expenditure	197,317	120,204	43,348	360,869
				31 December 2017
Total segment assets	1,746,622	502,631	-	2,249,253
Investments accounted for using equity method	222,014	-	-	222,014
Unallocated corporate assets	-	-	883,034	883,034
Total assets	**1,968,636**	**502,631**	**883,034**	**3,354,301**
Total segment liabilities	1,204,761	3,648	-	1,208,409
Unallocated corporate liabilities	-	-	769,773	769,773
Total liabilities	**1,204,761**	**3,648**	**769,773**	**1,978,182**

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

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

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

	1 January - 31 December 2016			
	Fibers	**Energy**	**Unallocated**	**Total**
Capital expenditure	49,276	19,444	38,196	106,916
				31 December 2016
Total segment assets	1,277,797	406,609	-	1,684,406
Investments accounted for using equity method	214,252	-	-	214,252
Unallocated corporate assets	-	-	734,312	734,312
Total assets	**1,492,049**	**406,609**	**734,312**	**2,632,970**
Total segment liabilities	869,547	3,395	-	872,942
Unallocated corporate liabilities	-	-	510,323	510,323
Total liabilities	**869,547**	**3,395**	**510,323**	**1,383,265**

(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 2017	31 December 2016
Reportable segment assets	**2,471,267**	**1,898,658**
Cash and cash equivalents	559,536	458,301
Other assets	129,077	89,643
Derivative financial assets	2,507	2,554
Property, plants and equipment and intangibles	191,914	183,814
Total assets	**3,354,301**	**2,632,970**

Segment Liabilities

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

	31 December 2017	31 December 2016
Reportable segment liabilities	**1,208,409**	**872,942**
Borrowings	720,281	469,319
Derivative financial liabilities	1,752	2,790
Other payables	603	409
Current provisions	2,044	2,414
Current tax liabilities, current	8,224	7,411
Provision for employment benefits	13,763	13,580
Employee benefit obligations	3,182	2,727
Deferred income tax liabilities	19,924	11,673
Total liabilities	**1,978,182**	**1,383,265**

(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 2017	31 December 2016
Cash	154	67
Bank		
Demand deposit (TL)	3,188	9,210
Foreign currency demand deposit	16,004	14,472
Time deposits (TL)	48,166	139,933
Foreign currency time deposit	492,024	294,619
Total	**559,536**	**458,301**

Maturity of time deposits are less than three months and weighted average effective interest rates on TL denominated time deposits at 31 December 2017 is 14.67% (31 December 2016: 11.03%) for USD denominated time deposits it is 4.03% (31 December 2016: USD 3.09%) and for EUR denominated time deposits it is 1.58% (31 December 2016: EUR 1.65%), respectively.

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

	31 December 2017	31 December 2016	31 December 2015
Cash and cash equivalents	559,536	458,301	342,810
Less: Restricted cash with maturity of three months or less	-	-	(3,853)
Interest accrual	(726)	(838)	(147)
Cash and cash equivalents, net	**558,810**	**457,463**	**338,810**

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Joint Ventures

	31 December 2017	31 December 2016
DowAksa Holdings	222,014	214,252

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

Summarized financial information of DowAksa Holding is presented below;

	31 December 2017	31 December 2016
Current assets	202,758	150,572
Non-current assets	934,089	862,246
Total Assets	**1,136,847**	**1,012,818**
Short-term liabilities	450,731	272,217
Long-term liabilities	242,088	312,097
Equity	444,028	428,504
Total Liabilities	**1,136,847**	**1,012,818**
Equity corresponding to Group's interest of 50%	**222,014**	**214,252**

	31 December 2017	31 December 2016
Revenue	122,117	72,392
Net loss	(96,788)	(158,304)
Net loss corresponding to Group's interest of 50%	**(48,394)**	**(79,152)**

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

	2017	2016
1 January	**214,252**	**243,337**
Net loss corresponding to Group's interest of 50%	(48,394)	(79,152)
Currency translation differences	20,774	33,232
Emission premium	35,382	16,835
31 December	**222,014**	**214,252**

As of December 31, 2017, the Company has made an impairment analysis of the value of its joint venture DowAksa Holdings over its budgeted value to compare its carrying amount with its recoverable amount. While using discounted cash flow methods, USD assumptions and expected growth rates were taken into consideration. The principal assumption was that the weighted average cost of capital is 10%, it was tested at a sensitivity of 0.5%. The results show that there is no impairment.

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

NOTE 6 - BORROWINGS

Group's financial liabilities are as follows:

	31 December 2017	31 December 2016
Short-term bank borrowings	720,281	439,277
Short-term factoring liabilities	-	30,042
Short-term portion of long-term bank borrowings	10,461	111,479
Total short-term borrowings	**730,742**	**580,798**
Long-term bank borrowings	419,844	253,574
Total long-term borrowings	**419,844**	**253,574**
Total borrowings	**1,150,586**	**834,372**

Bank Borrowings

	31 December 2017		31 December 2016	
	Yearly weighted average interest rate %	TL	Yearly weighted average interest rate %	TL
a) Short-term bank borrowings:				
USD borrowings	2.65	718,316	2.13	380,074
TL borrowings	-	1,965	12.85	59,203
Total short-term bank borrowings:		**720,281**		**439,277**
Factoring liabilities (Note 25)	-	-	1.89	30,042
b) Short-term portion of long-term bank borrowings:				
USD bank borrowings	3.38	1,853	3.27	57,107
EUR bank borrowings	3.50	8,608	2.36	54,372
Total short-term portion of long-term bank borrowings		**10,461**		**111,479**
Total short-term borrowings		**730,742**		**580,798**
c) Long-term bank borrowings:				
USD bank borrowings	3.19	181,526	3.20	144,029
EUR bank borrowings	2.05	238,318	2.09	109,545
Total long-term borrowings		**419,844**		**253,574**

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 6 - BORROWINGS (Continued)

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

	31 December 2017		31 December 2016	
	Fair value	**Book value**	**Fair value**	**Book value**
EUR borrowings	241,777	238,318	114,913	109,545
USD borrowings (*)	190,677	181,526	150,010	144,029

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

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

	31 December 2017	**31 December 2016**
Less than 3 months	201,481	226,962
Between 3-12 months	529,261	353,836
Between 1-2 years	309,404	98,384
Between 2-3 years	76,125	91,892
Between 3-4 years	34,315	41,955
4 years and longer	-	21,343
	1,150,586	**834,372**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

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

a) Short-term Trade Receivables:

	31 December 2017	**31 December 2016**
Trade receivables	296,073	293,770
Notes receivable and cheques	284,491	156,936
Less: Provision for doubtful receivables	(27,437)	(41,664)
Less: Unearned finance income on credit sales	(3,992)	(4,395)
Total short-term trade receivables, net	**549,135**	**404,647**

TL and foreign currency denominated trade receivables as of 31 December 2017 have an average maturity of 3 months (31 December 2016: 3 months) and are discounted with an average annual interest rate of 3% (31 December 2016: 5%).

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

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 2017 and 2016 are as follows:

	2017	**2016**
1 January	**41,664**	**42,388**
Current period charge (Note 20)	494	706
Written-off provisions (*)	(14,721)	-
Collections	-	(1,430)
31 December	**27,437**	**41,664**

(*) Doubtful trade receivables with no collectability are deducted from the records together with their provisions.

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

b) Short-term trade payables:

	31 December 2017	**31 December 2016**
Suppliers	717,335	456,868
Less: Unaccrued finance costs on credit purchases (-)	(3,386)	(2,919)
Total	**713,949**	**453,949**

TL and foreign currency denominated trade payables as of 31 December 2017 have an average maturity of 4 months (31 December 2016: 3 months) and they are discounted with an average annual interest rate of 2% in USD terms (31 December 2016: 4%).

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

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

a) Short-term other receivables:	**31 December 2017**	**31 December 2016**
Deposits and guarantees given	3,271	677

b) Short-term other payables:	**31 December 2017**	**31 December 2016**
Taxes and funds payable	205	224
Other	398	185
Total	**603**	**409**

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

NOTE 9 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials	277,730	114,544
Semi-finished goods	15,406	6,528
Finished goods	91,925	67,606
Other stocks and spare parts	35,565	30,292
Less: Provision for impairment on inventories	(1,512)	(1,448)
Total	**419,114**	**217,522**

Group has included the movements in the provision for impairment between 31 December 2017 and 2016 in the cost of sales (The increase in provision for the impairment on inventories is due to the increased costs of relevant inventories that are sold during the current period).

Group has insured its inventory amounting to TL 254,825 (excluding raw materials in transit) as of 31 December 2017 (TL 202,843 as of 31 December 2016) for USD 65 million (31 December 2016: USD 55 million).

As of 31 December 2017, the cost of raw material and goods is shown in Note 19.

NOTE 10 - INVESTMENT PROPERTY

	1 January 2017	Additions	31 December 2017
Cost			
Land and buildings	47,509	-	47,509
Independent units	3,091	-	3,091
	50,600	**-**	**50,600**
Accumulated depreciation			
Land and buildings	1,583	1,188	2,771
Independent units	1,862	76	1,938
	3,445	**1,264**	**4,709**
Net book value	**47,155**		**45,891**

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

NOTE 10 - INVESTMENT PROPERTY (Continued)

Land and Buildings

The land and buildings classified as investment properties consist of land and buildings at the city of Yalova, town of Çiftlikköy, village of Deniz Çalı, locality of Topçuçiftliği at plots no. 1126, 1145 and city block no. 151 / plot no. 1. According to the valuation report, the fair value of these land and buildings is TL 56,100 and provides rent income amounting to USD 80 thousand and TL 18 per month.

Independent Units

Independent units consist of offices of the Company located in Gümüşsuyu and Maçka. According to the valuation report dated 31 December 2017, the fair value of the independent units is TL 26,125 and it provides rent income amounting to USD 20 thousand and TL 17 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 TL 5,671 as of 31 December 2017 (31 December 2016: TL 4,788).

At the date of reporting, Group's investment properties are insured for USD 7 million.

	1 January 2016	Additions	31 December 2016
Cost			
Land and buildings	47,509	-	47,509
Independent units	3,091	-	3,091
	50,600	**-**	**50,600**
Accumulated depreciation			
Land and buildings	396	1,187	1,583
Independent units	1,786	76	1,862
	2,182	**1,263**	**3,445**
Net book value	**48,418**		**47,155**

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

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2017
Cost						
Land	65,851	734	-	-	98	66,683
Land improvements	113,430	4	-	9,659	-	123,093
Buildings	208,129	1,586	(123)	27,507	204	237,303
Machinery and equipment	1,087,981	4,635	(13,953)	294,402	481	1,373,546
Motor vehicles	1,245	172	(129)	-	37	1,325
Furniture and fixture	54,399	1,748	(379)	7,104	19	62,891
Construction in progress	60,793	347,296	(1,225)	(338,998)	-	67,866
	1,591,828	**356,175**	**(15,809)**	**(326)**	**839**	**1,932,707**
Accumulated depreciation						
Land improvements	46,041	4,013	-	-	-	50,054
Buildings	50,004	5,531	(38)	-	115	55,612
Machinery and equipment	706,766	65,082	(13,490)	-	355	758,713
Motor vehicles	837	130	(129)	-	19	857
Furniture and fixtures	31,340	4,565	(189)	-	17	35,733
	834,988	**79,321**	**(13,846)**	**-**	**506**	**900,969**
Net book value	**756,840**					**1,031,738**

(*) Transfers arise from classification to intangible assets

The borrowing cost amounting to TL 10,305 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2017.

TL 75,558 of current year depreciation and amortization expense is charged to "cost of sales", TL 649 is charged to "research and development expenses", TL 1,253 is charged to "general administrative expenses'', TL 39 is charged to "marketing, selling and distribution expenses'', TL 301 is charged to "construction in progress'' as the depreciation amount of unfinished project development cost and TL 1,521 is charged to "inventory".

As of 31 December 2017 there is no mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for USD 550 million.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2016	Additions	Disposals	Transfers	Currency translation differences	31 December 2016
Cost						
Land	64,083	2,576	-	-	(808)	65,851
Land improvements	99,518	45	-	13,867	-	113,430
Buildings	183,872	-	-	25,940	(1,683)	208,129
Machinery and equipment	1,037,537	7,199	(600)	47,425	(3,580)	1,087,981
Motor vehicles	1,210	238	-	-	(203)	1,245
Furniture and fixture	48,844	1,530	(73)	4,243	(145)	54,399
Construction in progress	57,398	94,870	-	(91,475)	-	60,793
	1,492,462	**106,458**	**(673)**	**-**	**(6,419)**	**1,591,828**
Accumulated depreciation						
Land improvements	42,904	3,137	-	-	-	46,041
Buildings	46,060	4,813	-	-	(869)	50,004
Machinery and equipment	656,629	53,796	(600)	-	(3,059)	706,766
Motor vehicles	967	73	-	-	(203)	837
Furniture and fixtures	27,328	4,200	(59)	-	(129)	31,340
	773,888	**66,019**	**(659)**	**-**	**(4,260)**	**834,988**
Net book value	**718,574**					**756,840**

The borrowing cost amounting to TL 6,465 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2016.

TL 64,035 of current year depreciation and amortization expense is charged to "cost of sales", TL 506 is charged to "research and development expenses", TL 792 is charged to "general administrative expenses'', TL 38 is charged to "marketing, selling and distribution expenses'', TL 52 is charged to "construction in progress'' as the depreciation amount of unfinished project development cost and TL 596 is charged to "inventory".

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

NOTE 12 - INTANGIBLE ASSETS AND GOODWILL

	1 January 2017	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2017
Cost						
Rights	73,652	2,093	-	-	97	75,842
Development cost	10,583	2,819	-	215	-	13,617
Goodwill	5,989	-	-	-	-	5,989
Other intangible assets	5,730	83	-	111	-	5,924
	95,954	**4,995**	**-**	**326**	**97**	**101,372**
Accumulated depreciation						
Rights	4,124	1,756	-	-	66	5,946
Development cost	8,979	1,314	-	-	-	10,293
Other intangible assets	4,525	905	-	-	-	5,430
	17,628	**3,975**	**-**	**-**	**66**	**21,669**
Net book value	**78,326**					**79,703**

(*) Transfers arise from reclassification from property, plant and equipment.

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

NOTE 12 - INTANGIBLE ASSETS AND GOODWILL (Continued)

	1 January 2016	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2016
Cost						
Rights (*)	74,173	319	(47)	-	(793)	73,652
Development cost	10,583	-	-	-	-	10,583
Goodwill	5,989	-	-	-	-	5,989
Other intangible assets	5,539	191	-	-	-	5,730
	96,284	**510**	**(47)**	**-**	**(793)**	**95,954**
Accumulated depreciation						
Rights	2,969	1,697	(47)	-	(495)	4,124
Development cost	6,924	2,055	-	-	-	8,979
Other intangible assets	3,435	1,090	-	-	-	4,525
	13,328	**4,842**	**(47)**	**-**	**(495)**	**17,628**
Net book value	**82,956**					**78,326**

(*) Transfers arise from reclassification from property, plant and equipment.

TL 2,430 (2016: TL 2,613) of the current amortization expense is charged to "cost of sales", TL 1,315 (2016: TL 2,050) is charged to "research and development expenses", TL 230 (2016: TL 179) is charged to "general administrative expenses''.

The goodwill balance with the carrying amount of TL 5,989 (2016: TL 5,989) as of 31 December 2017 resulted from the acquisition of 50% shares of Ak-Tops Tekstil Sanayi A.Ş. during 2007.

There is no change in the book value of the goodwill as of 31 December 2017.

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

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	31 December 2017	31 December 2016
Provision for lawsuits	2,044	2,414

Contingent assets and liabilities are as follows:

a) The details of guarantees, pledges and mortgages given by the Group are as follows::

	31 December 2017	31 December 2016
Collaterals given	484,787	368,440
Guarantees given	267,508	184,304
Total	**752,295**	**552,744**

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

	31 December 2017	31 December 2016
Credit insurance	498,365	430,371
Pledged cheques and notes receivable	169,877	87,107
Pledges received	110,795	64,776
Confirmed/unconfirmed letters of credit	42,006	51,480
Guarantee letters received	25,790	39,629
Limits of Direct Debiting System ("DDS")	14,749	15,956
Total	**861,582**	**689,319**

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

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

		31 December 2017	31 December 2016
A.	CPM given on behalf of the Company's legal personality	752,295	552,744
	- USD	*689,153*	*450,475*
	- Turkish Lira	*41,194*	*52,334*
	- EUR	*21,948*	*49,935*
	- Other	-	-
B.	CPM given on behalf of fully consolidated subsidiaries	-	-
C.	CPM given for continuation of its economic activities on behalf of third parties	-	-
	- USD	-	-
D.	Total amount of other CPM given	-	-
	i) Total amount of CPM given on behalf of the 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		**752,295**	**552,744**

As of 31 December 2017, since Company does not have any other CPMs given (D), ratio to equity is none (31 December 2016: None).

NOTE 14 - EMPLOYEE BENEFIT OBLIGATIONS

Payables for employee benefit obligations	31 December 2017	31 December 2016
Social security premiums payable	3,016	2,710
Payables to employees	166	17
Total	**3,182**	**2,727**

Current provisions for employee benefits	31 December 2017	31 December 2016
Provision for premium	9,300	10,000
Provision for unused vacation rights	1,727	1,369
Total	**11,027**	**11,369**

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

NOTE 14 - EMPLOYEE BENEFIT OBLIGATIONS (Continued)

Non-current provisions for employee benefits	**31 December 2017**	**31 December 2016**
Provision for employee termination benefits and employee termination incentive	24,178	19,131

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

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

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

	31 December 2017	**31 December 2016**
Discount rate (%)	4.67	4.59
Probability of retirement (%)	98.20	98.54

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 TL 5.001 effective from 1 January 2018 (1 January 2017: TL 4.426) 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:

	2017	**2016**
Balances as of 1 January	**19,131**	**20,226**
Service cost	2,767	5,068
Interest cost	892	929
Compensation paid	(2,366)	(4,506)
(Gains)/losses on remeasurements of defined benefit plans	3,754	(2,586)
Balances as of 31 December	**24,178**	**19,131**

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

NOTE 15 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2017	31 December 2016
Value Added Taxes ("VAT") receivables	128,689	78,612

b) Prepayments - Short-term:

	31 December 2017	31 December 2016
Order advances given	4,367	8,397
Prepaid expenses	3,730	5,237
Job advances given	17	7
Total	**8,114**	**13,641**

c) Prepayments - Long-term:

	31 December 2017	31 December 2016
Advances given for purchase of property, plant and equipment	10,573	40,896
Prepaid expenses	177	670
Total	**10,750**	**41,566**

d) Deferred Income:

	31 December 2017	31 December 2016
Order advances received	8,325	3,304

NOTE 16 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2017		31 December 2016	
	Asset	Liability	Asset	Liability
Held for trading	-	1,752	288	2,790
Subject to hedge accounting	2,507	-	2.266	-
Total	**2,507**	**1,752**	**2.554**	**2,790**

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

NOTE 16 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative instruments held for hedging:

	31 December 2017		31 December 2016	
	Contract amount USD (thousand)	Fair value Asset amount TL	Contract amount USD (thousand)	Fair value Asset amount TL
Interest rate swap	48,126	2,507	56,459	2,266

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 that initial costs of derivative financial instruments are equal to their fair value. Derivative financial instruments of the Group generally consist of forward foreign exchange contracts and interest rate swap instruments.

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

These derivative transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting. Changes in the fair value of such derivatives are recognized directly in statement of profit or loss.

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

At 31 December 2017, fixed interest rates are 1.13% and 1.35% (31 December 2016: 1.13% and 1.35%). Main floating interest rates that Group is subject to are EURIBOR and LIBOR.

Derivative financial instruments held for trading

The Group has option contracts regarding to foreign exchange trading transactions as of 31 December 2017. The mentioned option transactions are accounted as derivative financial instruments held for trading in the consolidated financial statements, as they do not qualify for hedge accounting and changes in fair value of these financial instruments are recognized in the consolidated statement of income.

	31 December 2017		31 December 2016	
	Contract amount (thousand)	Fair value Liability amount TL	Contract amount (thousand)	Fair value Liability amount TL
Foreign exchange held for trading transactions:		1,752		2,502
- EUR	7,400	1,752	-	-
- USD	-	-	28,840	2,502

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

NOTE 17 - EQUITY

Aksa has adopted the registered share capital system applicable to companies registered on the CMB and set a limit on its registered share capital representing type of registered shares with a nominal value of Kr 1. Historical, authorized and issued capital of Aksa as of 31 December 2017 and 2016 is presented below:

	31 December 2017	31 December 2016
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 2017	Share %	31 December 2016
Akkök Holding	39.59	73,237	39.59	73,237
Emniyet Ticaret ve Sanayi A.Ş.	18.72	34,638	18.72	34,638
Other	41.69	77,125	41.69	77,125
	100.00	**185,000**	**100.00**	**185,000**
Inflation adjustments on capital		195,175		195,175
Total paid-in share capital		**380,175**		**380,175**

The approved and paid-in share capital of the Company consists of 18,500,000,000 (31 December 2016: 18,500,000,000) shares issued on bearer with a nominal value of Kr 1 (31 December 2016: Kr 1) each. All shareholders have same rights and there are not issued different type of shares such as privilege. Adjustment to share capital represents the difference between the amounts of the restatement effect of cash and cash equivalents contributions to share capital and the amounts before the restatements.

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

In accordance with TAS, the Company has to classify the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 140,498 as of 31 December 2017 (31 December 2016: TL 122,685). This amount fully consists of legal reserves.

NOTE 17 – EQUITY (Continued)

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

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

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

- The difference arising from the "Paid-in Capital" and if has not been transferred to capital yet, shall be classified under the "Adjustments to Share Capital", following the "Paid-in capital";

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

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

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

Dividend Distribution

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

Besides that, 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 their net profit of the period into account.

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

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

NOTE 17 – EQUITY (Continued)

In the ordinary general assembly meeting held on 3 April 2017, the Company has decided to reserve second order legal reserves amounting to TL 17,813 and pay gross profit share amounting to TL 187,381, from the distributable profits and retained earnings of the year 2016, as required by the Turkish Commercial Code and the Company's Articles of Association. Dividend payments were completed on 7 April 2017.

NOTE 18 - REVENUE AND COST OF SALES

Sales and cost of goods sold for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Domestic sales	1,897,711	1,288,095
Export sales	998,020	771,299
Less: Sales returns	(1,976)	(2,212)
Less: Other discounts	(126,371)	(102,797)
Net sales income	**2,767,384**	**1,954,385**
Cost of sales (-)	**(2,203,144)**	**(1,517,371)**
Gross profit	**564,240**	**437,014**

NOTE 19 - EXPENSES BY NATURE

Cost of sales, marketing expenses, general administrative expenses and research and development expenses by nature for the years ended as of 31 December 2017 and 2016 are as follows;

	31 December 2017	31 December 2016
Raw materials and goods	1,936,464	1,257,793
Employee benefits	121,258	110,552
Depreciation and amortization	82,738	71,476
Consumables	34,931	30,770
Commission expenses	27,183	26,010
Export expenses	23,881	20,607
Maintenance, repair and cleaning expenses	19,082	33,955
Consultancy and audit expenses	17,768	13,566
Information technologies expense	10,369	9,723
Rent expenses	6,784	5,681
Insurance expenses	6,617	6,042
Other	47,897	50,032
Total	**2,334,972**	**1,636,207**

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

NOTE 20 - INCOME AND EXPENSE FROM OPERATING ACTIVITIES

Income from other operating activities by nature for the years ended as of 31 December 2017 and 2016 are as follows;

	31 December 2017	31 December 2016
Foreign exchange income from trading transactions	231,166	147,558
Interest income from credit sales	20,069	12,487
Scrap sales income	2,783	1,501
Income from fixed assets sales	2,010	202
Other	980	3,037
Total	**257,008**	**164,785**

Expense from other operating activities by nature for the years ended as of 31 December 2017 and 2016 are as follows;

	31 December 2017	31 December 2016
Foreign exchange expense from trading transactions	199,032	97,136
Interest expense from credit purchases	8,999	8,072
Provision for doubtful receivables (Note 7)	494	706
Other	3,847	2,354
Total	**212,372**	**108,268**

NOTE 21 - FINANCE INCOME

Financial income for the years ended at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Foreign exchange income	230,773	169,165
Interest income	21,190	16,263
Total	**251,963**	**185,428**

NOTE 22 – FINANCE COSTS

Financial expense for the years ended at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Foreign exchange loss	289,756	280,340
Borrowing costs	26,071	17,971
Total	**315,827**	**298,311**

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

NOTE 23 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Income tax expense	(60,807)	(52,985)
Deferred tax expense	(9,012)	(3,925)
Total tax expense	**(69,819)**	**(56,910)**

Corporate Tax

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

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

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

Companies declare their temporary tax, which is equal to 20% of their quarterly financial income (22% for taxation periods of 2018, 2019 and 2020) until the 14th day of the second month following that period and cay pay it till the evening of the 17th day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid still left after the deduction, this amount can be refunded as cash or offset.

Income Withholding Tax

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

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

NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

Deferred Income Tax Assets and Liabilities

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

The tax rate used in the calculation of deferred tax assets and liabilities is 20% and 22% (2016: 20%).

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2017 and 2016 are as follows:

	Temporary taxable differences		Deferred income tax asset/liability	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Property, plant and equipment and intangible assets	(120,123)	(74,893)	(23,802)	(14,979)
Inventories	(6,903)	(3,287)	(1,519)	(657)
Trade payables	(3,386)	(2,919)	(745)	(584)
Derivative instruments	(755)	-	(166)	-
Deferred income tax liabilities			**(26,232)**	**(16,220)**
Employee termination benefits	25,906	20,500	5,302	4,100
Other short-term liabilities	3,077	1,459	677	292
Trade receivables	1,444	538	318	108
Derivative instruments	-	236	-	47
Other	51	-	11	-
Deferred income tax assets			**6,308**	**4,547**
Deferred income tax assets/(liabilities), net			**(19,924)**	**(11,673)**

Movement for the deferred income tax liabilities for the periods ended at 31 December 2017 and 2016 are as follows:

	2017	**2016**
1 January	**11,673**	**7,226**
Deferred tax expense	9,012	3,925
Credited to equity	(751)	434
Currency translation differences	(10)	88
31 December	**19,924**	**11,673**

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

NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

	31 December 2017	31 December 2016
Calculated corporate income tax	60,807	52,985
Amount offset from VAT receivables and prepaid corporate taxes	(52,583)	(45,574)
Current tax liabilities, current	**8,224**	**7,411**

The reconciliation of tax expenses stated in consolidated income statements for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Profit before tax	364.790	182,660
Expected tax expense of the Group (20%)	**72.958**	**36,532**
The effect of application of equity method	48,394	79,152
The effect of foreign subsidiaries	(12,244)	17,552
Investment incentives	(51,605)	-
Discounts and exemptions	(4,465)	(27)
Additions	4,225	5,213
Tax effect (20%)	(3,139)	20,378
Current period tax expense of the Group	**69,819**	**56,910**

NOTE 24 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the period. The earnings per share calculation for the years ended 31 December 2017 and 2016 as follows:

	31 December 2017	31 December 2016
Net income attributable to the equity holders of the parent (TL) (*) (A)	294,971,053	125,798,137
Weighted average number of shares (B)	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	1.59	0.68

(*) Amounts expressed in Turkish Lira.

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Short-term trade receivables due from related parties

As of 31 December 2017 and 2016, trade receivables from related parties are as follows:

	31 December 2017	31 December 2016
Ak-Pa (*) (1)	166,709	206,241
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. ("DowAksa") (2)	7,828	2,665
Akkim Kimya San. ve Tic. A.Ş. (1)	6,365	4,313
Other	217	482
Less: Unearned finance income on credit sales (-)	(399)	(281)
Total	**180,720**	**213,420**

(*) 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 2017 and 2016 and are discounted with annual average discount rate of 1% (31 December 2016:1%) based on USD.

b) Short-term trade payables due to related parties

As of 31 December 2017 and 2016, short-term trade payables to related parties are as follows:

	31 December 2017	31 December 2016
Akkim (1)	14,818	8,814
Ak-Pa (1)	8,162	10,312
Yalova Kompozit ve Kimya İhtisas (4) Organize Sanayi Bölgesi ("Yalkim OSB")	3,765	1,313
Akkök Holding (3)	2,410	2,233
Dinkal Sigorta Acenteliği A.Ş. (**) (1)	2,366	1,952
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. (1)	1,224	1,083
Akgirişim Müt. Müş. Çevre Tek. San. Tic. A.Ş. ("Akgirişim") (4)	907	7,583
Other	736	426
Total	**34,388**	**33,716**

(**) Consists of balance to be paid to insurance companies by means of Dinkal Sigorta Acenteliği A.Ş.

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

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Financial Liabilities

As of 31 December 2017 and 2016, short-term borrowings from related parties are as follows:

	31 December 2017	31 December 2016
Ak-Pa (1)	-	30,042

Borrowings comprise cash received from factoring transactions (Note 6).

d) Other receivables due to related parties

Other receivables from joint ventures for the year ended as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December2016
DowAksa - Leasing receivables (2)	12,879	927
DowAksa - Unearned finance income (-) (2)	(2,537)	(844)
Other short-term receivables	**10,342**	**83**
DowAksa - Leasing receivables (2)	118,588	122,493
DowAksa - Unearned finance income (-) (2)	(15,811)	(17,119)
Other long-term receivables	**102,777**	**105,374**
Total	**113,119**	**105,457**

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

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Receivables are shown as below in terms of period of the collection as of 31 December 2017 and 2016 are as follows:

	31 December 2017			31 December 2016		
	Leasing	**Interest**	**Total**	**Leasing**	**Interest**	**Total**
Less than 3 months	1,186	398	1,584	83	211	294
Between 3-12 months	9,156	2,139	11,295	-	633	633
Between 1-2 years	12,452	2,608	15,060	9,483	2,367	11,850
Between 2-3 years	12,737	2,323	15,060	11,618	2,433	14,051
Between 3-4 years	13,028	2,032	15,060	11,884	2,168	14,052
4 years and longer	64,560	8,848	73,408	72,389	10,151	82,540
	113,119	**18,348**	**131,467**	**105,457**	**17,963**	**123,420**

e) Advances Given

Advances given to related parties for the year ended as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Yalkim OSB [4]	710	2,250
Akgirişim [4]	25	5,357
Total	**735**	**7,607**

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

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

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

f) Sales and other income

Sales to related parties and other incomes for the years ended as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Ak-Pa (*) (1)	1,019,773	793,115
Akkim (1)	55,554	46,924
DowAksa (2)	30,533	24,573
Akgirişim (4)	1,714	1,251
Other	1,332	1,590
Total	**1,108,906**	**867,453**

(*) The sales to Ak-Pa consist of export sales to third parties via Ak-Pa.

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

g) Purchases of goods and services

Product and service purchases from related parties for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Akkim (1)	82,500	73,648
Akgirişim (4)	23,581	38,095
Yalkim OSB (4)	19,348	14,683
Ak-Pa (1)	15,601	12,110
Dinkal Sigorta Acenteliği A.Ş. (*) (1)	14,381	12,965
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. (1)	10,549	10,278
Akkök Holding (3)	9,027	7,184
Other	2,822	1,937
Total	**177,809**	**170,900**

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

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

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

NOTE 25 - 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.

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 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Salary and other short-term employee benefits	6,001	5,935
Employment termination benefits	16	62
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	**6,017**	**5,997**

Benefits provided to the Board of Directors, for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Salary and other short-term employee benefits	1,222	1,557
Employment termination benefit	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	**1,222**	**1,557**

NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk factors

The Groups principal financial instruments are cash and cash equivalents, trade receivables and financial liabilities. The main purpose of these financial instruments is to generate financing resources for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarized below.

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

NOTE 26 - 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 7).

Trade Receivable Aging Analysis

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

31 December 2017	Trade Receivables
1-30 days overdue	51,360
1-3 months overdue	14,282
3-12 months overdue	841
More than 12 months overdue	209
Total (*)	**66,692**
Secured with guarantees	**64,619**

(*) TL 43.743 of the amount has been collected as of the date of the report.

31 December 2016	Trade Receivables
1-30 days overdue	47,788
1-3 months overdue	28,969
3-12 months overdue	4,892
More than 12 months overdue	-
Total	**81,649**
Secured with guarantees	**65,202**

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

NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2017 the Group's maximum exposure to credit risk is presented below:

	Trade receivables		**Other receivables**		**Deposits at bank**	
31 December 2017	**Related Parties**	**Unrelated Parties**	**Related Parties**	**Unrelated Parties**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**180,720**	**549,135**	**113,119**	**3,271**	**-**	**559,382**
- Secured portion of maximum credit risk by guarantees (*)	***178,451***	***456,468***	**-**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	170,675	491,791	113,119	3,271	-	559,382
Net book value of the expired or not impaired financial assets	10,046	56,646	-	-	-	-
- Secured portion with guarantees	10,046	54,573	-	-	-	-
Net book value of impaired assets	-	698	-	-	-	-
- Matured (gross book value)	-	28,135	-	-	-	-
- Impairment (-) (Note 7)	-	(27,437)	-	-	-	-
- Secured portion with guarantees	-	*(698)*	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

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

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

NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2016 the Group's maximum exposure to credit risk is presented below:

	Trade receivables		**Other receivables**		**Deposits at bank**	
31 December 2016	**Related Parties**	**Unrelated Parties**	**Related Parties**	**Unrelated Parties**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**213,420**	**404,647**	**105,457**	**677**	**-**	**458,234**
- Secured portion of maximum credit risk by guarantees (*)	***167,787***	***310,109***	**-**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	199,224	333,589	105,457	677	-	458,234
Net book value of the expired or not impaired financial assets	14,196	67,453	-	-	-	-
- Secured portion with guarantees	8,706	56,496	-	-	-	-
Net book value of impaired assets	-	3,605	-	-	-	-
- Matured (gross book value)	-	45,269	-	-	-	-
- Impairment (-) (Note 7)	-	(41,664)	-	-	-	-
- Secured portion with guarantees	-	*(3,605)*	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

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

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

NOTE 26 - 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 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 2017	31 December 2016
Assets	1,338,602	1,026,204
Liabilities	(1,861,733)	(1,249,324)
Net balance sheet position	**(523,131)**	**(223,120)**

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

NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position as of 31 December 2017 and 2016 are as follows:

	31 December 2017			
	TL equivalent	**USD position**	**EUR position**	**Other**
1. Trade Receivables	717,354	175,928	11,908	-
2a. Monetary Financial Assets) (including cash and bank accounts)	508,129	91,358	35,261	4,314
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	10,342	2,742	-	-
4. Current Assets (1+2+3)	**1,235,825**	**270,028**	**47,169**	**4,314**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	102,777	27,248	-	-
8. Non-Current Assets (5+6+7)	**102,777**	**27,248**	-	-
9. Total Assets (4+8)	**1,338,602**	**297,276**	**47,169**	**4,314**
10. Trade Payables	707,223	181,286	4,772	1,885
11. Financial Liabilities	734,666	192,491	1,906	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**1,441,889**	**373,777**	**6,678**	**1,885**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	419,844	48,126	52,778	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**419,844**	**48,126**	**52,778**	-
18. Total Liabilities (13+17)	**1,861,733**	**421,903**	**59,456**	**1,885**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	**(486)**	**8,730**	**(7,400)**	-
19a. Off balance sheet derivative asset amount	32,929	8,730	-	-
19b. Off balance sheet derivative liability amount	33,415	-	7,400	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(523,617)**	**(115,897)**	**(19,687)**	**2,429**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(636,250)**	**(154,617)**	**(12,287)**	**2,429**
22. Fair Value of Financial Instruments Used for Foreign Hedge	(1,752)	-	(388)	-
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 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2016			
	TL equivalent	**USD position**	**EUR position**	**Other**
1. Trade Receivables	611,614	158,791	14,232	-
2a. Monetary Financial Assets (including cash and bank accounts)	309,133	81,367	4,491	6,124
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	83	24	-	-
4. Current Assets (1+2+3)	**920,830**	**240,182**	**18,723**	**6,124**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	105,374	29,943	-	-
8. Non-Current Assets (5+6+7)	**105,374**	**29,943**	**-**	**-**
9. Total Assets (4+8)	**1,026,204**	**270,125**	**18,723**	**6,124**
10. Trade Payables	474,155	130,825	3,689	69
11. Financial Liabilities	521,595	132,764	14,656	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**995,750**	**263,589**	**18,345**	**69**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	253,574	40,927	29,528	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**253,574**	**40,927**	**29,528**	**-**
18. Total Liabilities (13+17)	**1,249,324**	**304,516**	**47,873**	**69**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	**(38,806)**	**(26,840)**	**15,000**	**-**
19a. Off balance sheet derivative asset amount	55,649	-	15,000	-
19b. Off balance sheet derivative liability amount	94,455	26,840	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(261,926)**	**(61,231)**	**(14,150)**	**6,055**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(328,577)**	**(64,358)**	**(29,150)**	**6,055**
22. Fair Value of Financial Instruments Used for Foreign Hedge	(2,502)	-	(674)	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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

NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2017 and 2016, 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 2017	**Profit/Loss**		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL				
USD net asset/ (liability)	(47,008)	47,008	22,201	(22,201)
Amount hedged for USD risk	-	-	-	-
USD net effect	**(47,008)**	**47,008**	**22,201**	**(22,201)**
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(5,548)	5,548	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	**(5,548)**	**5,548**	**-**	**-**

31 December 2016	**Profit/Loss**		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL				
USD net asset/ (liability)	(12,103)	12,103	21,425	(21,425)
Amount hedged for USD risk	-	-	-	-
USD net effect	**(12,103)**	**12,103**	**21,425**	**(21,425)**
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(10,814)	10,814	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	**(10,814)**	**10,814**	**-**	**-**

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

NOTE 26 - 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 2017, other things being constant, if the interest rate depreciate/ appreciate by 1%, profit before tax would TL 29 (31 December 2016: TL 49), capitalized financial cost on construction in progress would TL 1 (31 December 2016: TL 3).

	31 December 2017	31 December 2016
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	*540,190*	*434,552*
Financial liabilities		
USD borrowings (fixed due to interest rate swap)	901,695	611,252
EUR borrowings	113,507	-
TL borrowings	1,965	59,203
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	-	-
Financial liabilities		
EUR bank borrowings	133,419	163,917

(*) 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 26 - 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 2017:

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	1,150,586	1,176,149	204,897	542,281	428,971	-
Trade payables	713,949	717,335	548,110	169,225	-	-
Due to related parties	34,388	34,388	32,122	2,266	-	-
	1,898,923	**1,927,872**	**785,129**	**713,772**	**428,971**	**-**

31 December 2016:

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	834,372	854,130	229,970	359,391	264,769	-
Trade payables	453,949	456,868	283,922	172,946	-	-
Due to related parties	33,716	33,716	28,118	5,598	-	-
	1,322,037	**1,344,714**	**542,010**	**537,935**	**264,769**	**-**

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

NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Import and export information:

Import and export for the years ended at 31 December 2017 and 2016 are as follows:

Export

	31 December 2017	31 December 2016
USD	511,312	419,664
EUR	416,203	215,276
Other	70,505	136,359
Total	**998,020**	**771,299**

Import

	31 December 2017	31 December 2016
USD	1,272,386	852,613
EUR	334,097	127,884
Other	7,301	6,449
Total	**1,613,784**	**986,946**

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 2017	31 December 2016
Total monetary liabilities (*)	1,898,923	1,322,037
Less: Cash and cash equivalents (Note 4)	(559,536)	(458,301)
Net debt	**1,339,387**	**863,736**
Total shareholders' equity	1,376,119	1,249,705
Total capital	**2,715,506**	**2,113,441**
Debt/equity ratio	**49%**	**41%**

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

NOTE 27 - FINANCIAL INSTRUMENTS

Fair value estimation of financial instruments

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

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

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

Financial assets

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

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

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

Financial liabilities

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

The estimated fair values of foreign currency long-term borrowings are assumed to approximate to their carrying values due to bearing floating interest rates. The estimated fair values of long-term borrowings are calculated based on the effective market interest rates and the cash flow calculations are discounted accordingly (Note 6).

Fair Value Estimation:

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

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

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

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

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

NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

31 December 2017	**Level 1**	**Level 2**	**Level 3**
Foreign currency held for trading	-	(1,752)	-
Hedging derivative financial instruments	-	2,507	-
Total asset / (liabilities)	**-**	**755**	**-**

31 December 2016	**Level 1**	**Level 2**	**Level 3**
Foreign currency held for trading	-	(2,502)	-
Hedging derivative financial instruments	-	2,266	-
Total asset / (liabilities)	**-**	**(236)**	**-**

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

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