AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2010
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. ("Aksa") and its subsidiaries (collectively referred as, the "Group") which comprise the consolidated balance sheet as of 31 December 2010 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the Group as of and for the year ending 31 December 2009, prior to the restatements as described in Note 2.5 to the accompanying consolidated financial statements were audited by another independent auditor, whose report dated 8 March 2010 expressed an unqualified opinion.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.We conducted our audit in accordance with the auditing standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

4. In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aksa Akrilik Kimya Sanayii A.Ş. as of 31 December 2010, and their financial performance and their cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Paragraph related with the restatement of prior year financial statements

5. We have also audited the adjustments described in Note 2.5 that were applied to restate the consolidated financial statements as of 31 December 2009 and for the year then ended. In our opinion, such adjustments are appropriate and have been properly applied.

Additional Paragraph for Convenience Translation into English

6. The financial reporting standards issued by the CMB, as described in Note 2 to the accompanying consolidated financial statements, differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, the consolidated financial performance and the consolidated cash flows of the Group in accordance with IFRS.

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

Cansen Başaran Symes, SMMM
Partner

Istanbul, 10 March 2011

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010, 2009 AND 2008

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

	Notes	2010	*Restated* 2009	*Restated* 2008
ASSETS				
Current assets		**664.328**	**617.569**	**598.243**
Cash and cash equivalents	4	64.499	102.212	43.680
Trade receivables				
- Trade receivables	7	307.143	331.511	378.774
- Due from related parties	25	16.349	6.581	25.228
Other receivables	8	36.918	10.904	18.187
Inventories	9	159.496	114.070	98.779
Other current assets	15	79.923	52.291	33.595
Non-current assets		**694.574**	**632.111**	**505.909**
Trade receivables	7	9.553	11.732	12.665
Other receivables	8	12	16	9
Financial investments	5	8.008	8.000	8.000
Property,plant and equipment	10	658.942	548.322	443.869
Intangible assets	11	5.175	6.684	199
Goodwill	12	5.989	5.989	5.989
Other non-current assets	15	6.895	51.368	35.178
TOTAL ASSETS		**1.358.902**	**1.249.680**	**1.104.152**

These consolidated financial statements as of and for the year ended 31 December 2010 have been approved for issue by the Board of Directors on 10 March 2011 and signed on behalf of the Board of Directors by Cengiz Taş, General Manager and by Mustafa Yılmaz , member of the Board of Directors. These consolidated financial statements will be definitive following their approval in the General Assembly.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010, 2009 AND 2008

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

	Notes	2010	*Restated* 2009	*Restated* 2008
LIABILITIES				
Current liabilities		**398.730**	**330.474**	**256.095**
Financial liabilities	6	171.258	141.841	118.482
Trade payables				
- Trade payables	7	175.294	156.258	94.170
- Due to related parties	25	36.429	12.905	16.947
Derivative financial instruments	16	-	-	2.060
Other payables	8	3.808	4.737	3.293
Taxes on income	23	3.839	1.222	8.103
Provisions	13	2.237	2.113	3.800
Other current liabilities	15	5.865	11.398	9.240
Non-current liabilities		**184.407**	**184.823**	**154.108**
Financial liabilities	6	139.307	137.400	121.090
Due to related parties	25	-	2.555	-
Derivative financial instruments	16	5.000	3.786	4.685
Provision for employment termination benefits	14	13.168	11.520	9.354
Deferred income tax liabilities	23	13.463	14.663	14.542
Other non-current liabilities	15	13.469	14.899	4.437
Total liabilities		**583.137**	**515.297**	**410.203**
EQUITY	**17**	**775.765**	**734.383**	**693.949**
Equity attributable to equity holders of the parent		**757.988**	**719.794**	**679.091**
Share capital		185.000	185.000	110.000
Adjustment to share capital		195.175	195.175	255.175
Share premium		44	44	44
Restricted reserves		48.523	45.866	42.777
Hedge funds		(4.000)	(3.029)	(3.748)
Retained earnings		276.528	256.754	217.450
Net income for the period		56.718	39.984	57.393
Non-controlling interests		**17.777**	**14.589**	**14.858**
TOTAL LIABILITIES AND EQUITY		**1.358.902**	**1.249.680**	**1.104.152**

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

	Notes	2010	*Restated* 2009
Revenues	18	1.304.312	905.137
Cost of sales (-)	18,19	(1.142.683)	(753.337)
Gross Profit		**161.629**	**151.800**
Marketing, selling and distribution expenses (-)	19	(16.094)	(10.416)
General and administrative expenses (-)	19	(61.289)	(46.462)
Research and development expenses (-)	19	(3.287)	(9.353)
Other operating income	20	4.798	3.636
Other operating expense (-)	20	(4.865)	(29.953)
Operating Profit		**80.892**	**59.252**
Financial income	21	120.805	137.748
Financial expense (-)	22	(125.927)	(143.432)
Profit before taxation		**75.770**	**53.568**
Taxation on income			
- Income tax expense	23	(14.813)	(11.283)
- Deferred tax income	23	957	58
Net income for the period		**61.914**	**42.343**
Other comprehensive (expense)/income:			
Changes in fair value of derivative financial instruments		(971)	719
Total Comprehensive Income		**60.943**	**43.062**
Net income for the period attributable to			
Non-controlling interests		5.196	2.359
Equity holders of the parent		56.718	39.984
		61.914	**42.343**
Total comprehensive income attributable to:			
Non-controlling interests		5.196	2.359
Equity holders of the parent		55.747	40.703
		60.943	**43.062**
Earnings per share for equity holders of the parent (TL)	24	0,31	0,22

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

	Attributable to equity holders of the parent									
	Share Capital	Adjustments to share Capital	Share Premium	Restricted Reserves	Hedge Reserve	Retained Earnings	Net income for the period	Total	Non-controlling interests	Total shareholder's equity
Balances at 1 January 2009 (as previously reported)	**110.000**	**255.175**	**44**	**42.777**	**-**	**217.450**	**72.907**	**698.353**	**14.858**	**713.211**
Effect of restatement (Note 2.5)	-	-	-	-	(3.748)	-	(15.514)	(19.262)	-	(19.262)
Balances at 1 January 2009 (restated)	**110.000**	**255.175**	**44**	**42.777**	**(3.748)**	**217.450**	**57.393**	**679.091**	**14.858**	**693.949**
Capital increases	75.000	(60.000)	-	-	-	(15.000)	-	-	-	-
Dividends paid non-controlling interests	-	-	-	-	-	-	-	-	(2.628)	(2.628)
Transfers	-	-	-	2.970	-	54.423	(57.393)	-	-	-
Income on sales of a subsidiary	-	-	-	119	-	(119)	-	-	-	-
Changes in fair value of derivative financial instruments	-	-	-	-	719	-	-	719	-	719
Net income for the period (restated)	-	-	-	-	-	-	39.984	39.984	2.359	42.343
Balances at 31 December 2009 (restated)	**185.000**	**195.175**	**44**	**45.866**	**(3.029)**	**256.754**	**39.984**	**719.794**	**14.589**	**734.383**
Balances at 1 January 2010 (as previously reported)	**185.000**	**195.175**	**44**	**45.866**	**-**	**272.268**	**50.689**	**749.042**	**14.589**	**763.631**
Effect of restatement (Note 2.5)	-	-	-	-	(3.029)	(15.514)	(10.705)	(29.248)	-	(29.248)
Balances at 1 January 2010 (as previously reported)	**185.000**	**195.175**	**44**	**45.866**	**(3.029)**	**256.754**	**39.984**	**719.794**	**14.589**	**734.383**
Transfers	-	-	-	2.657	-	37.327	(39.984)	-	-	-
Dividend Paid	-	-	-	-	-	(17.553)	-	(17.553)	(2.008)	(19.561)
Changes in fair value of derivative financial instruments	-	-	-	-	(971)	-	-	(971)	-	(971)
Net income for the period	-	-	-	-	-	-	56.718	56.718	5.196	61.914
Balances at 31 December 2010	**185.000**	**195.175**	**44**	**48.523**	**(4.000)**	**276.528**	**56.718**	**757.988**	**17.777**	**775.765**

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

	Notes	2010	*Restated* 2009
Income before tax		**75.770**	**53.568**
Adjustments to reconcile income before tax to net cash generated from operating activities:			
Depreciation and amortisation	10, 11	58.446	53.208
Provision for employment termination benefits	14	2.534	3.531
Interest income	21	(24.145)	(12.593)
Interest expense	22	19.442	20.299
Income from government grants		(978)	(504)
Provision for impairment on inventory	9	(2.974)	4.228
Provision for impairment on trade receivables	7	2.977	24.028
Changes in fair value of derivative financial instruments		-	(1.648)
Other		7.043	23.468
Cash flows before changes in operating assets and liabilities		**138.115**	**167.585**
Changes in operating assets and liabilities:			
Restricted cash		(8)	(442)
Decrease in trade receivables		13.417	44.882
(Increase)/decrease in other receivables		(26.010)	7.276
Increase in inventories		(42.452)	(19.519)
(Decrease)/increase in other assets		4.645	(52.934)
Increase in trade payables		41.047	59.465
Decrease in other payables		(816)	(243)
(Decrease)/increase in other liabilities		(5.985)	12.622
Employment termination benefits paid		(1.568)	(1.951)
Net cash generated from operating activities		**120.385**	**216.741**
Investing activities:			
Purchase of property, plant and equipment	10,11	(167.487)	(164.208)
Proceeds from sale of property, plant and equipment		(70)	62
Interest received		23.095	13.729
Net cash used in investing activities		**(144.462)**	**(150.417)**
Financing activities:			
Bank loans received		54.856	51.522
Bank loans paid		(46.054)	-
Changes in revolving loans, net		14.055	(36.618)
Dividends paid to equity holders of the parent		(17.553)	-
Dividends paid to non-controlling interests		(2.008)	(2.628)
Interest paid		(16.940)	(20.510)
Net cash used in financing activities		**(13.644)**	**(8.234)**
Net changes in cash and cash equivalents		(37.721)	58.090
Cash and cash equivalents at the beginning of the year	**4**	**101.770**	**43.680**
Cash and cash equivalents at the end of the year	**4**	**64.049**	**101.770**

The accompanying notes form an integral part of these consolidated financial statement

(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 9 October 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 and all kinds of raw materials, auxiliary materials and intermediate substances, artificial, synthetic and natural fibers, carbon fibers, filament and polymers , and any equipment, machinery or spare parts used in the production, processing or storage of these ,importing exporting, establishment of domestic, foreign and international branches, marketing and trading, establishment and start-up and rental of energy generation plant , electricity generation and sale of generated electricity or capacity to customers.

Aksa is registered with the Capital Markets Board ("CMB") and its shares have been quoted in the Istanbul Stock Exchange ("ISE") since 1986. As of 31 December 2010, 36,89% of the Group's shares are traded on ISE. As of the same date, the principle shareholders of the Group and their respective shareholding rates are as follows (Note 17):

	%
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	39,58
Emniyet Ticaret ve Sanayi A.Ş.	18,72
Other	41,70
	100,00

The group's ultimate parent is Akkök Sanayi Yatırım ve Geliştirme A.Ş., which is being controlled by Dinçkök family.

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

Miralay Şefik Bey Sokak
No: 15 Akhan
Gümüşsuyu 34437 İstanbul

Subsidiaries

The Company has the following subsidiaries (the "Subsidiaries"). The nature of the business of the Subsidiaries and their country of operations are as follows:

Subsidiaries	Country	Nature of business
Ak-Pa Tekstil İhracat Pazarlama A.Ş. ("Ak-Pa")	Turkey	Marketing
Ak-Tops Tekstil Sanayi A.Ş. ("Ak-Tops")	Turkey	Textile
Fitco BV ("Fitco")	Holland	Investment
Aksa Egypt Acrylic Fiber Industry SAE ("Aksa Egypt")	Egypt	Textile
Akgirişim Kimya ve Ticaret A.Ş. ("Akgirişim")	Turkey	Chemical

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 unit, energy unit and other operations (Note 3).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

2.1.1 Financial Reporting Standards Applied

The consolidated financial statements of Aksa have been prepared in accordance with the accounting and reporting principles accepted by the Capital Markets Board ("CMB"), namely "CMB Financial Reporting Standards". CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") accepted by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards, the application of inflation accounting is no longer required Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting periods starting 1 January 2005.

The consolidated financial statements are prepared within the framework of Communiqué XI, No:29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards") which are based on IAS/IFRS. The consolidated financial statements and the related notes are presented in accordance with the formats recommended by the CMB including the compulsory disclosures.

Aksa and its Subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB for listed companies. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards

Amendments in International Financial Reporting Standards

Standards, amendments and interpretations effective from 1 January 2010 and applied by Group

- IAS 1 (Amendment), "Presentation of Financial Statements" (effective for the reporting periods beginning on or after 1 January 2010);

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

2.1.1 Financial Reporting Standards Applied (Continued)

Amendments and interpretations effective from 1 January 2010 but not has material impact on Group's financial statements

- IFRS 3 (Revised), "Business Combinations" (effective for the reporting periods beginning on or after 1 July 2009);
- IAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective for the reporting periods beginning on or after 1 July 2009);
- IAS 38 (Amendment), "Intangible Assets" (effective from 1 January 2010);
- IFRS 5 (Amendment), "Non-current Assets Held for Sale and Discontinued Operations" (effective for the reporting periods beginning on or after 1 January 2010);
- IAS 36 (Amendment), "Impairment of Assets" (effective from 1 January 2010);
- IFRIC 9, "Re-assessment of Embedded Derivatives" and IAS 39 (Revised), "Financial Instruments: Recognition and Measurement" (effective for the reporting periods beginning on or after 1 July 2009);
- IFRIC 16, "Hedges of net investment in a foreign operation" (effective from 1 July 2009);
- IFRS 2 (Amendment), "Share Based Payment (effective for the reporting periods beginning on or after 1 January 2010);
- IFRIC 17, "Distributions of Non-cash Assets to Owners" (effective for the reporting periods beginning on or after 1 July 2009);
- IFRIC 18, "Transfers of Assets from Customers (effective for the reporting periods beginning on or after 1 July 2009);

Standards, amendments and interpretations to existing standards those are not yet effective at 1 January 2010

- IFRS 9, "Re-assessment of Embedded Derivatives" (effective for the reporting periods beginning on or after 1 January 2013);
- IAS 24 "Related party disclosure" (effective for the reporting periods beginning on or after 1 January 2011);
- IAS 32 (Amendment), "Financial Instruments: Presentation" (effective for the reporting periods beginning on or after 1 February 2010);
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
- IFRIC 14 (Amendment) "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for the reporting periods beginning on or after 1 January 2011);

The impacts of the amendments mentioned above are evaluated and it is not expected to result in material impact on the Group's financial statements.

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

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

2.1.2 Functional and Presentation Currency

Presentation and functional currency of the Group is Turkish Lira ("TL"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation are recognised in the consolidated statement of income as financial income and expenses.

2.1.3 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) to (c) below. 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 CMB Financial Reporting Standards by applying uniform accounting policies and presentation (Note 2.1.1). The results of operations of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

b) Subsidiaries are companies in which Aksa has the power to control the financial and operating policies for the benefit of itself, either (1) through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself or (2) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The table below sets out all Subsidiaries and demonstrates their shareholding structure as of 31 December 2010 and 2009:

	Direct and indirect ownership interest by the Company and it's subsidiaries (%)	
Subsidiary	**2010**	**2009**
Ak-Pa [(1), (2)]	13,47	13,47
Ak-Tops [(1)]	60,00	60,00
Fitco [(3)]	100,00	100,00
Aksa Egypt [(3)]	99,14	99,14
Akgirişim [(3)]	58,00	58,00

(1) The financial statements of subsidiaries are consolidated on a line-by-line basis.

(2) Based on the ability to govern the financial and operational policies of Ak-Pa, Aksa consolidates Ak-Pa's financial statements on a line-by-line basis.

(3) Although the Company has the power to exercise more than 50% of the voting rights, the Subsidiaries are excluded from the scope of consolidation on the grounds of materiality. These subsidiaries have been classified and accounted for as financial investments in the consolidated financial statements with a carrying value of their initial acquisition costs less impairment, if any.

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

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

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

c) 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.

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 (Note 2.5). The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

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 IAS 39 "Financial instruments: Recognition and measurements" 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 recognised 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 recognised 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 market place.

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

As of 31 December 2010 and 2009 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 amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available for sale financial assets

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

Available-for-sale financial assets are subsequently measured at fair value. Available-for-sale financial assets that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing model (Note 5).

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value (Note5).

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. Bad debts are written off when identified (Note 7).

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

Trade payables

Trade payables have average maturities changing between 60-90 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 realisable value less costs to sell. Cost of inventories comprises the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. The cost of borrowings is not included in the costs of inventories. Net realisable 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 (Note 9).

Property, plant and equipment

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

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

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 10). 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. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Land improvements	2 - 50
Buildings	5 - 50
Machinery and equipment	3 - 40
Motor vehicles	4 - 8
Furniture and fixtures	2 - 20

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

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

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 (Note 20).

Repairs and maintenance are charged to consolidated statement of comprehensive income 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 recognised at acquisition cost and amortised 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 11).

Amortisation period of intangible assets is 3-5 years.

Research and development expenses

Expenditures for research and development are expensed in the period incurred.Except with the following criteria for project expenditures are recorded as expense in the period incurred as well:

- 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.

The costs related to the development projects are capitalized when the criteria above are met and amortized by straight-line basis over the useful lives of related projects (Note 11).

Revenue recognition

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.

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

Interest income is recognised 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 financial income.

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

Commission income is recognized when the intermediary goods have been billed by the seller.

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).

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 capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

As of 31 December 2010 amount of TL6.555 borrowing costs related with coal plant investment has been capitalised on property, plant and equipment, as of 31 December 2009 amount of TL2.707 borrowing costs related with both coal plant investment and carbon fiber investment has been capitalized on property, plant and equipment (Note 10).

Fair value of financial instruments

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

The fair values of the financial instruments are determined in accordance with the following methods and assumptions as follows:

Financial assets

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

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

Financial liabilities

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

Employee benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). As of 23 May 2002 since the related legislation was changed, some transition pre-retirement articles has been removed.

Under the Turkish Labour Law, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees (Note 14).

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 IAS 19, "Employee Benefits". Seniority incentive bonus provision which is disclosed within the employee termination benefit represents the present value of the estimated total reserve 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)

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 statement of consolidated comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned.

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. (Note 24).

Events after the balance sheet date

The Group adjusts the amounts recognised 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 recognised 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

Contingent liabilities are not recognized in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

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)

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 announced by Turkish Republic Central Bank at the balance sheet date. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated financial statement as interest, fee, commission and similar income by the Group companies operating in the finance sector and as financial income or expense by the Group companies operating in non-finance sectors.

Goodwill

Acquisition value on the acquisition date, the acquired investment / subsidiary of the Group's share in excess of the fair value of net identifiable assets is recorded as goodwill.

Goodwill is reviewed annually for impairment and carried at cost less accumulated provision for impairment, recognised in balance sheet. For the purpose of impairment testing , the goodwill amount is distrubuted to cash-generating units. The distribution of goodwill, work consists of cash-generating units expected to benefit groups or cash-generating unit is done. Group performs goodwill impairment tests at 31 December. Goodwill impairment losses can not be canceled. Gains and losses arising from the sale of a business includes the recognized goodwill of the sold business.

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 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.

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

The Group's reportable business segments are "fibers", "energy" and the remained operations are reported as "other". The subsidiaries Ak-pa and Ak-tops are reported under "other" segment (Note 3).

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

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

Derivative financial instruments

The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading (IAS 39).

The Group shows its profits and losses relating to the hedging transaction under equities as "hedging fund".

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (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 normal course of business (Note 25).

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

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 (fixed investments 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 3 months (Note 4).

Government grants

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

2.4 Critical Accounting Judgements, Estimates and Assumptions

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

a) Goodwill impairment test

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by management covering a five-year period. The USD fair value is converted into TL by using the related foreign exchange rate on the date of the balance sheet. Therefore, the value in use calculations is affected by the fluctuations in the foreign exchange market.

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

The discount rate used in the value in use calculations is 9,49% and the risk premium is 3%. The discount rates used are after tax and reflect specific risks relating to the company. As of 31 December 2010, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions.

The sensivity analysis with 2 points higher rate on the goodwill impairment testing does not reveal any impairment charge on the goodwill balance.

b) Net realizable value

Inventories are valued at the lower of cost or net realizable value as discussed in Note:2.3. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale (Note 9).

c) Tangible and intangible assets useful lives

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss as discussed in Note 2.3. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Useful lives of property, plant and equipment, rely on best estimates of management, these estimates are reviewed balance sheet dates and if necessary adjustments are made necessary (Note 10).

d) Provision for doubtful receivable

In the event there is a situation which makes impossible for the Group to collect the amounts due payable, a provision for loss is created for the trade receivables.The amount of the provision is determined with the assessment of the payment performance of the customer and trade receivable aging. Provision for doubtful receivables is the accounting estimation that is based on the past payment performance and financial situations of the customers (Note 7).

e) 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).

2.5 Comparative informations and restatement of prior year financial statements

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the preceding financial period. The Group presented the consolidated balance sheet as of 31 December 2010 comparatively with the consolidated balance sheet prepared as of 31 December 2009 and presented the consolidated statements of comprehensive income, cash flows and changes in equity for the year ended 31 December 2010 comparatively with such financial statements for the year ended 31 December 2009.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

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

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

The Group has detected errors in the previous year's consolidated financial statements and corrected them retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". In accordance with IAS 1 (Revised) "Presentation of Financial Statements", when the financial statements are subject to a restatement of prior year financial statements, an entity should present three statements of financial position. Accordingly, the Group presented the consolidated balance sheet as of 31 December 2010 comparatively with the restated consolidated balance sheets prepared as of 31 December 2009 and 2008. At 31 December 2010, the effect of these corrections on the retained earnings, hedging reserve, net income for the period and total comprehensive income in the accompanying consolidated financial statements are as follows:

	Retained earnings	Hedging reserve	Net income for the period	Total comprehensive income
31 December 2009 (as previously reported)	**272.268**	**-**	**53.048**	**53.048**
Effect of restatement of capitalised borrowing costs (a)	(10.797)	-	-	-
Effect of restatement of government grants (b)	(4.717)	-	(10.705)	(10.705)
Effect of restatement of derivative financial instruments (c)	-	(3.029)	-	719
31 December 2009 (restated)	**256.754**	**(3.029)**	**42.343**	**43.062**

a) Restatement of capitalised borrowing costs:

The Group has detected errors in previous year's consolidated financial statements regarding the capitalization of borrowing costs for qualified assets in accordance with IAS 23 "Borrowing Costs". The error was due to disregarding the interest expense ceiling test, limiting the capitalised amount of foreign exchange losses of foreign currency denominated bank borrowings to the total interest expense to be incurred if the borrowing was made in functional currency. The Group accounted for the correction related to these errors retrospectively in accordance with IAS 8. The effect of this restatement was to decrease retained earnings as of 1 January 2009 by TL10.797 (decrease in property, plant and equipment by TL13.496 and deferred tax liability by TL2.699). The effect of the restatement on the comprehensive income has not been calculated in 2009 on the grounds of materiality. The effect of this restatement on the consolidated financial statements for the year ended 31 December 2008 and 2009 are as follows:

	Effect of restatement
Effect on consolidated balance sheets at 31 December 2008 and 2009:	
Decrease in property, plant and equipment	(13.496)
Decrease in deferred tax liabilities	2.699
Decrease in equity, net	**(10.797)**

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

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

b) Restatement of government grants:

During the year 2010, the Group has detected error in the consolidated financial statements of prior years on the accounting of the incentives and donations received from The Scientific and Technological Research Council of Turkey ("TÜBİTAK") and Undersecretariat of the Prime Ministry for Foreign Trade regarding the research and development projects. In accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", incentives and donations shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognised the related costs for which the grants are intended to compensate. The Group accounted for the correction related to these errors retrospectively in accordance with IAS 8. The effect of this restatement was to decrease the retained earnings as of 1 January 2009 TL4.716 (1 January 2010: TL15.421). As the Group recorded these grants in equity and will use them to increase capital in statutory financials as permitted by the Turkish Tax Legislation, this restatement has no impact on deferred taxes. The effect of this restatement on the consolidated financial statements for the year ended 31 December 2008 and 2009 are as follows:

	Effect of restatement
Effect on the consolidated balance sheet at 31 December 2008:	
Increase in other short term liabilities	(279)
Increase in other long term liabilities	(4.437)
Decrease in equity, net	**(4.716)**

	Effect of restatement
Effect on consolidated balance sheet at 31 December 2009:	
Increase in other short term liabilities	(522)
Increase in other long term liabilities	(14.899)
Decrease in equity, net	**(15.421)**

Effect on consolidated income statement	**31 December 2009**
Decrease in other operating income	(10.705)
Increase in net income for the period	**(10.705)**

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

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

c) Effect of restatement of derivative financial instruments:

The Group made interest swap contracts in order to hedge its cash flow risk regarding the long-term floating interest rate bank borrowings in 2008. During the year ended 31 December 2010, errors in fair value measurement and accounting of these swap instruments have been detected. The Group accounted for the correction related to these errors retrospectively in accordance with IAS 8. Effect of restatement has been recorded in "hedging reserve", classified under equity. Accordingly, there is no impact on retained earnings since these derivative financial instruments quantify for hedge accounting. The effect of this restatement on the consolidated financial statements for the year ended 31 December 2008 and 2009 are as follows:

	Effect of restatement
Effect on consolidated balance sheet at 31 December 2008:	
Increase in derivative financial instruments	(4.685)
Decrease in deferred tax liabilities	937
Decrease in equity, net	**(3.748)**

	Effect of restatement
Effect on consolidated balance sheet at 31 December 2009:	
Increase in derivative financial instruments	(3.786)
Decrease in deferred tax liabilities	757
Decrease in equity, net	**(3.029)**

Effect on consolidated statement of comprehensive income:	**31 December 2009**
Increase in other comprehensive income	719
Increase in comprehensive income	**719**

d) Segment Reporting:

The Group evaluated its reportable segments during 2010 and decided to revise segment functions as; fibers, energy and other due to increase in performance of new functions. The Group management analyse all reportable segments results with adjusted Earnings Before Interest, Tax and Depreciation "EBITDA". Prior year's results of the related segments are presented in Note 3.

e) Other Classifications:

The Group has performed reclassifications in the consolidated balance sheet as of 31 December 2009 and 2008 in order to conform to presentation of balance sheet as of 31 December 2010 and consolidated comprehensive income statement for the period then ended. Such reclassifications are explained as follows:

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

i) Cheques received amounting to TL 9.902 and TL19.903 were reclassified to "trade receivables" from "cash and cash equivalents" on the consolidated balance sheets of 31 December 2009 and 2008, respectively.

ii) Leasehold improvements amounting to TL2.689 and TL2.827 were reclassified to" "property, plant and equipment" from "intangible assets" on the consolidated balance sheets of 31 December 2009 and 2008, respectively.

iii) VAT receivables amounting to TL31.928 and TL27.162 were reclassified to "other current assets" from "other receivables" on the consolidated balance sheets of 31 December 2009 and 2008, respectively.

iv) VAT receivable and VAT payable amounting to TL15.771 and TL 10.834 have been offset out "other current liabilities" and "other current assets" on the consolidated balance sheets of 31 December 2009 and 2008, respectively.

v) Fair value of the forward transactions amounting to TL2.060 were reclassified to değeri "derivative financial instruments" from "provisions" on the consolidated balance sheet of 31 December 2008.

vi) Interest income on term sales amounting to TL8.616 were reclassified to "financial income" from "revenue" and interest expense on term purchases amounting to TL were reclassified to "financial expense" from "cost of sales" on the consolidated comprehensive TL 12.848 income statement of 1 January - 31 December 2009.

vii) Idle time expenses amounting to TL19.420 were reclassified to "cost of sales" from "other expense" on the consolidated comprehensive income statement for the year ended 31 December 2009.

viii) Commission income of Ak-Pa, the Group's subsidiary, by TL632 has been disclosed as net commission income by offsetting TL36.418 from revenue and cost of sales in the consolidated comprehensive income statement fort he year ended 31 December 2010 on the basis that Ak-pa is acting as an agent for export transactions.

ix) Start up costs amounting to TL3.262 were classified to "cost of goods sold" from " other operating expenses" on the consolidated comprehensive income statement for the year ended 31 December 2009.

x) Doubtful provision amounting to TL24.028 were classified to "other operating expenses" from "general administrative expenses" on the consolidated comprehensive income statement for the year ended 31 December 2009.

xi) Provision for impairment on inventory amounting to TL6.926 and TL2.698 were classified from " other operating expenses" and " general administrative expenses" to " cost of goods sold" on the consolidated comprehensive income statement for the year ended 31 December 2009.

xii) Employee termination benefit provision amounting to TL428 were classified from " other operating income " to " general administrative expenses "on the consolidated comprehensive income statement for the year ended 31 December 2009.

xiii) Due date chares on term sales amounting to TL1.905 were classified from "other operating income" to " financial income " on the consolidated comprehensive income statement for the year ended 31 December 2009.

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

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

2.6 Convenience translation into English of consolidated financial statements originally issued in Turkish

As of 31 December 2010, the financial reporting standards described in Note 2.1 (defined as "CMB" Financial Reporting Standards) to the consolidated financial statements differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the periods betrween 1 January and 31 December 2005.Accordingly, these consolidated financial statements are not intended to present the financial position and the results of operations in accordance with IFRS.

NOT 3 - SEGMENTAL INFORMATION

Segmental information for the years ended 31 December 2010 and 2009 are as follows:

	2010			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	1.222.605	51.986	73.345	1.347.936
Inter-segment revenue	-	(7.367)	(36.257)	(43.624)
External revenues	**1.222.605**	**44.619**	**37.088**	**1.304.312**
Adjusted EBITDA	**163.376**	**13.894**	**782**	**178.052**
Unallocated corporate expenses (*)				(42.451)
Amortization and depreciation	(46.849)	(3.800)	(3.993)	(54.642)
Other expenses, net (Note 20)				(67)
Financial expenses, net (Note 21-22)				(5.122)
Profit before taxation				**75.770**
Total segment assets	920.216	203.964	169.125	1.293.305
Inter-segment adjustments and classifications	(127.875)	(838)	(7.140)	(135.853)
Unallocated corporate assets				201.450
Total assets	**792.341**	**203.126**	**161.985**	**1.358.902**
Capital expenditure	34.705	126.652	6.784	168.141
Total segment liabilities	187.667	37.057	134.476	359.200
Inter-segment adjustments and classifications	(7.140)	-	(128.713)	(135.853)
Unallocated corporate liabilities				359.790
Total liabilities	**180.527**	**37.057**	**5.763**	**583.137**

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

NOT 3 - SEGMENTAL INFORMATION (Continued)

	2009			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	828.613	34.002	82.696	945.311
Inter-segment revenue	-	(5.194)	(34.980)	(40.174)
External revenues	**828.613**	**28.808**	**47.716**	**905.137**
Adjusted EBITDA	**157.471**	**7.787**	**(2.841)**	**162.417**
Unallocated corporate expenses (*)				(26.126)
Amortization and depreciation	(45.134)	(2.066)	(3.522)	(50.721)
Other expenses, net (Note 20)				(26.317)
Financial expenses, net (Note 21-22)				(5.684)
Profit before taxation				**53.568**
Total segment assets	893.760	143.916	125.756	1.163.432
Inter segment adjustments and classifications	(89.907)	(742)	(6.491)	(97.140)
Unallocated corporate assets				183.388
Total assets	**803.853**	**143.174**	**119.265**	**1.249.680**
Unallocated corporate assets	99.135	56.397	9.579	165.111
Total segment liabilities	157.024	19.345	102.823	279.192
Inter segment adjustments and classifications	(6.491)	-	(90.649)	(97.140)
Unallocated corporate liabilities				333.245
Total liabilities	**150.533**	**19.345**	**12.174**	**515.297**

(*) As of 31 December 2010, unallocated corporate expenses consists of general administrative expense amounting to TL39.165, research and development expenses amounting to TL3.287 (2009: general administrative expense amounting to TL16.774 and research and development expenses amounting to TL9.353).

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

NOT 3 - SEGMENTAL INFORMATION (Continued)

	2008			
	Fibers	**Energy**	**Other**	**Total**
Total segment assets	978.051	-	114.909	1.092.960
Inter segment adjustments and classifications	(98.237)	-	(6.550)	(104.787)
Unallocated corporate assets				115.979
Total assets	**879.814**	**-**	**108.359**	**1.104.152**
Capital expenditure	88.834	-	3.120	91.954
Total segment liabilities	114.901	-	109.603	224.504
Inter segment adjustments and classifications	(6.550)	-	(98.237)	(104.787)
Unallocated corporate liabilities				290.486
Total liabilities	**108.351**	**-**	**11.366**	**410.203**

Segment Assets

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

	2010	**2009**	**2008**
Reportable segment assets	**1.157.452**	**1.066.292**	**988.173**
Cash and cash equivalents	64.499	102.212	43.680
Other receivables	36.930	10.920	18.196
Other assets	77.948	48.343	32.430
Financial investments	8.008	8.000	8.000
Tangible and intangible assets	8.076	7.924	7.684
Goodwill	5.989	5.989	5.989
Total assets	**1.358.902**	**1.249.680**	**1.104.152**

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

NOT 3 - SEGMENT REPORTING (Continued)

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

	2010	**2009**	**2008**
Reportable segment liabilities	**223.347**	**182.052**	**119.717**
Financial liabilities	310.565	279.241	239.572
Derivative financial instruments	5.000	3.786	6.745
Other payables	3.808	4.737	3.293
Provisions	1.396	1.203	2.866
Taxes on income	3.839	1.222	8.103
Other liabilities	19.334	26.297	13.677
Provisions for employee termination benefits	2.385	2.096	1.688
Deffered income tax liabilities	13.463	14.663	14.542
Total liabilities	**583.137**	**515.297**	**410.203**

NOTE 4 - CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is at 31 December 2010 and 2009 as follows:

	2010	**2009**
Cash	169	104
Banks		
TL demand deposits	4.776	7.861
foreign currency demand deposit	7.393	2.666
TL time deposits	17.095	39.460
foreign currency time deposit	34.616	51.679
Other	450	442
	64.499	**102.212**

As of 31 December 2010, weighted average effective interest rates on TL time deposits are 8,25% (2009: 8,7%) , USD denominated time deposits are 2,91% (2009: 2,70%), and Euro denominated time deposits are 1,7% (2009: none) respectively.

The analysis of cash and cash equivalents in terms of consolidated statements of cash flows at 31 December 2010 and 2009 is as follows:

	2010	**2009**
Cash and cash equivalents	64.499	102.212
Less:restricted cash	(450)	(442)
Cash and cash equivalents	**64.049**	**101.770**

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

NOTE 5 - FINANCIAL INVESTMENTS

	2010	2009
Unquoted financial assets:		
Fitco	7.863	7.863
Aksa Egypt (*)	87	79
Akgirişim	58	58
Total	**8.008**	**8.000**

(*) Aksa has an indirect ownership of 99% in Aksa Egypt due to the shares owned by Fitco of 99%, by Ak-Pa of 0,5%, by Aktops of 0,5% in Aksa Egypt.

Unquoted financial assets are the subsidiaries that are not included in the scope of consolidation on the grounds of materiality due to the insignificance of their impact on the consolidated net assets, financial position and results of Aksa. They are accounted for under long-term financial assets at their acquisition cost restated at 31 December 2004 as they do not have a quoted market price in active markets.

The movements in the carrying values of financial investments for the years ended 31 December 2010 and 2009 as follows:

	2010	2009
Balances at 1 January	8.000	8.000
Participation to capital increase	8	-
Balances at 31 December	**8.008**	**8.000**

NOTE 6 - FINANCIAL LIABILITIES

	2010	2009
Short term bank borrowings	113.384	106.672
Short term factoring liabilities	10.035	-
Current portion of long term bank borrowings	47.839	35.169
Short term financial liabilities	**171.258**	**141.841**
Long term bank borrowings	139.307	137.400
Total long term bank borrowings	**139.307**	**137.400**
Total financial liabilities	**310.565**	**279.241**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

Bank Loans	**2010**		**2009**	
	Yearly weighted average interest rate %	**TL**	**Yearly weighted average interest rate %**	**TL**
Short term bank borrowings:				
USD borrowings	2,12	109.865	1,88	102.440
TL borrowings	7,25	3.519	8,00	4.232
		113.384		**106.672**
Financial liabilities related with factoring		10.035		-
		10.035		**-**
Current portion of long term bank borrowings:				
USD borrowings	3,48	47.839	3,97	35.169
		47.839		**35.169**
Total short term bank borrowings		**171.258**		**141.841**
Long term bank borrowings:				
USD borrowings	3,48	139.307	3,97	137.400
Total long term bank borrowings		**139.307**		**137.400**

	2010		**2009**	
	Fair Value	**Book Value**	**Fair Value**	**Book Value**
USD borrowings (*)	310.627	297.011	292.580	275.009
Financial liabilities related with factoring	10.035	10.035	-	-
TL borrowings	3.519	3.519	4.232	4.232
	324.181	**310.565**	**296.812**	**279.241**

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

The redemption schedule of borrowings is as follows:

	2010	**2009**
The payment with in 1 - 2 year	46.491	34.350
The payment with in 2 - 3 year	46.436	34.350
The payment with in 3 - 4 year	46.380	34.350
The payment with in 4 year and over	-	34.350
	139.307	**137.400**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of 31 December 2010 the Group has unused credit limit amounting to TL1.001.137 (TL638.221).

The redemption schedule of borrowings as of 31 December 2010 according to their contractual repricing dates of the Group is as follows:

	2010	**2009**
Less than 3 months	24.958	66.593
Between 3-12 months	146.300	75.248
Between 1-5 years	139.307	137.400
	310.565	**279.241**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short term Trade Receivables:	**2010**	**2009**
Trade receivables	337.985	359.428
Less: Provision for doubtful receivables	(28.789)	(26.276)
Less: Unearned finance income on term based sales	(2.053)	(1.641)
Total short term trade receivables, net	**307.143**	**331.511**

Trade receivables as of 31 December 2010 and 2009 have an average maturity of 3 months and they are discounted with an average annual interest rate of 8%.

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 collection risks for trade receivables other than the provision taken for possible collection risks.

Movements of provision for doubtful receivables for 31 December 2010 and 2009 are as follows:

	2010	**2009**
1 January	26.276	2.248
Collections and cancellation of provisions	(464)	-
Charged for the period	2.977	24.028
31 December	**28.789**	**26.276**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Long term Trade Receivables:

	2010	2009
Notes receivables and cheques	9.729	11.935
Less: Unearned finance income on term based sales	(176)	(203)
Total long term trade receivables, net	**9.553**	**11.732**

Trade Payables:

	2010	2009
Suppliers	176.631	156.303
Notes payables	-	250
Less: Unincurred finance costs on purchases	(1.337)	(295)
Total short-term trade payables, net	**175.294**	**156.258**

Trade payables as of 31 December 2010 and 31 December 2009 have an average maturity of 3 months and they are discounted with an average annual interest rate of 5%.

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Short-term other receivables	**2010**	**2009**
Due from related parties (Note 25)	36.763	10.049
Deposits and guarantees given	155	203
Other	-	652
	36.918	**10.904**

Long term other receivables	**2010**	**2009**
Deposits and guarantees given	12	16

Short term other payables	**2010**	**2009**
Taxes and funds payable	3.655	4.686
Payables to personnel	27	22
Other	126	29
	3.808	**4.737**

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

NOTE 9 - INVENTORIES

	2010	2009
Raw materials	91.339	72.446
Semi-finished goods	7.890	11.153
Finished goods	50.787	26.115
Merchandise stocks	1.644	1.763
Other stocks and spare parts	11.788	9.519
Less: Provision for impairment in inventories	(3.952)	(6.926)
	159.496	**114.070**

For the years ended 31 December 2010 and 2009 , the inventory impairment provision is mainly related with the finished goods.

The Group cancelled amount of TL6.926 (2008: TL2.698) a previous inventory write-down in 2009 due to sale of inventory. The amount cancelled has been included in cost of sales in the consolidated statement of comprehensive income.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2010	Additions	Disposals	Transfers	31 December 2010
Cost					
Land	59.187	270	-	-	59.457
Land improvements	35.475	-	(101)	8.551	43.925
Buildings	109.595	59	(495)	481	109.640
Machinery and equipment	730.703	524	(83)	17.839	748.983
Motor vehicles	1.257	101	-	-	1.358
Furniture and fixtures	20.742	2.083	(4)	434	23.255
Construction in progress	83.935	165.009	-	(27.311)	221.633
	1.040.894	**168.046**	**(683)**	**(6)**	**1.208.251**
Accumulated depreciation					
Land improvements	25.920	1.759	(3)	-	27.676
Buildings	31.175	2.248	(66)	-	33.357
Machinery and equipment	419.311	51.722	(29)	-	471.004
Motor vehicles	803	109	-	-	912
Furniture and fixtures	15.363	998	(1)	-	16.360
	492.572	**56.836**	**(99)**	**-**	**549.309**
Net book value	**548.322**				**658.942**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2009	Additions	Disposals	Transfers	31 December 2009
Cost					
Land	59.187	-	-	-	59.187
Land improvements	34.900	6	-	569	35.475
Buildings	100.329	25	(1.090)	10.331	109.595
Machinery and equipment	612.261	13.054	(16)	105.404	730.703
Motor vehicles	882	429	(54)	-	1.257
Furniture and fixtures	19.986	826	(160)	90	20.742
Construction in progress	57.024	144.046	-	(117.135)	83.935
	884.569	**158.386**	**(1.320)**	**(741)**	**1.040.894**
Accumulated depreciation					
Land improvemens	24.427	1.493	-	-	25.920
Buildings	29.172	2.142	(139)	-	31.175
Machinery and equipment	371.636	47.691	(16)	-	419.311
Motor vehicles	804	56	(57)	-	803
Furniture and fixtures	14.661	852	(150)	-	15.363
	440.700	**52.234**	**(362)**	**-**	**492.572**
Net book value	**443.869**				**548.322**

Additions to construction in progress account is mainly composed of capital expenditures related with the coal plant and carbon fiber investments.

As of 31 December 2010 borrowing costs amounting to TL6.555 related with coal plant investment has been capitalised on property, plant and equipment, as of 31 December 2009 amount of TL2.707 borrowing costs related with both coal plant investment and carbon fiber investment has been capitalized on property plant and equipment.

As of 31 December 2010, TL51.809 (2009: TL46.541) of the amortisation expense is charged to "cost of goods sold", TL 254 (2009: TL 2.417) is charged to "research and development expenses", TL894 (2009: TL744) expense is included in "general administrative expenses", TL75 (2009: TL45) is included in "selling and marketing costs" and TL3.803 (2009: TL2.487 is classified as "construction in progress".

As of 31 December 2010 there is no mortgage on tangible assets (2009: None).

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

NOTE 11 - INTANGIBLE ASSETS

	1 January 2010	Additions	Transfers	31 December 2010
Cost:				
Rights	1.648	-	-	1.648
Development cost	7.117	-	-	7.117
Other intangible assets	1.476	95	6	1.577
	10.241	**95**	**6**	**10.342**
Accumulated amortisation:				
Rights	1.463	17	-	1.480
Development cost	830	1.486	-	2.316
Other intangible assets	1.264	107	-	1.371
	3.557	**1.610**	**-**	**5.167**
Net book value	**6.684**			**5.175**

As of 31 December 2010, TL108 (2009: TL216) of the amortisation expense is charged to "cost of goods sold", TL1.486 (2009: TL742) is charged to "research and development expenses" and TL16 (2009: TL16) expense is included in "general administrative expenses".

	1 January 2009	Additions	Disposals	Transfers	31 December 2009
Cost					
Rights	1.469	-	-	179	1.648
Development Cost	-	6.555	-	562	7.117
Other intangible assets	1.376	170	(70)	-	1.476
	2.845	**6.725**	**(70)**	**741**	**10.241**
Accumulated amortisation:					
Rights	1.448	15	-	-	1.463
Development Cost	-	830	-	-	830
Other intangible assets	1.198	129	(63)	-	1.264
	2.646	**974**	**(63)**	**-**	**3.557**
Net book value	**199**				**6.684**

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

NOTE 12 - GOODWILL

The goodwill balance with the carrying amount of TL5.989 (2009: TL5.989) as at 31 December 2010 resulted from the acquisition of 50% of shares Ak-Tops Tekstil Sanayi A.Ş. during 2007.

In Note 2.4 details of assessment for the impairment of goodwill is defined. There is no change in the book value of the goodwill, which is TL5.989 for the period ended as of 31 December 2010 (31 December 2009: TL5.989).

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	2010	2009
Provision for unused vacation rights (Note14)	917	906
Provision for lawsuits	842	741
Provision for other payables and expenses	478	466
	2.237	**2.113**

Contingent assets and liabilities are as follows:

a) The details of collaterals, pledges and mortgages ("CPM") of the Group at 31 December 2010 and 31 December 2009 are as follows:

	2010	2009
Colleterals given	298.604	255.395

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

	2010	2009
Mortgages received	36.310	15.602
Guarantee notes and cheques received	25.169	22.514
Guarantee letters received	7.249	13.706
Other commitments received (*)	117.262	93.343
	185.990	**145.165**

(*) Other guarantees consist of confirmed/unconfirmed letter of credits, direct debit system (DDS) limits, Eximbank limits and letter of credits.

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

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

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

A. CPM given on behalf of the Company's legal personality	298.604	255.395
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parites		-
D. Total amount of other CPM		
i) Total amount of CPM given on behalf of the majority shareholder	-	-
ii) Total amount of CPM given 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.	-	-
	298.604	**255.395**

NOTE 14 - EMPLOYEE BENEFITS

Short Term Employee Benefits	**2010**	**2009**
Provision for unused vacation rights	917	906

Long Term Employee Benefits		
Provision for employment termination benefits	13.168	11.520

<u>Provision for employment termination benefits</u>

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

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service 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 amount payable consists of one month's salary limited to a maximum of TL2.517 (2009: TL2.365) for each year of service at 31 December 2010.

The liability is not funded as there is no funding requirement.

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

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

NOTE 14 - EMPLOYEE BENEFITS (Continued)

IAS 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:

	2010	**2009**
Discount rate (%)	4,66	5,92
Probability of retirement (%)	98,92	98,86

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 TL2.623 effective from 1 January 2011 (1 January 2010: TL2.427) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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

	2010	**2009**
Balances at 1 January	11.520	9.354
Service cost	1.748	2.872
Interest cost	682	586
Paid compensation	(1.568)	(1.951)
Actuarial losses	786	659
Balances at 31 December	**13.168**	**11.520**

NOTE 15 - OTHER ASSETS AND LIABILITIES

Other current assets:	**2010**	**2009**
VAT receivables (*)	41.244	31.928
VAT to be transferred	26.588	14.125
Purchase advances given	8.863	3.948
Personnel advances	1.719	1.294
Prepaid expenses	1.293	883
Prepaid taxes and funds	-	16
Job advances	216	97
	79.923	**52.291**

(*) VAT receivables balance comprises of tax receivable due from export transactions of the Group.

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

NOTE 15 - OTHER ASSETS AND LIABILITIES (Continued)

Other non current assets:

	2010	2009
Advances given for the purchase of property, plant and equipment	6.797	51.353
Other	98	15
	6.895	**51.368**

Other current liabilities:

	2010	2009	2008
Advances received	4.764	9.952	8.808
Deferred income (*)	978	522	278
Other	123	924	154
	5.865	**11.398**	**9.240**

Other non-current liabilities:

	2010	2009	2008
Deferred income (*)	13.469	14.899	4.437
	13.469	**14.899**	**4.437**

(*) Government grants are received as a reimbursement of the investments conducted in the context of Research and Development projects (Note 2.5.b). Such grants are accounted for under current and non-current liabilities as deferred revenue and they are recognized in the consolidated income statement on a systematic basis over the estimated useful life of the related assets.

Incentives, grants and benefits which have been obtained from TÜBİTAK and Undersecretariat of the Prime Ministry for Foreign Trade regarding R&D projects and which have been received in cash in 2008 and 2009, are recognized in the consolidated statement of income on a systematic basis over 16 years, which has been determined as the estimated useful life of related assets by the Group.

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

NOTE 16 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2010		31 December 2009		31 December 2008	
	Asset	Liability	Asset	Liability	Asset	Liability
Held for hedging	-	5.000	-	3.786	-	4.685
Held for trading	-	-	-	-	-	2.060
	-	**5.000**	**-**	**3.786**	**-**	**6.745**

Derivative instruments held for hedging:

	31 December 2010		31 December 2009		31 December 2008	
	Contract amount	Fair value Liability	Contract amount	Fair value liability	Contract amount	Fair value liability
Interest rate swap	118.686	5.000	121.933	3.786	123.988	4.685
	118.686	**5.000**	**121.933**	**3.786**	**123.988**	**4.685**

Derivative financial instruments are initially recognised in the consolidated balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and interest rate swap instruments.

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability ("fair value hedge"), or a hedge of a forecasted transaction or a firm commitment ("cash flow hedge").

These derivative transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives that are designated as being and qualify as cash flow hedges and are highly effective, are recognised in equity as "hedging reserve".

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 realised,accumulated gains or losses are recognised as income or loss in the consolidated financial statements.

At 31 December 2010, the fixed interest rates vary from 2.5% to 4.2% (2009: 2.5% to 4.2%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2010 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings (Note 6).

Derivative instruments held for trading:

The Group had foreign exchange forward contracts as of 31 December 2008 which were purchased from American knock out reverse repurchase markets. 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 and are therefore treated as derivatives held for trading and changes in fair value of these derivative transactions are accounted for in the consolidated statement of comprehensive income.

(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 TL1 ("one Turkish Lira"). Historical, authorized and issued capital of Aksa as of 31 December 2010 and 31 December 2009 is presented below.

	2010	**2009**
Limit on registered share capital (historical)	425.000	425.000
Issued share capital	185.000	185.000

The Company's shareholders and their respective shareholding structure at 31 December 2010 and 31 December 2009 are as follows:

	Share %	**2010**	**Share %**	**2009**
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	39,58	73.223	39,58	73.223
Emniyet Ticaret ve Sanayi A.Ş.	18,72	34.632	18,72	34.632
Other	41,70	77.145	41,70	77.145
	100,00	**185.000**	**100,00**	**185.000**
Adjustment to share capital		195.175		195.175
Total paid-in share capital		**380.175**		**380.175**

Legal Reserves - Retained Earnings

Retained earnings as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below:

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. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

Dividend requirements regulated by CMB applicable to listed companies are as follows:

In accordance with the decision of CMB 1/6 dated 9 January 2009, the total amount of net income after the deduction of accumulated losses at statutory records and reserves that can be subject to dividend distribution shall be disclosed in the notes to the financial statements which will be prepared and publicly announced in accordance with Communiqué XI No:29.

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

NOTE 17 - EQUITY (Continued)

In accordance with the CMB's decision dated 27 January 2010, minimum profit distribution will not be applied for listed companies with shares traded on the stock market.

Inflation adjustment to share capital and carrying value of extraordinary reserves can be used for free capital increase, cash dividend distribution or loss deduction. However, the use of inflation adjustment to the capital for dividend distribution will be subject to corporation tax.

In the General Assembly Meeting dated 26 April 2010, it has been decided to pay dividend amounting to TL16.250 from the net profit of 2009. The distribution of dividend was made on 31 May 2010.

In accordance with the CMB decision dated 9 January 2009, the total amount of net income after the deduction of accumulated losses at statutory records and reserves that can be subject to dividend distribution shall be disclosed in the notes to the financial statements which will be prepared and publicly announced in accordance with Communiqué XI No:29. There are no accumulated loss on statutory accounts of Aksa Akrilik Kimya Sanayii A.Ş., as of 31 December 2010 amount of net profit for the period is TL78.730 and amount of extraordinary reserve is TL301.242.

NOTE 18 - SALES AND COST OF SALES

	2010	2009
Domestic sales	828.683	556.085
Export sales	492.259	369.432
Commission income from foreign trade	665	632
Other Sales	108	2.170
Return on sales (-)	(3.965)	(4.506)
Other discounts (-)	(13.438)	(18.676)
Net sales income	**1.304.312**	**905.137**
Cost of sales (-)	**(1.142.683)**	**(753.337)**
Gross profit	**161.629**	**151.800**

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

NOTE 19 - EXPENSES BY NATURE

	2010	**2009**
Raw materials and goods	1.008.498	658.899
Personnel expenses	56.615	53.486
Depreciation and amortisation	54.642	50.721
General production expenses	46.954	13.255
Commission expense	11.426	7.773
Export expenses	9.498	6.615
Consultancy expenses	8.490	5.483
Information technologies expense	4.049	3.248
Travel expenses	3.404	2.043
miscellaneous tax expenses	2.356	692
Repair,maintenance and cleaning expenses	1.946	1.063
Rent expenses	1.791	904
Environmental expenses	1.364	624
Social expenses	1.345	1.673
Other	10.975	13.089
	1.223.353	**819.568**

NOTE 20 - OTHER OPERATING INCOME / EXPENSE

As of 31 December 2010 net other expense balance is amounting to TL67 (31 December 2009: TL26.317). Other expense balance comprise of TL 1.869 (31 December 2009: TL 156) income from released provisions, amount of TL1.344 (31 December 2009: TL504) R&D incentive income, amount of TL2.977 (31 December 2009: TL24.028) doubtful receivables provision expense.

NOTE 21 - FINANCIAL INCOME

	2010	**2009**
Foreign exchange gains	90.304	113.063
Interest income from term based sales	17.712	8.961
Interest income	6.433	3.632
Due date charges on term sales	6.356	12.092
	120.805	**137.748**

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

NOT 22 - FINANCIAL EXPENSES

	2010	2009
Foreign exchange expense	107.167	123.719
Due date charges on term purchases	13.143	16.216
Financial expenses	5.617	3.497
	125.927	**143.432**

NOTE 23 - TAX ASSETS AND LIABILITIES

	2010	2009
Income tax expense for the period	(14.813)	(11.283)
Deferred tax income, net	957	58
Total tax expense net	**(13.856)**	**(11.225)**

Deferred Income Tax Assets and Liabilities

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2010, 2009 and 2008 are as follows:

	Temporary Taxable Differences			Deferred Income Tax Asset/Liability		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Property, plant and equipment and intangible assets	(96.353)	(97.646)	(92.964)	(19.271)	(19.529)	(18.593)
Trade payables	(1.337)	(816)	(1.431)	(267)	(163)	(286)
Other	(308)	(270)	26	(62)	(54)	5
Deferred income tax liabilities				**(19.600)**	**(19.746)**	**(18.874)**
Inventories	3.663	6.767	1.417	733	1.353	283
Employee benefits	13.168	11.520	9.354	2.634	2.304	1.871
Derivative financial instruments	5.000	3.786	6.745	1.000	757	1.349
Trade receivables	6.682	2.056	3.000	1.336	411	600
Other current liabilities	1.788	908	935	358	182	187
Other	379	379	210	76	76	42
Deferred income tax assets				**6.137**	**5.083**	**4.332**
Deferred income tax liabilities, net				**(13.463)**	**(14.663)**	**(14.542)**

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

NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

Movement for the deferred income tax liabilities for year ended 31 December 2010 and 2009 are as follows:

	2010	2009
1 January	14.663	14.542
Deferred tax income for the period, net	(957)	(58)
Amount associated with equity	(243)	179
Balances at 31 December	**13.463**	**14.663**

	2010	2009
Taxes on income	14.813	11.283
Amount deducted from Value Added Tax receivable	(10.974)	(10.061)
Taxes on Income	**3.839**	**1.222**

The reconciliation of tax expenses stated in consolidated income statements is as follows:

	2010	2009
Profit before tax at consolidated financial statements	75.770	53.568
Expected tax expense of the Group (20%)	**15.154**	**10.714**
Disallowable expenses	5.134	4.851
Other income exempt from tax	(8.109)	(3.076)
Dividend Income	(2.524)	(2.192)
Other	(990)	2.970
Tax Effect (20%)	(1.298)	511
Current period tax expense of the Group	**13.856**	**11.225**

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.

	2010	2009
Net income attributable to the equity holders of the parent (TL) (*)	56.718.366	39.984.014
Weighted average number of shares	185.000.000	185.000.000
Earnings per 1 share (TL) **(*)**	0,31	0,22

(*) Amounts expressed in Turkish Lira ("TL").

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

NOTE 25 - RELATED PARTY DISCLOSURES

Trade receivables from related parties as of 31 December 2010 and 2009 are as follows:

	2010	2009
Ak-Al Tekstil Sanayii A.Ş.	11.196	4.388
Aksa Egypt	4.540	2.205
Akkim Kimya San. ve Tic. A.Ş.	793	-
Other	52	83
Less: Rediscount (-)	(232)	(95)
	16.349	**6.581**

Non-trade receivables from related parties is as follow (presented in "Other Receivables" in the consolidated balance sheet):

	2010	2009
Akport Tekirdağ Liman İşletmeleri A.Ş. (*)	20.098	6.023
Akkök Sanayi Yatırım ve Geliştirme A.Ş. (*)	13.146	-
Akmeltem Poliüretan Sanayi ve Ticaret A.Ş. (*)	3.519	3.505
Other	-	521
	36.763	**10.049**

(*) Includes receivables from for export loans secured by Ak-Pa, a subsidiary of the Group, and provided to related parties.

Short term trade payables due to related parties are as follows:

	2010	2009
Akenerji Doğal Gaz İthalat İhracat ve Toptan Tic. A.Ş.	24.637	-
Akkim Kimya San. ve Tic. A.Ş.	8.014	6.072
Akenerji Elektrik Üretim A.Ş.	2.859	5.627
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.	812	315
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	529	910
Dinkal Sigorta Acenteliği A.Ş.	73	37
Other	50	184
Less: Payable rediscount (-)	(545)	(240)
	36.429	**12.905**

Long term trade payables due to related parties are as follows:

	2010	2009
Akenerji Elektrik Üretim A.Ş.	-	2.836
Payable rediscount (-)	-	(281)
	-	**2.555**

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

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

As of 31.12.2010 and 31.12.2009 total sales amount due to related parties are as follows:

	2010	**2009**
Aksa Egypt	44.600	37.265
Akkim Kimya San. ve Tic. A.Ş.	36.093	24.541
Ak-Al Tekstil Sanayii A.Ş.	32.247	24.823
Akenerji Elektrik Üretim A.Ş.	276	1.302
Other	394	1.451
	113.610	**89.382**

Product and service purchases from related parties for the years ended 31December 2010 and 2009 are as follows:

	2010	**2009**
Akkim Kimya San. ve Tic. A.Ş.	60.039	57.985
Akenerji Doğal Gaz İthalat İhracat ve Toptan Tic. A.Ş	24.637	-
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	6.248	4.449
Aktek Bilgi İşlem Tekn. San.ve Tic.A.Ş.	4.723	4.162
Dinkal Sigorta Acenteliği A.Ş.	1.552	1.784
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	1.080	932
Ak-Al Tekstil Sanayii A.Ş.	1.041	1.020
Akenerji Elektrik Üretim A.Ş. (*)	901	52.880
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş.	488	552
	100.709	**123.764**

(*) In 2009 fixed assets in the amount of TL11.339was purchased from Akenerji. In 2009, the other purchases consist of energy purchases.

Purchases from related parties consist of energy, chemicals, service procurement, consulting and rent expenses.

The Company defined its key management personnel as members of action committee and board of directors.

	2010	**2009**
Salary and other short term employee benefits.	4.022	4.549
Provision for employee termination benefit	42	35
Benefit after working period	-	-
Other long term benefits	-	-
Share base payments	-	-
	4.064	**4.584**

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

NOT 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk factors

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

Interest Risk

The Group is not exposed to interest risk arising from the ownership of assets' and liabilitiees' interest rate changes. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

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 monitoring 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:

2010	**Trade Receivables**
1-30 days overdue (*)	5.049
1-3 ay months overdue	681
3-12 months overdue	570
More than 12 months overdue	1.557
Total	**7.857**
Secured with guarantees	**4.630**

2009	**Trade Receivables**
1-30 days overdue (*)	7.822
1-3 ay months overdue	1.872
3-12 months overdue	854
More than 12 months overdue	419
Total	**10.967**
Secured with guarantees	**5.568**

(*) 1- 30 days overdue trade receivables as at 31 December 2010 was collected as of the date of publication of these financial statements.

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2010 amounts carried in the balance sheet reflect maximum credit risk of the Group.

	Trade Receivables		**Other receivables (*)**		**Demand deposits at bank**	
2010	**Related Parties**	**Other**	**Related Parties**	**Other**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	16.349	316.696	36.763	167	-	63.880
Secured portion of maximum credit risk by guarantees	**4.432**	**177.908**	**3.650**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	16.062	308.839	36.763	167	-	63.880
Financial assets with renegotiated conditions (*)	-	23.738	-	-	-	-
Net book value of the overdue but not impaired financial assets	287	7.857	-	-	-	-
- Secured portion with guarantees	-	4.630	-	-	-	-
Net book value of impaired assets	-	-	-	-	-	-
- Overdue (net book value)	-	28.789	-	-	-	-
- Impairment (-)	-	(28.789)	-	-	-	-
- Secured portion with guarantees	-	-	-	-	-	-

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Trade Receivables		Other receivables (*)		Demand deposits at bank	
2009	**Related Parties**	**Other**	**Related Parties**	**Other**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	6.581	343.243	10.049	871	-	101.666
Secured portion of maximum credit risk by guarantees	**2.246**	**139.270**	**3.650**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	6.525	332.276	10.041	871	-	101.666
Financial assets with renegotiated conditions	-	23.678	-	-	-	-
Net book value of the overdue but not impaired financial assets	57	10.967	8	-	-	-
- Secured portion with guarantees	-	5.568	-	-	-	-
Net book value of impaired assets	-	-	-	-	-	-
- *Overdue (net book value)*	-	26.276	-	-	-	-
- *Impairment (-)*	-	(26.276)	-	-	-	-
- *Secured portion with guarantees*	-	-	-	-	-	-

(*) Renegotiated receivables in the amount of TL6.192 has been collected in the subsequent period and Group have a total of TL16.225 as guarantees related with these receivables.

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

NOT 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to analyse every foreign currency type on a position basis.

Foreign currency position table denominated in Turkish Lira as of 31 December 2010 and 31 December 2009 are as follows:

	2010	**2009**
Assets	409.545	434.217
Liabilities	(446.155)	(411.145)
Net balance sheet position	**(36.610)**	**23.072**

	2010			
	USD position	**EURO position**	**Other foreign Currency position**	**Total**
Assets:				
Cash and cash equivalents	40.408	1.597	4	42.009
Trade receivables	299.136	31.730	-	330.866
Advances given	738	336	7	1.081
Other assets	33.632	1.934	23	35.589
Total assets	**373.914**	**35.597**	**34**	**409.545**
Liabilities:				
Financial liabilities	297.011	-	-	297.011
Trade payables	144.415	4.729	-	149.144
Total liabilities	**441.426**	**4.729**	**-**	**446.155**
Net foreign currency position	**(67.512)**	**30.868**	**34**	**(36.610)**

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

NOT 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	2009			
	USD position	**EURO position**	**Other foreign Currency position**	**Total**
Assets:				
Cash and cash equivalents	53.284	1.046	15	54.345
Trade receivables	292.940	32.641	9	325.590
Advances given	32.281	15.831	98	48.210
Other assets	6.023	49	-	6.072
Total assets	**384.528**	**49.567**	**122**	**434.217**
Liabilities:				
Financial liabilities	275.009	-	-	275.009
Trade payables	128.562	7.574	-	136.136
Total Liabilities	**403.571**	**7.574**	**-**	**411.145**
Net foreign currency position	**(19.043)**	**41.993**	**122**	**23.072**

The following table demonstrates the sensitivity to a possible change in the net position, on the Group's balance sheet as of 31 December 2010 and 2009:

2010	**Appreciation of Foreign currency**	**Depreciation of Foreign currency**
In case 10% appreciation of USD against TL:		
USD net asset/(liability)	(6.751)	6.751
Amount hedged for USD risk	-	-
USD net effect-income/(expense)	**(6.751)**	**6.751**
In case 10% appreciation of EUR against TL:		
EUR net asset/(liability)	3.087	(3.087)
Amount hedged for EUR risk	-	-
EUR net effect-income/(expense)	**3.087**	**(3.087)**

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

NOT 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2009	**Appreciation of Foreign currency**	**Depreciation of Foreign currency**
In case 10% appreciation of USD against TL:		
USD net asset/liability	(1.904)	1.904
Amount hedged for USD risk (-)	-	-
USD net effect- income/(expense)	**(1.904)**	**1.904**
In case 10% appreciation of EUR against TL:		
EUR net asset/liability	4.199	(4.199)
Amount hedged for EUR risk (-)	-	-
EUR net effect- income/(expense)	**4.199**	**(4.199)**

Import export information:

	2010	**2009**
Export:		
USD	350.675	285.558
EUR	157.118	108.047
Other	41	-
	507.834	**393.605**
Import		
USD	632.741	377.300
EUR	45.454	24.749
Other	920	5.938
	679.115	**407.987**

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. The liquidity is minimized by balancing the cash inflows and outflows and also securing funds from reliable financial institutions.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering the due date periods. Financial assets and liabilities that have no certain due dates are classified in over 1 year column.

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

NOT 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2010:

Maturities per agreement	Carrying value	Contractual cash flows (=I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years(III)
Non derivative financial liabilities					
Financial liabilities	310.565	324.688	44.947	130.451	149.290
Trade payables	175.294	176.505	116.233	60.273	-
Other non current liabilities	36.429	36.975	9.255	27.720	-
Total	**522.288**	**538.168**	**170.435**	**218.444**	**149.290**

Expected maturities (or maturities per agreement)	Carrying value	Contractual cash flows (=I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years(III)
Derivative financial instruments (net)					
Derivative cash outflow	5.000	5.190	375	2.331	2.484

2009:

Maturities per agreement	Carrying value	Contractual cash flows (=I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years(III)
Non derivative financial liabilities					
Financial liabilities	279.241	287.919	101.738	42.885	143.296
Trade payables	156.258	156.553	146.074	10.479	-
Trade Payables due to related parties	15.460	15.982	6.072	7.073	2.837
Total	**450.959**	**460.454**	**253.884**	**60.437**	**146.133**

Expected maturities (or maturities per agreement)	Carrying value	Contractual cash flows (=I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years(III)
Derivative financial instruments (net)					
Derivative cash outflow	3.786	3.810	455	2.189	1.165

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.

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

NOT 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Company controls its capital using the net debt/total capital ratio. This ratio is calculated by dividing net debt by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents Total capital is calculated as equity plus the net debt amount as presented in the balance sheet.

The ratio of net debt/equity at 31 December 2010 and 2009 is as follows:

	2010	**2009**
Total liabilities	522.288	450.959
Less: cash and cash equivalents (Note 4)	(64.499)	(102.212)
Net debt	**457.789**	**348.747**
Total shareholders equity	775.765	734.383
Total equity	**1.233.554**	**1.083.130**
Debt/equity ratio	**37%**	**32%**

Fair value estimation

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

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgement 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 realise 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 aproximate 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.

NOTE 27 - FINANCIAL INSTRUMENTS

Financial liabilities

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

The estimated fair value of long term bank borrowings also approximates their carrying values as the interest rates are of floating nature. The estimated fair value of the long term bank borrowings is disclosed in related footnotes and determined by discounting the cash outlows per the agreement with the market interest rates (Note 6).

Fair Value Estimation:

Effective from 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 hierarchy:

Level 1: Quoted prices 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 or indirectly;

Level 3: Inputs for the asset or liability that is not based on observable market data.

2010

	Level 1	**Level 2**	**Level 3**
Hedging derivative financial liabilities	-	5.000	-
Total liabilities	**-**	**5.000**	**-**

2009

	Level 1	**Level 2**	**Level 3**
Hedging derivative financial liabilities	-	3.786	-
Total liabilities	**-**	**3.786**	**-**

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

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