AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 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.

Introduction

1. We have audited the accompanying consolidated balance sheet of Aksa Akrilik Kimya Sanayii A.Ş. ("the Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2013 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error or fraud.

Independent auditor's responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aksa Akrilik Kimya Sanayii A.Ş. and its subsidiaries as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Reports on independent auditor's responsibilities arising from other regulatory requirements

5. In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the year 1 January - 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

6. Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. The responsibilities of "Corporate Governance acting in the capacity of Early Determination of Risk Committee", which was active at the beginning of 2013 and comprised of 2 members, were taken over by "Early Determination of Risk Committee", which was formed on 8 May 2013 and comprised of 2 members. These committees have met 7 times since the beginning of 2013 to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Group and its development, applying the necessary measures and remedies in this regard, and managing the risks, and have submitted the relevant reports to the Board of Directors.

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

Baki Erdal, SMMM
Partner

Istanbul, 18 March 2014

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013

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

CONTENTS		PAGE

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012

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

	Notes	31 December 2013 USD (*)	31 December 2013 TL	31 December 2012 TL
ASSETS				
Current Assets		**401,625**	**857,189**	**692,258**
Cash and cash equivalents		109,267	233,208	141,472
Trade receivable				
- Other trade receivables	8	102,322	218,386	179,383
- Due from related parties	26	68,880	147,010	139,091
Other receivables				
- Other receivables	9	99	212	170
Inventories	10	86,770	185,194	164,935
Prepaid expenses	16	8,683	18,533	5,008
Other current assets	16	25,604	54,646	62,199
Non-current Assets		**447,180**	**954,416**	**864,698**
Financial investments	5	1,103	2,355	1,327
Trade receivables				
- Other trade receivables	8	-	-	4,490
Joint ventures accounted for by the equity method	6	114,842	245,108	227,742
Property, plant and equipment	11	317,908	678,511	618,035
Intangible assets				
- Goodwill	13	2,806	5,989	5,989
- Other intangible assets	12	4,653	9,931	4,821
Prepaid expenses		5,616	11,986	2,280
Derivative financial instruments		246	524	-
Other non-current assets		6	12	14
TOTAL ASSETS		**848,805**	**1,811,605**	**1,556,956**

(*) US Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2013, and therefore do not form part of these consolidated financial statements (Note 2.5)

These consolidated financial statements at 31 December 2013 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 21 February 2014.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012

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

	Notes	31 December 2013 USD (*)	31 December 2013 TL	31 December 2012 TL
LIABILITIES				
Current liabilities		**288,879**	**616,554**	**429,596**
Short term liabilities	7	74,717	159,468	133,859
Short term proportion of long term liabilities	7	31,108	66,393	36,538
Trade payables				
- Other trade payables	8	144,371	308,130	215,793
- Due to related parties	26	15,450	32,976	28,674
Other payables				
- Other payables	9	1,527	3,259	2,992
Deferred income	16	11,464	24,468	591
Taxes on income	24	4,890	10,437	5,902
Short term provisions				
- Short term provisions for employee benefits		485	1,035	513
- Other short term provisions	14	3,117	6,653	4,126
Derivative financial instruments	17	1,552	3,312	-
Other current liabilities	16	198	423	608
Non-current Liabilities		**69,140**	**147,565**	**156,440**
Long term liabilities	7	58,387	124,616	129,126
Derivative financial instruments	17	-	-	1,723
Long term provisions				
- Provision for employment termination benefits		7,186	15,338	16,156
Deferred income	16	171	366	992
Deferred tax liabilities	24	3,395	7,245	8,443
Total Liabilities		**358,019**	**764,119**	**586,036**
EQUITY		**490,787**	**1,047,486**	**970,920**
Attributable to Equity Holders of the Parent		**490,763**	**1,047,436**	**960,623**
Share capital	18	86,679	185,000	185,000
Adjustment to share capital	18	91,447	195,175	195,175
Share premium		21	44	44
Other comprehensive income/expense not to be classified to profit and loss				
- Remeasurement gain/loss arising from defined benefit plans		1,466	3,129	4,220
Other comprehensive income/expense to be classified to profit and loss				
- Currency translation differences		20,372	43,481	(1,098)
- Hedge funds		91	195	(993)
Resricted reserves		38,778	82,764	60,644
Retained earnings		188,924	403,221	357,562
Net income		65,916	140,685	168,993
Non-controlling Interests		**23**	**50**	**10,297**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**848,805**	**1,811,605**	**1,556,956**

(*) USD amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2013, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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

	Notes	2013 USD (*)	2013 TL	2012 TL
Revenue	19	923,402	1,756,402	1,625,463
Cost of sales (-)	19	(772,001)	(1,468,423)	(1,391,503)
Gross profit		**151,401**	**287,979**	**233,960**
General administrative expenses (-)	20	(23,733)	(45,142)	(52,325)
Marketing, selling and distribution expenses (-)	20	(19,505)	(37,101)	(34,703)
Research and development expenses (-)	20	(3,212)	(6,109)	(2,074)
Other operating income	21	24,186	46,004	35,100
Other operating expenses (-)	21	(30,437)	(57,894)	(34,223)
Operating profit		**98,700**	**187,737**	**145,735**
Income from investment activities		-	-	88,169
Share of loss of investment in Joint Venture	6	(13,419)	(25,525)	(8,367)
Operating profit before financial income/(expense)		**85,281**	**162,212**	**255,537**
Financial income	22	59,037	112,295	64,848
Financial expenses (-)	23	(47,401)	(90,161)	(53,340)
Profit before tax from continuing operations		**96,917**	**184,346**	**237,045**
Taxation expense on income:				
- Current period tax expense (-)	24	(22,841)	(43,445)	(68,004)
- Deferred tax income	24	867	1,649	2,116
Net income for the year from continuing operations		**74,943**	**142,550**	**171,157**
Other comprehensive income/(expense):				
Items not to be classified to profit and loss				
Remeasurement gain/loss arising from definied benefit plan		717	1,364	(3,145)
Taxation on other comprehensive income not to be classified to profit and loss		(144)	(273)	629
Items to be classified to profit and loss				
Fair value changes on derivative financial instruments		781	1,485	558
Currency translation diferences		23,437	44,579	(8,723)
Currency translation differences and fair value changes on derivative financial instrument due to sale of subsidiary shares		-	-	8,341
Taxation on other comprehensive income		(156)	(297)	(112)
Total comprehensive income		**99,578**	**189,408**	**168,705**
Net income for the period attributable to:				
Equity holders of the parent		73,963	140,685	168,509
Non-controlling interests		980	1,865	2,648
		74,943	**142,550**	**171,157**
Total comprehensive income attributable to:				
Equity holders of the parent		98,598	187,543	166,057
Non-controlling interests		980	1,865	2,648
		99,578	**189,408**	**168,705**
Earnings per share for equity holders of the parent (Kr)	21	0.40	0.76	0.91

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the USD average CBRT bid rates for the year ended 31 December 2013, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2013 AND 2012

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

	Attributable to equity holders of the parent											
	Share capital	**Adjustments to share capital**	**Share Premium**	**Restricted Reserves**	**Currency translation differences (1)**	**Hedge Funds(1)**	**Remeasurement loss arising from defined benefit plans(2)**	**Retained Earnings**	**Net income for the period**	**Total**	**Non-controlling interests**	**Total equity**
1 January 2012 (Previously reported)	**185,000**	**195,175**	**44**	**52,542**	**1,185**	**(3,340)**	**-**	**313,774**	**97,049**	**841,429**	**9,518**	**850,947**
Change in accounting policies (IAS 19) (Note 2.3)	**-**	**-**	**-**	**-**	**-**	**-**	**(1,704)**	**1,156**	**548**	**-**	**-**	**-**
1 January 2012 (Restated)	**185,000**	**195,175**	**44**	**52,542**	**1,185**	**(3,340)**	**(1,704)**	**314,930**	**97,597**	**841,429**	**9,518**	**850,947**
Transfers	-	-	-	8,102	-	-	-	89,495	(97,597)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(46,863)	-	(46,863)	(1,869)	(48,732)
Total comphrensive income	-	-	-	-	(2,283)	2,347	(2,516)	-	168,509	166,057	2,648	168,705
31 December 2012	**185,000**	**195,175**	**44**	**60,644**	**(1,098)**	**(993)**	**(4,220)**	**357,562**	**168,509**	**960,623**	**10,297**	**970,920**

	Attributable to equity holders of the parent											
	Share capital	**Adjustments to share capital**	**Share Premium**	**Restricted Reserves**	**Currency translation differences**	**Hedge Funds**	**Remeasurement loss arising from defined benefit plans**	**Retained Earnings**	**Net income for the period**	**Total**	**Non-controlling interests**	**Total quity**
1 January 2013 (Previously reported)	**185,000**	**195,175**	**44**	**60,644**	**(1,098)**	**(993)**	**-**	**355,858**	**165,993**	**960,623**	**10,297**	**970,920**
Change in accounting policies (TAS 19) (Note 2.3)	**-**	**-**	**-**	**-**	**-**	**-**	**(4,220)**	**1,704**	**2,516**	**-**	**-**	**-**
1 January 2013 (Restated)	**185,000**	**195,175**	**44**	**60,644**	**(1,098)**	**(993)**	**(4,220)**	**357,562**	**168,509**	**960,623**	**10,297**	**970,920**
Transfers	-	-	-	22,120	-	-	-	146,389	(168,509)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(89,550)	-	(89,550)	(2,959)	(92,509)
Total comphrensive income	-	-	-	-	44,579	1,188	1,091	-	140,685	187,543	1,865	189,408
Share changes not resulting in control change in sunsidiaries (Note 13)	-	-	-	-	-	-	-	(11,180)	-	(11,180)	(9,153)	(20,333)
31 December 2013	**185,000**	**195,175**	**44**	**82,764**	**43,481**	**195**	**(3,129)**	**403,221**	**140,685**	**1,047,436**	**50**	**1,047,486**

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED 31 DECEMBER 2013 AND 2012

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

	Notes	2013 USD (*)	2013 TL	2012 TL
A-Cash Flows From Operating Activities		**163,141**	**310,310**	**245,619**
Net income for the period		96,917	184,346	237,045
Adjustments to reconcile net income before tax to net cash provided by operating activities:		**61,437**	**116,860**	**(48,486)**
Adjustment related to depreciation and amortization		27,362	52,046	53,188
Adjustment related to impairment/(reversal of impairment)		360	684	(1,009)
Adjustment related to provisions		196	373	3,126
Adjustment related to interest income and expense	22,23	(963)	(1,831)	(9,287)
Unrealized exchange differences		17,326	32,956	(11,538)
Adjustment related to changes in fair value	5	(540)	(1,028)	-
Adjustment related to undistributed loss of associates	6	13,419	25,525	8,367
Adjustments related to other items arising from investment or financial activities	21	-	-	(88,169)
Other adjustment related to profit/loss reconciliation		4,277	8,135	(3,164)
Changes in working capital		**3,027**	**5,756**	**45,430**
Adjustment related to increase/decrease in inventory		(10,052)	(19,119)	(950)
Adjustment related to increase/decrease in trade receivable		(28,793)	(54,768)	69,122
Adjustment related to increase/decrease in other receivables arising from operating activities		(22)	(42)	53
Adjustment related to increase/decrease in trade payables		55,002	104,619	11,096
Adjustment related to increase/decrease in other payables arising from operating activities		139	264	2,444
Other adjustment related to increase/decrease in working capital		(13,247)	(25,198)	(36,335)
Cash flows from operating activities		**1,761**	**3,348**	**11,630**
Interest paid		(4,195)	(7,980)	(6,153)
Interest received		6,808	12,949	16,145
Taxes paid/received		(852)	(1,621)	1,638
B- Cash Flows From Investing Activities		**(78,281)**	**(148,898)**	**(113,790)**
Cash inflow proceeds from subsidiary share sales		-	-	22,656
Cash outflow for acquisition of minority shares		(10,690)	(20,333)	-
Cash inflow proceeds from disposal of tangible and intangible assets		2,094	3,983	1,704
Dividends of non-controlling interest		(1,556)	(2,959)	(1,869)
Cash outflow proceeds from purchase of tangible and intangible asset		(68,129)	(129,589)	(138,150)
C- Cash Flows From Financing Activities		**(37,411)**	**(71,161)**	**(66,148)**
Cash inflow arising from borrowings		31,027	59,016	16,857
Cash outflow arising from repayment of borrowing		(21,469)	(40,837)	(35,817)
Dividends paid		(47,080)	(89,550)	(46,863)
Interest received		2,729	5,190	7,360
Interest paid		(2,618)	(4,980)	(7,685)
Net increase in cash and cash equivalents before currency translation differences		**47,449**	**90,251**	**63,812**
D- Effect of Currency Translation Differences on Cash and Cash Equivalents		**381**	**724**	**(8,797)**
Net increase/(decrease) on cash and cash equivalents		**47,830**	**90,975**	**55,015**
E-Cash and Cash Equivalents at The Beginning of The Period		**72,921**	**138,706**	**83,691**
Cash and cash equivalents the end of period		**120,751**	**229,681**	**138,706**

(*) USD amounts presented above have been translated from TL for convenience purposes only, at the USD average CBRT bid rates for the year ended 31 December 2013, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

Aksa is registered with the Capital Markets Board ("CMB") and its shares have been quoted in the Borsa Istanbul A.Ş. ("BIST") since 1986. As of 31 December 2013, the principle shareholders and their respective shareholding rates in the Company are as follows (Note 15):

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

(*) As of 31 December 2013, 37.24% of the Group's shares are traded on BIST.

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

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

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

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

- Fibers
- Energy
- Other

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

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

The company merged with Ak-Tops Tekstil A.Ş. ("Ak-Tops") at 31 December 2013 which was reported under subsidiaries category until the date of registration of the merger..

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint venture	Country	Nature of business
DowAksa Advanced Composites Holdings BV ("DowAksa Holdings")	Holland	Investment
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.("Dowaksa")	Turkey	Chemical
DowAksa Switzerland Gmbh	Switzerland	Investment
DowAksa US LLC	USA	Chemical

Associate	Country	Nature of business
Ak-Pa Tekstil İhracat Pazarlama A.Ş. ("Ak-Pa")	Turkey	Foreign Trade

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

2.1.1 Financial Reporting Standards Applied

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

The consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's consolidated financial statements.
In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the consolidated financial statements of the Group have been prepared accordingly.

The Group and its Turkish subsidiaries, associates and joint ventures maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value and joint ventures acoounted for equity method. The functional currency of DowAksa Holdings, the joint venture accounted for by equity method is US Dollars. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

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

Amendments in International Financial Reporting Standards

Group has applied standards and interpretations which is published in International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee (IFRIC) and valid after 1 January 2013.

Amendments and Interpretations in Standards

(a) Standards, amendments and IFRICs applicable to 31 December 2013 year ends:

- IAS 1 (amendment), 'Financial statement presentation', regarding other comprehensive income; is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IAS 19 (amendment), 'Employee benefits'; is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

- IFRS 1 (amendment), 'First time adoption', on government loans; is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', on asset and liability offsetting¸; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

- IFRSs 10, 11 and 12 (amendment) on transition guidance¸; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

- Annual improvements 2011; is effective for annual periods beginning on or after 1 January 2013. These annual improvements, address six issues in the 2009-2011 reporting cycle. It includes changes to: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property plant and equipment', IAS 32, 'Financial instruments; Presentation' and IAS 34, 'Interim financial reporting'.

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

- IFRS 10, 'Consolidated financial statements' ; is effective for annual periods beginning on or after 1 January 2013. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

- IFRS 11, 'Joint arrangements'; is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12, 'Disclosures of interests in other entities'; is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13, 'Fair value measurement'; is effective for annual periods beginning on or after 1 January 2013. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- IAS 27 (revised 2011), 'Separate financial statements'; is effective for annual periods beginning on or after 1 January 2013. IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRIC 20, 'Stripping costs in the production phase of a surface mine' is effective for annual periods beginning on or after 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.

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

(b) New IFRS standards, amendments and IFRICs effective after 1 January 2014:

- IAS 32 (amendment), 'Financial instruments: Presentation', on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014.These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IFRS 10 (amendment), 12 and IAS 27 on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.
- IAS 36 (amendment), 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- IFRIC 21, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IFRS 9 'Financial instruments' – classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.
- IFRS 9 (amendment),'Financial instruments', regarding general hedge. These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.
- IAS 19 (amendment) regarding defined benefit plans; ; is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

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

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

- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16,IAS 38, IFRS 9, IAS 37 and IAS 39.

- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from the 2011, 2012 and 2013 cycle of the annual improvements project that affect 4 standards: IFRS 1, IFRS 3, IFRS 13 and IAS 40.

According to Group management, the above standards and interpretations have no significant impact on the consolidated financial statements in the future.

2.1.2 Basis of Consolidation

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

b) Subsidiaries are 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 2013 and 2012:

	Direct and indirect ownership interest Aksa and its subsidiaries (%)	
Subsidiary	**31 December 2013**	**31 December 2012**
Fitco (1)	100.00	100.00
Aksa Egypt (1)	99.57	99.14
Aktops(1) (2)	-	60.00

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

(2) The company has merged with Ak-Tops which was reported under the subsidiary category until the registration of the merger at 31 December 2013. The company's share of Ak-Tops capital is 100%.

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

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

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

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

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

c) Joint ventures

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

Joint venture is accounted for using the equity method of accounting in accordance with IAS 11 "Interest in joint ventures" alternative method (Note 6).

Eliminations that are not subjected to consolidation are presented in balances and transactions with related parties note (Note 26).

The financial statements of the joint venture, financial statements as of and considering the uniform accounting principles and practices adopted in the preparation of the latest annual financial statements are prepared using accounting policies and methods of computation.

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

	Direct and indirect ownership interest by Aksa and its subsidiaries (%)	
Joint venture	**31 December 2013**	**31 December 2012**
DowAksa Holdings	50.00	50.00
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.	50.00	50.00
DowAksa Switzerland Gmbh	50.00	-
DowAksa USA LLC	50.00	-

(d) Investment in Associates

Investment in associates is included with fair value which is corresponding to participation rate of the Company in the consolidated financial statements.

	Direct and indirect ownership interest by Aksa and it's subsidiaries (%)	
Associates	**31 December 2013**	**31 December 2012**
Ak-Pa	13.47	13.47

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

2.2 Changes in Accounting Policies, Accounting Estimates and Errors

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

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

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

As of 31 December 2013 and 31 December 2012 the Group does not have any financial assets at fair value through profit or loss.

Loans and Receivables

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

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

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 (Note 5).

Trade receivables

Trade receivables have a maturity range of 30-120 days and are recognized at original invoice amount and carried at amortized cost less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate. Bad debts are written off when identified (Note 8).

Trade payables

Trade payables have average maturities changing between 30-180 days and consist of the amounts invoiced or not invoiced related with the realized material or service purchases, and are carried at amortized cost (Note 8).

Inventories

Inventories are valued at the lower of cost or net realizable value less costs to sell. Cost of inventories comprises the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. The cost of borrowings is not included in the costs of inventories. Net realizable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale (Note 10).

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

Tangible assets

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

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

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 11). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. As of 31 December 2013, the depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Period (Year)
Land	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.

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

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

Intangible assets

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

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

Useful lives of intangible assets are determined as 3-15 years.

Research and development costs

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

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

Revenue recognition

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

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

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

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

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

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

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

Bank borrowings

All bank borrowings are initially recognized at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortized cost using the effective yield method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement (Note 7). In factoring applications, the Group, in case it is required, may prefer the early collection of some of its receivables bearing the costs of such transactions. These transactions are carried out in line with irrevocable risk management applications. Related amount is classified to financial liabilities and disclosed in notes (Note 7).

Borrowing costs

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

Fair value of financial instruments

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

Financial assets

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

Financial liabilities

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

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

Employee termination 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 15).

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.

The Group has change in accounting policy according to Amendment to IAS 19, 'Employee benefits' standart which is applicable as 1 January 2013 and explained in note 2.1.1. Under the change in IAS 19 "Employee Benefits", actuarial gain/loss related employee termination benefits are accounted in equity accounts. The related amendments is applicable as of 1 January 2013 and following reporting periods and the related amendment applied retrospectively. Actuarial loss amounting TL548 and TL 1,156, net off deferred tax as classified under net income for the period and retained earnings, respectively, in the balansheet as of 31 December 2011 and acturial loss amounting TL 2,156 and TL1,704, net off deferred tax as classified under net income for the year and retained earnings respectively, in the balance sheet as of 31 December 2012 have been classified to ''Remesaurement gain/loss arising from defined benefit plans'' in the related balance sheets.

Current and deferred income tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized (Note 24).

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

Earnings per share

Earnings per share disclosed in the income statement are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 25).

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

Events after the balance sheet date

The Group adjusts the amounts recognized in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements (Note 29).

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate (Note 14).

Contingent assets and liabilities

Probable obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial statements and are treated as contingent liabilities. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable (Note 14).

Offsetting

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

Foreign currency transactions

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

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

Goodwill

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

The carrying value of goodwill is reviewed annually at the same time for impairment and the impairment provision, if any, is immediately recognized in the consolidated income statements. The recoverable amount of a cash generating unit is determined based on the value in use or fair value less cost to sell calculations. As a result of the impairment tests performed under above assumptions, no impairment was detected in the goodwill amount as of 31 December 2013. Since the sales cost-based fair value of the said cash generating unit is higher than the book value, the Group management did not make a recoverable value calculation according to the use value (Note 13).

Segment reporting

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

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

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

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

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

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

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

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 17).

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 26).

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

Reporting of cash flow

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

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

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (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 three months and which are subject to an insignificant risk of changes in value (Note 4).

Government grants

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

Comparative information and adjustments of prior year financial statements

Additionally, recommended financial statements formats and guidelines which are applicable in financial statements after 31 March 2013 for capital market institutions announced in Capital Markets Financial Reporting in the Communiqué by dated 7 June 2013 and numbered 20/670 bulletins.
In accordance with announced recommended formats, various classifications are applied to the Group's consolidated financial statements. Classifications made to the Group's consolidated financial statements as of 31 December 2013 as follows;

-"Advances given to suppliers'' amounting TL5,008 included in "other current assets'' has been reclassified to "prepaid expences'' as a separate line item.

- "Fixed asset advances'' amounting TL2,280 included in "other fixed assets'' has been reclassified to "prepaid expences'' as a separate line item.

-"Short term portion of long term borrowing'' amounting TL133,859 included in "short term financial liabilities'' has been presented as a separate balance sheet item.

- "Unused vacation'' amounting TL513 included in "provisions'' has been reclassified to "short-term employee termination benefits''.

-"Provisions'' amounting TL4,126 has been reclassified to "other short term provisions''.

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

-"Deferred revenues'' amounting TL591 included in "other short term liabilities'' and "deferred revenue'' amounting TL992 in "other long term liability'', have been reclassified to "deferred revenue'' as separate balance sheet item.

Reclassification on financial statements of comprehensive income for a year period ended 31 December 2013:

-Subsidiaries share sales amounting TL88,169 included in "other income" has been reclassified to "income from investment activities" as a separate income statement item.

-Foreign exchange gain related to operating activities amounting TL12,615 and sales income for credit sales amounting TL16,145 included in "financial income'' have been reclassified to "other operating income''.

- Foreign exchange loss related to operating activities amounting TL27,376 and interest expense for credit purchases amounting TL6,153 included in "financial expense'' have been reclassified to "other operating expense''.

2.4 Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements 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 tests

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

The Group tests annually goodwill for impairment and carries goodwill at cost less accumulated impairment loss. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by management covering a five-year period. The USD value-in-use 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)

As of 31 December 2013, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions. The discount rate used in the value in use calculations is 14.92% and the risk premium is 3%. The discount rate used is the rate before tax and contains risks specific to cash generating units.

If discount rate used in goodwill impairment calculation has been 2% higher/lower or profit margin has been 10% lower with all other variables held constant, there would not have been any impairment on goodwill.

b) Provisions

As discussed in Note 2.3, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation (Note 14).

c) Deferred Tax

The Group accounts deferred income tax from its financial losses to be expect to account in future corporate tax calculations at strategic plan and budget work. As of 31 December 2013, the group accounts deferred income tax from all of the financial losses of its joint venture called DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.. DowAksa has right to utilise those losses until 2017 and 2018.

2.5 Convenience Translation into English of Consolidated Financial Statements

USD amounts shown in the consolidated balance sheet prepared in accordance with CMB Financial Reporting Standards have been translated from TL, as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of the Republic of Turkey on 31 December 2013 of TL2.1343 = USD1 and USD amounts shown in the consolidated statements of income, comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, at the average official USD bid rates calculated from the official daily bid rates announced by the Central Bank of the Republic of Turkey for the period ended 31 December 2013 of TL1.9021 = USD1, and do not form part of these interim condensed consolidated financial statements.

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

NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

	1 January - 31 December 2013			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	1,637,819	124,293	48,533	1,810,645
Inter-segment revenue	-	(8,582)	(45,661)	(54,243)
External revenues	**1,637,819**	**115,711**	**2,872**	**1,756,402**
Adjusted EBITDA	**282,467**	**16,991**	**(2,848)**	**296,610**
Unallocated corporate expenses (*)	-	-	-	(44,937)
Amortization and depreciation (Note 20)	(30,068)	(18,208)	(3,770)	(52,046)
Other operating income, net (Note 21)	-	-	-	(11,890)
Share of loss of investment in Joint Ventures	(25,525)	-	-	(25,525)
Financial income, net (Note 22-23)	-	-	-	22,134
Profit before tax				**184,346**

(*) As of 31 December 2013, unallocated corporate expenses consists of general administrative expenses amounting to TL 41,171 research and development expenses amounting to TL3,766.

	1 January - 31 December 2013				
	Fibers	**Energy**	**Other**	**Unallocated**	**Total**
Capital expenditure	83,425	26,924	19,240	-	129,589

	31 December 2013				
	Fibers	**Energy**	**Other**	**Unallocated**	**Total**
Total segment assets	836,115	373,055	34,038	-	1,243,208
Investment in joint venture	245,108	-	-	-	245,108
Inter- segment adjustment and classification	-	(825)	(9,022)	-	(9,847)
Unallocated corporate assets	-	-	-	333,136	333,136
Total assets	**1,081,223**	**372,230**	**25,016**	**333,136**	**1,811,605**
Total segment liabilities	379,111	2,547	5,770	-	387,428
Inter-segment adjustments and classification	(9,022)	-	(825)	-	(9,847)
Unallocated corporate liabilities	-	-	-	386,538	386,538
Total liabilities	**370,089**	**2,547**	**4,945**	**386,538**	**764,119**

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

NOTE 3 - SEGMENT REPORTING (Continued)

	1 January - 31 December 2012			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	1,551,242	85,215	43,434	1,679,891
Inter-segment revenue	-	(14,407)	(40,021)	(54,428)
External revenues	**1,551,242**	**70,808**	**3,413**	**1,625,463**
Adjusted EBITDA	**237,645**	**8,206**	**(3,312)**	**242,539**
Unallocated corporate expenses (*)	-	-	-	(44,493)
Amortization and depreciation (Note 20)	(33,157)	(16,151)	(3,880)	(53,188)
Other operating income, net (Note 21)	-	-	-	89,046
Share of profit of investment in Joint Ventures	(8,367)	-	-	(8,367)
Financial income, net (Note 22-23)	-	-	-	11,508
Profit before tax				**237,045**

(*) As of 31 December 2012, unallocated corporate expenses consists of general administrative expenses amounting to TL 43.081 research and development expenses amounting to 1.412.

	1 January - 31 December 2012				
	Fibers	**Energy**	**Other**	**Unallocated**	**Total**
Capital expenditure	84,897	39,501	13,752	-	138,150
					31 December 2012
Total segment assets	719,579	347,236	48,713	-	1,115,528
Investment in joint venture	227,742	-	-	-	227,742
Inter- segment adjustment and classification	-	(770)	(6,605)	-	(7,375)
Unallocated corporate assets	-	-	-	221,061	221,061
Total assets	**947,321**	**346,466**	**42,108**	**221,061**	**1,556,956**
Total segment liabilities	258,972	659	6,325	-	265,956
Inter-segment adjustments and classification	(6,605)	-	(770)	-	(7,375)
Unallocated corporate liabilities	-	-	-	327,455	327,455
Total liabilities	**252,367**	**659**	**5,555**	**327,455**	**586,036**

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

NOTE 3 - SEGMENT REPORTING (Continued)

Segment Assets

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

	31 December 2013	31 December 2012
Reportable segment assets	**1,478,469**	**1,335,895**
Cash and cash equivalents	233,208	141,472
Other receivables	191	146
Other assets	68,151	57,935
Financial investments	2,880	1,327
Tangible and intangible assets	28,706	20,181
Total Assets	**1,811,605**	**1,556,956**

Segment Liabilities

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

	31 December 2013	31 December 2012
Reportable segment liabilities	**377,581**	**258,581**
Financial liabilities (*)	350,477	299,523
Derivative financial instruments (**)	3,312	1,723
Other liabilities	3,259	2,992
Provisions	6,224	4,202
Taxes on income	10,437	5,902
Other liabilities	1,795	1,689
Provision for employment benefits	3,789	2,981
Deferred income tax liabilities	7,245	8,443
Total liabilities	**764,119**	**586,036**

(*) As of 31 December 2013, TL42,686 (31 December 2012: TL 72,099) of the borrowings issued for energy unit investment and TL147,484(31 December 2012: TL 214,155) is secured for fiber investments and TL160,307 (31 December 2012: TL139,405) is issued for working capital.

(**) As of 31 December 2013, the swap agreement liability, amounting to TL733 (31 December 2012: TL1,181) of the derivative financial instruments is related to borrowings for fiber investment and amounting to TL209 (31 December 2012: TL 542) of the derivative financial instruments is related to borrowings for energy investment.

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	31 December 2013	31 December 2012
Cash	17	19
Bank		
Demand deposit (TL)	32,101	9,572
Foreign currency demand deposit	10,090	13,182
Time deposits (TL)	84,678	38,688
Foreign currency time deposit	102,907	77,336
Other	3,415	2,675
Total	**233,208**	**141,472**

Maturity of time deposit are less than three months and weighted average effective interest rates on TL denominated time deposits at 31 December 2013 is 9.18% (31 December 2012: 7.88%), for USD 3.04% (31 December 2012: 3.45%) and for Euro 2.90% (31 December 2012: 2.70%), respectively.

The analysis of cash and cash equivalents in terms of consolidated statements of cash flows is as follows:

	31 December 2013	31 December 2012	31 December 2011
Cash and cash equivalents	233,208	141,472	85,106
Less: Restricted cash with maturity of three months or less	(3,415)	(2,675)	(1,336)
Interest accrual	(112)	(91)	(79)
Cash and cash equivalents	**229,681**	**138,706**	**83,691**

NOTE 5 - FINANCIAL INVESTMENTS

Details of financial assets of the Group are as follows:

	31 December 2013	31 December 2012
Unquoted financial assets:		
Ak-Pa (*)	2,355	1,327
Total	**2,355**	**1,327**

(*) Changes in financial investments results from fair value change and accounted in income statement.

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

NOTE 6 - INVESTMENT IN JOINT VENTURES

Joint Ventures

	31 December 2013	31 December 2012
DowAksa Holdings	245,108	227,742

Summary of DowAksa Holding's financial statements is as follows;

	31 December 2013	31 December 2012
Current assets	298,444	284,319
Non-current assets	410,485	327,485
Total Assets	**708,929**	**611,804**
Short term liabilities	90,673	27,760
Long term liabilities	128,041	128,561
Equity	490,215	455,483
Total Liabilities	**708,929**	**611,804**
Shareholders' Equity For 50% Share of the Group	**245,108**	**227,742**

	1 January - 31 December 2013	1 July- 31 December 2012
Revenue	59,440	16,613
Net loss	(51,050)	(16,733)
Net Loss for 50% Share of the Group	**(25,525)**	**(8,367)**

Movement of joint ventures which are valued with equity method as follows:

	2013	2012
1 January	227,742	-
Acquisition	-	237,825
Net loss of 50% of shares of the Group	(25,525)	(8,367)
Currency translation differences	43,501	(1,102)
Hedge funds	(610)	(614)
31 December	**245,108**	**227,742**

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

NOTE 7 - FINANCIAL LIABILITIES

Group's financial liabilities are as follows:

	31 December 2013	31 December 2012
Short term bank borrowings	149,451	126,870
Short term factoring liabilities (*)	10,017	6,989
Short term portion of long-term bank borrowings	66,393	36,538
Short term financial liabilities	**225,861**	**170,397**
Long term factoring liabilities (*)	-	4,686
Long term bank borrowings	124,616	124,440
Long term financial liabilities	**124,616**	**129,126**
Total financial liabilities	**350,477**	**299,523**

Bank Loans

	31 December 2013		31 December 2012	
	Yearly weighted average interest rate %	TL	Yearly weighted average interest rate %	TL
Short term bank borrowings:				
USD borrowings	1.05	149,401	2.19	124,960
TL borrowings	-	50	-	1,910
		149,451		126,870
Factoring liabilities (*)	4.13	10,017	5.95	6,989
Short term portion of long term bank borrowings:				
USD bank borrowings	2.88	60,942	3.52	36,538
Euro bank borrowings	3.83	5,449	-	
Total short term financial liabilities		**225,861**		**170,397**
Long term bank borrowings:				
USD bank borrowings	3.84	88,644	3.52	124,440
Euro bank borrowings	3.83	35,972	-	-
Factoring liabilities (*)	-	-	5.95	4,686
Total long term financial liabilities		**124,616**		**129,126**

(*) The costs due to factoring liabilities are charged to customers.

The group do not have any infraction of contract related to its liabilities.

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

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

	31 December 2013		31 December 2012	
	Fair Value	**Book Value**	**Fair Value**	**Book Value**
USD borrowings (*)	104,633	88,644	142,992	129,126
Euro borrowings	39,459	35,972		

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

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

	31 December 2013	31 December 2012
Less than 3 months	52,696	133,866
Between 3-12 months	173,165	36,531
Between 1-2 years	28,007	55,151
Between 2-3 years	28,007	14,182
Between 3-4 years	28,007	14,812
The payment within 4 year and over	40,595	44,351
	350,477	**299,523**

As of 31 December 2013, according to the credit agreements, the Group has unused credit limit amounting to TL 1,009,591 (31 December 2012: TL 1,145,437).

As of 31 December 2013, according to the general credit agreements, the Group do not have any given shares, notes receivable, security and collateral for financial liabilities.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Details of trade receivables of the Group are as follows:

Short-term Trade Receivables:

	31 December 2013	31 December 2012
Trade receivables	152,521	127,905
Notes receivable and cheques	109,321	92,739
Less: Provision for doubtful receivables	(40,981)	(40,248)
Less: Unearned finance income on term based sales	(2,475)	(1,013)
Total short term trade receivables, net	**218,386**	**179,383**

Trade receivables as of 31 December 2013 and 2012 have an average maturity of 3 months and are discounted with an average annual interest rate of 6% (31 December 2012: 6%).

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

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of provision for doubtful receivables for 31 December 2013 and 2012 are as follows:

	2013	**2012**
1 January	**40,248**	**40,236**
Collections and reversal of provisions	(74)	(12)
Current period charge	807	24
31 December	**40,981**	**40,248**

Long term trade receivables:

	31 December 2013	**31 December 2012**
Notes receivables and cheques	-	4,532
Less: Unearned finance income on term based sales (-)	-	(42)
Total long term trade receivables, net	**-**	**4,490**

The explanation for the nature and level of the risk in trade receivables is shown in Note 27 Credit Risk section.

Short term trade payables:

	31 December 2013	**31 December 2012**
Suppliers	310,222	216,884
Less: Unincurred finance costs on purchases (-)	(2,092)	(1,091)
Total	**308,130**	**215,793**

Trade payables as of 31 December 2013 have an average maturity of 71days (31 December 2012: 67 days) and they are discounted with an average annual interest rate of 3% in USD terms (31 December 2012: 3%).

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

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

Short term other receivables:	**31 December 2013**	**31 December 2012**
Deposits and guarantees given	212	170

Short term other payables:	**31 December 2013**	**31 December 2012**
Accrued tax liability	3,152	2,867
Other	107	125
Total	**3,259**	**2,992**

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

NOTE 10 - INVENTORIES

	31 December 2013	31 December 2012
Raw materials	120,014	102,308
Semi-finished goods	9,736	13,482
Finished goods	40,533	35,975
Other stocks and spare parts	14,998	13,380
Less: Provision for impairment on inventories	(87)	(210)
Total	**185,194**	**164,935**

The inventory impairment provision is related with the finished goods.

Group has included the movements in the provision for impairment to cost of goods sold between 31 December 2013 and 2012. The decrease in provision for the impairment amount is partially due to the sale of inventory and increase in sales prices.

Group has USD 60 million worth insurance on inventories amounting TL152,627 as of 31 December 2013 (31 December 2012 :TL 123,515).

As of 31 December 2013 raw materials include goods in transit of TL 32,567 (31 December 2012: TL 41,420).

As of 31 December 2013, inventories amounting TL 1,308,755 (31 December 2012: TL 1,242,338) accounted in cost of goods sold.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2013	Additions	Disposals	Transfers (1)	Currency translation differences	31 December 2013
Cost						
Land	59,906	1,753	(34)	-	121	61,746
Land improvements	87,046	317	-	7,510	-	94,873
Buildings	130,166	146	-	9,100	251	139,663
Machinery and equipment	787,782	1,984	(5,483)	127,648	494	912,425
Motor vehicles	1,501	12	(324)	-	30	1,219
Furniture and fixture	29,843	2,013	(45)	2,878	19	34,708
Construction in progress	131,917	123,765	(5,903)	(156,674)	-	93,105
	1,228,161	**129,990**	**(11,789)**	**(9,538)**	**915**	**1,337,739**
Accumulated depreciation						
Land improvements	33,586	2,806	-	-	-	36,392
Buildings	35,950	3,222	-	-	93	39,265
Machinery and equipment	520,788	43,097	(2,340)	-	493	562,038
Motor vehicles	1,122	116	(299)	-	27	966
Furniture and fixtures	18,680	1,908	(39)	-	18	20,567
	610,126	**51,149**	**(2,678)**	**-**	**631**	**659,228**
Net book value	**618,035**					**678,511**

(1) The transfer of TL 9,538 is related with intangible asset (Note 12).

The borrowing cost amounting to TL15,807 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2013.

TL48.179 of current year depreciation and amortization expense is charged to "cost of goods sold", TL645 is charged to "research and development expenses", TL865 is charged to "general administrative expenses, TL9 is charged to "selling and marketing costs", TL434 , which is related with projects in progress is charged to "construction in progress"and TL1,017 is charged to "inventory".

As of 31 December 2013 there is no mortgage on property, plant and equipment. At the date of reporting, Group's tangible assets' insurance worth USD 390 million.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2012	Additions	Disposals	Transfers (1)	Currency translation differences	Subsidiary share sales (Note 6)	31 December 2012
Cost							
Land	63,611	356	-	-	(198)	(3,863)	59,906
Land improvements	79,740	36	-	9,385	(90)	(2,025)	87,046
Buildings	154,093	-	-	4,089	(1,266)	(26,750)	130,166
Machinery and equipment	943,800	1,182	(3,145)	29,290	(8,065)	(175,280)	787,782
Motor vehicles	1,449	135	(65)	-	(6)	(12)	1,501
Furniture and fixture	26,427	1,511	(149)	3,097	(41)	(1,002)	29,843
Construction in progress	172,842	134,985	-	(46,225)	(3,153)	(126,532)	131,917
	1,441,962	**138,205**	**(3,359)**	**(364)**	**(12,819)**	**(335,464)**	**1,228,161**
Accumulated depreciation							
Land improvements	30,343	3,626	-	-	(15)	(368)	33,586
Buildings	34,949	2,960	-	-	(87)	(1,872)	35,950
Machinery and equipment	519,184	47,200	(1,625)	-	(1,746)	(42,225)	520,788
Motor vehicles	1,016	179	(61)	-	(5)	(7)	1,122
Furniture and fixtures	17,555	1,468	(72)	-	(10)	(261)	18,680
	603,047	**55,433**	**(1,758)**	**-**	**(1,863)**	**(44,733)**	**610,126**
Net book value	**838,915**						**618,035**

(1) The transfer of TL 364 is related with intangible asset. (Note 12)

Since foreign exchange gains of investment loans for construction of coal plant and efficiency projects are more than interest costs, there is not capitalized net attributable borrowing cost for the period ended 31 December 2012.

TL 48,818 of current year depreciation and amortization expense is charged to "cost of goods sold", TL 1,491 is charged to "general administrative expenses, TL 19 is charged to "selling and marketing costs", TL 1,600, which is related with projects in progress is charged to "construction in progress", TL 3,500 is charged to "inventory".

As of 31 December 2012 there is no mortgage on property, plant and equipment. At the date of reporting, Group's tangible assets' insurance worth USD 333 million.

TL 11,030 development cost is included in construction in progress.

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

NOTE 12 - INTANGIBLE ASSETS

	1 January 2013	Additions	Disposals	Transfers (1)	Subsidiary share sales	Currency translation differences	31 December 2013
Cost							
Rights	3,232	2	(5)	73	-	115	3,417
Development cost	4,343	-	(2,272)	8,512	-	-	10,583
Other intangible assets	2,022	31	(5)	953	-	-	3,001
	9,597	**33**	**(2,282)**	**9,538**	**-**	**115**	**17,001**
Accumulated depreciation							
Rights	2,214	163	(5)	-	-	45	2,417
Development cost	897	1,883	(94)	-	-	-	2,686
Other intangible assets	1,665	302	-	-	-	-	1,967
	4,776	**2,348**	**(99)**	**-**	**-**	**45**	**7,070**
Net book value	**4,821**						**9,931**

	1 January 2012	Additions	Disposals	Transfers (1)	Subsidiary share sales	Currency translation differences	31 December 2012
Cost							
Rights	2,993	244	(5)	-	-	-	3,232
Development cost	24,301	922	-	364	(20,366)	(878)	4,343
Other intangible assets	1,646	379	-	-	(3)	-	2,022
	28,940	**1,545**	**(5)**	**364**	**(20,369)**	**(878)**	**9,597**
Accumulated depreciation							
Rights	2,086	133	(5)	-	-	-	2,214
Development cost	3,988	2,517	-	-	(5,439)	(169)	897
Other intangible assets	1,460	205	-	-	-	-	1,665
	7,534	**2,855**	**(5)**	**-**	**(5,439)**	**(169)**	**4,776**
Net book value	**21,406**						**4,821**

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

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

NOTE 12 - INTANGIBLE ASSETS (Continued)

TL410 (2012: TL 1,946) of the current amortization expense is charged to "cost of goods sold", TL1,700 (2012: TL 661) is charged to "research and development expenses", TL238 (2012: TL 248) is charged to "general administrative expenses.

NOTE 13 - GOODWILL

The goodwill balance with the carrying amount of TL 5,989 (2012: TL 5,989) as of 31 December 2013 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 TL 5,989 for the period ended as of 31 December 2013 (31 December 2012: TL 5,989).

The Group acquired 40% of minority shares of Ak-Tops as of 7 August 2013. The related transaction has been presented as "share changes not resulting in control change in subsidiaries" in consolidated equity movement.

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	31 December 2013	31 December 2012
Bonus provision	5,310	3,256
Provision for lawsuits	1,338	538
Provision for other payable and expenses	5	332
Total	**6,653**	**4,126**

Contingent assets and liabilities are as follows:

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

	31 December 2013	31 December 2012
Collaterals given	278,491	202,890
Letter of credit commitments	242,993	135,067
Total	**521,484**	**337,957**

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

	31 December 2013	31 December 2012
Credit insurance	412,222	279,980
Pledged cheques and notes receivable	76,779	59,553
Pledges received	64,444	72,056
Confirmed/unconfirmed letter of credits	35,216	64,629
Limits of Direct Debit System ("DDS")	21,324	22,236
Guarantee letters received	3,429	7,222
Total	**613,414**	**505,676**

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

		31 December 2013	31 December 2012
A.	CPM given on behalf of the Company's legal personality	521,484	337,040
	- Turkish Lira	*155,476*	*99,207*
	- USD	*358,881*	*237,566*
	- Euro	*6,834*	*-*
	- Other	*293*	*267*
B.	CPM given on behalf of fully consolidated subsidiaries	-	-
C.	CPM given for continuation of its economic activities on behalf of third parties	-	917
	- USD	*-*	*917*
D.	Total amount of other CPM given	-	-
	i) Total amount of CPM given on behalf of the majority shareholder	-	-
	ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-
	iii Total amount of CPM given on behalf of third parties which are not in scope of C.	-	-
Total		**521,484**	**337,957**

As of 31 December 2013, total amount of the group's given CPM equals to 50% of its equity (31 December 2012: 35%).

NOTE 15 - EMPLOYEE BENEFITS

Short Term Employee Benefits	**31 December 2013**	**31 December 2012**
Provision for unused vacation	1,035	513
Long Term Employee Benefits		
Provision for employee termination benefits and employee termination incentive	15,338	16,156

Provision for employee termination benefits

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.

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

NOTE 15 - EMPLOYEE BENEFITS (Continued)

The liability of employee termination benefit 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.

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:

	31 December 2013	**31 December 2012**
Discount rate (%)	3.67	1.67
Probability of retirement (%)	99.04	99.00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. . As the maximum liability is revised once every six months, the maximum amount of TL 3,438.22 effective from 1 January 2014 (1 January 2013: 3,129.25 TL) 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:

	2013	**2012**
Balances as of 1 January	**16,156**	**14,220**
Service cost	1,468	2,047
Interest cost	269	450
Compensation paid	(1,191)	(2,062)
Sale of shares of the subsidiary	-	(1,570)
Currency translation differences	-	(74)
Actuarial losses/(gain)	(1,364)	3,145
Balances as of 31 December	**15,338**	**16,156**

NOTE 16 - OTHER ASSETS AND LIABILITIES

Other current assets:

	31 December 2013	**31 December 2012**
VAT receivables	54,477	61,368
Personnel advances	169	142
Other	-	689
Total	**54,646**	**62,199**

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

NOTE 16 - OTHER ASSETS AND LIABILITIES (Continued)

Prepaid Expenses - Short Term

	31 December 2013	31 December 2012
Advances given	13,722	2,143
Prepaid expenses	4,775	2,817
Job advances	36	48
Total	**18,533**	**5,008**

Prepaid Expenses - Long Term

	31 December 2013	31 December 2012
Advances given for purchase of property, plant and equipment	11,460	2,233
Prepaid expenses	526	47
Total	**11,986**	**2,294**

Other short term current liabilities:

	31 December 2013	31 December 2012
Expense accrual	423	608
	423	**608**

Deferred Income

	31 December 2013	31 December 2012
Advances received – Short term	24,361	568
Short term deferred income	107	23
Long term deferred income	366	992
Total	**24,834**	**1,583**

Government grants are received as a reimbursement of the investments conducted in the context of Research and Development projects. Such grants are accounted for under current and non-current deferred income 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 Undersecretaries 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 the estimated useful life of related assets.

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

NOTE 17 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2013		31 December 2012	
	Asset	**Liability**	**Asset**	**Liability**
Held for hedging	524	-	-	1,723
Held for trade	-	3,312	-	-
Total	**524**	**3,312**	**473**	**1,723**

Derivative instruments held for hedging:

	31 December 2013		31 December 2012	
	Contract Amount (USD thousand)	**Fair value Liability TL**	**Contract amount (USD thousand)**	**Fair value Liability TL**
Interest rate swap	56,014	524	32,593	1,723

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

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognized 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 recognized 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 realized, accumulated gains or losses are recognized as income or loss in the consolidated financial statements.

At 31 December 2013, the fixed interest rates vary from 2.5% to 4.2% (31 December 2012: 2.5% to 4.2%). and the main floating rates are EURIBOR and LIBOR. Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts as of 31 December 2013 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings (Note 7).

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

NOTE 18 - 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. Historical, authorized and issued capital of Aksa as of 31 December 2013 and 2012 is presented below:

	31 December 2013	31 December 2012
Limit on registered share capital	425,000	425,000
Issued share capital	185,000	185,000

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

	Share %	31 December 2013	Share %	31 December 2012
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	39.59	73,237	39.59	73,237
Emniyet Ticaret ve Sanayi A.Ş.	18.72	34,638	18.72	34,638
Other	41.69	77,125	41.69	77,125
	100.00	**185,000**	**100.00**	**185,000**
Adjustment to share capital		195,175		195,175
Total paid-in share capital		**380,175**		**380,175**

The approved and paid-in share capital of the Company consists of 18,500,000,000(31 December 2012: 18.500.000.000) shares issued on bearer with a nominal value of Kr 1 (31 December 2012: Kr 1) each. All shareholders have same rights and there are not issued different type of shares such as privilege and common shares.

Adjustment to share capital represents the difference between the amounts of the restatement effect of cash and cash equivalents contributions to share capital and the amounts before the restatements.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. 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

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 82,764 as of 31 December 2013 (31 December 2012: TL 60,644). This amount fully consists of legal reserves.

NOTE 18 - EQUITY (Continued)

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations.

In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

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

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

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

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

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

Dividend Distribution

Regarding the dividend distribution, the entities are to distribute their profits under the scope of CMB Communiqué No. IV-27, their articles of association and their previously publicly declared profit distribution policies.

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

It is also permitted to retain this amount in the Company reserves if the first dividend amount is below 5% of the paid in/issued capital; however if the Company has increased its paid-in capital without dividend distribution in the previous year when the outstanding shares have been identified as "old" and "new", it is mandatory for companies that will make profit distribution from the net distributable profit of the previous year to make this first dividend distribution in cash.

In statutory accounts of the company, net profit after deducting prior years losses and other reverses which can be subject to profit distribution amounts TL 543,906 (31 December 2012: TL 526,071).

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

NOTE 19 - REVENUE AND COST OF SALES

Sales and cost of goods sold for the years ended at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Domestic sales	1,186,602	1,052,250
Export sales	613,162	607,119
Less: Sales returns	(3,353)	(7,200)
Less: Other discounts	(40,009)	(26,706)
Net sales income	**1,756,402**	**1,625,463**
Cost of sales (-)	**(1,468,423)**	**(1,391,503)**
Gross profit	**287,979**	**233,960**

NOTE 20 - EXPENSES BY NATURE

Cost of sales, marketing, selling and distribution expenses and general administrative expenses by nature for the years ended as of 31 December 2013 and 2012 are as follows;

	31 December 2013	31 December 2012
Raw materials and goods	1,308,755	1,242,338
Employee benefits	76,046	67,164
Depreciation and amortization	52,046	53,188
Repair, maintenance and cleaning expenses	19,524	21,890
Commission expense	16,154	17,597
Export expenses	14,154	9,646
Consultancy expenses	10,579	14,588
Information technologies expense	5,011	4,318
Travel expenses	4,055	4,152
Miscellaneous tax expenses	2,358	4,240
Other	48,093	41,484
Total	**1,556,775**	**1,480,605**

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

NOTE 21 - OTHER OPERATING INCOME / EXPENSE

Income from other operating activities by nature for the years ended as of 31 December 2013 and 2012 are as follows;

	2013	**2012**
Foreign exchange income trading transactions	15,596	12,615
Interest income from credit sales	12,949	16,145
Income from insurance (*)	6,592	53
Income from scrap sales	2,547	1,036
Terminated provisions	1,315	130
Dividend income	776	551
Income from government grants	791	614
Other	5,438	3,956
Total	**46,004**	**35,100**

(*) Income from insurance policies are shown by calculating amount gained from fire insurance policies by deducting asset losses from fire.

Expense from other operating activities by nature for the years ended as of 31 December 2013 and 2012 are as follows;

	2013	**2012**
Foreign exchange expense trading transactions	46,067	27,376
Interest income from credit sales	7,980	6,153
Loss from fixed assets sales	1,700	47
Doubful receivable accrual expense	808	23
Other	1,339	624
Total	**57,894**	**34,223**

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

NOTE 22 - FINANCIAL INCOME

Financial income for the years ended at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Foreign exchange gains	105,664	58,668
Interest income	6,631	6,180
Total	**112,295**	**64,848**

NOTE 23 - FINANCIAL EXPENSES

Financial expense for the years ended at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Foreign exchange expense	85,361	46,455
Borrowing costs	4,800	6,885
Total	**90,161**	**53,340**

NOTE 24 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Income tax expense	(43,445)	(68,004)
Deferred tax income	1,649	2,116
Total tax expense	**(41,796)**	**(65,888)**

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

NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

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 2013 and 31 December 2012 are as follows:

	Temporary taxable differences		Deferred income tax asset/liability	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Property, plant and equipment and intangible assets	(56,524)	(61,348)	(11,305)	(12,270)
Trade payables	(2,180)	(1,147)	(436)	(229)
Other	(538)	-	(108)	-
Deferred income tax liabilities			**(11,849)**	**(12,499)**
Employee benefits	15,338	16,156	3,068	3,231
Derivative financial instruments	2,787	1,723	557	345
Trade receivables	2,534	1,068	507	214
Other current liabilities	1,339	358	268	72
Inventories	1,020	831	204	166
Other	-	141	-	28
Deferred income tax assets			**4,604**	**4,056**
Deferred income tax liabilities, net			**(7,245)**	**(8,443)**

Movement for the deferred income tax liabilities for the periods ended at 31 December 2013 and 2012 are as follows:

	2013	2012
1 January	**8,443**	**17,182**
Deferred tax income for the period, net	(1,649)	(2,116)
Amounts recognized under equity	(240)	562
Currency translation differences	691	(2,760)
Subsidiary share sales	-	(4,425)
31 December	**7,245**	**8,443**

	31 December 2013	31 December 2012
Taxes on income calculated	43,445	68,004
Amount deducted from VAT tax receivables and prepaid corporate taxes	(33,008)	(62,102)
Taxes payable	**10,437**	**5,902**

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

NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of tax expenses stated in consolidated income statements for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	**31 December 2012**
Profit before tax	184,346	237,045
Expected tax expense of the Group (20%)	**36,869**	**47,409**
Subsidiary share sales	-	88,453
Disallowable expenses	3,821	6,204
The effect of application of equity method	25,525	8,367
Research and development incentive	(2,740)	(5,830)
Dividend income	(776)	(551)
Other	(1,195)	(4,250)
Tax effect (20%)	4,927	18,479
Current period tax expense of the Group	**41,796**	**65,888**

NOTE 25 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the period. The earnings per share calculation for the years ended 31 December 2013 and 2012 as follows

	31 December 2013	**31 December 2012**
Net income attributable to the equity holders of the parent (TL) (*) (A)	140,684,846	168,509,498
Weighted average number of shares (B)	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	0.76	0.91

(*) Amounts expressed in Turkish Lira.

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

As of 31 December 2013 and 2012, trade receivables from related parties are as follows:

	31 December 2013	31 December 2012
Ak-Pa (*)	131,106	129,930
Akkim Kimya San. ve Tic. A.Ş.	4,247	4,239
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş.	8,641	2,828
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.	2,968	2,118
Other	91	31
Less: Unearned finance income on term based sales (-)	(43)	(55)
Total	**147,010**	**139,091**

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

As of 31 December 2013 and 2012, short-term trade payables due to related parties are as follows:

	31 December 2013	31 December 2012
Ak-Pa	19,953	12,977
Akkim Kimya San. ve Tic. A.Ş.	6,337	4,359
Akkon Yapı Taah.İnş.Müş.A.Ş.	4,097	2
Akkök	1,673	2,684
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.	536	285
Dinkal Sigorta Acenteliği A.Ş.	106	45
Other	348	115
Less: Unincurred finance costs on purchases (-)	(74)	(56)
Total	**32,976**	**20,411**

As of 31 December 2013 and 2012, short-term financial liabilities due to related parties are as follows:

	31 December 2013	31 December 2012
Ak-Pa	-	8,280
Less: Unincurred finance costs on purchases (-)	-	(17)
Total	-	**8,263**

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Sales to related parties for the years ended as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Ak-Pa (*)	598,610	570,869
Akkim Kimya San. ve Tic. A.Ş.	42,646	41,044
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş.	48,172	20,305
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.	26,909	10,760
Other	1,036	868
Total	**717,373**	**643,846**

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

Foreing exchange income from related parties for the years ended at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Ak-Pa	16,108	5,099

Product and service purchases from related parties for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Akkim Kimya San. ve Tic. A.Ş.	49,192	42,819
Akkon Yapı Taah.İnş.Müş.A.Ş.	15,475	986
Ak-Pa	9,315	9,846
Akkök	8,463	7,030
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş.	5,987	6,148
Dinkal Sigorta Acenteliği A.Ş.	3,388	3,055
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	2,222	2,106
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş.	984	1,061
Other	598	167
Total	**95,624**	**73,218**

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

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

The Company defined its key management personnel as board of directors and members of board of directors. Benefits provided to key management personnel as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Salary and other short term employee benefits	3,603	3,704
Provision for employee termination benefit	46	(26)
Benefits after working period	-	-
Other long term benefits	-	-
Share payments	-	-
Total	**3,649**	**3,678**

Benefits provided to the Board of Directors, for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Salary and other short term employee benefits	1,530	2,828
Provision for employee termination benefit	-	10
Benefits after working period	-	-
Other long term benefits	-	-
Share payments	-	-
Total	**1,530**	**2,838**

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk factors

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

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 7).

<u>Trade Receivable Aging Analysis</u>

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

31 December 2013	**Trade Receivables**
1-30 days overdue	7,199
1-3 months overdue	6,693
3-12 months overdue	5,275
More than 12 months overdue	778
Total	**19,945**
Secured with guarantees	**16,715**

31 December 2012	**Trade Receivables**
1-30 days overdue	10,141
1-3 months overdue	4,850
3-12 months overdue	5,381
More than 12 months overdue	17
Total	**20,389**
Secured with guarantees	**18,843**

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2013 amounts carried in the balance sheet reflect maximum credit risk of the Group:

	Trade Receivables		**Other receivables**		**Deposits at bank**	
31 December 2013	**Related Parties**	**Other**	**Related Parties**	**Other**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**147,010**	**218,386**	**-**	**212**	**-**	**229,776**
- Secured portion of maximum credit risk by guarantees (*)	***122,497***	***205,777***	**-**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	138,226	207,225	-	212	-	229,776
Financial assets with renegotiated conditions (**)	-	5,470	-	-	-	-
Net book value of the expired or not impaired financial assets	8,785	11,160	-	-	-	-
- Secured portion with guarantees	8,099	8,616	-	-	-	-
Net book value of impaired assets	-	1,192	-	-	-	-
- Matured (net book value)	-	42,174	-	-	-	-
- Impairment (-) (Note 8)	-	(40,981)	-	-	-	-
- Secured portion with guarantees	-	*1,192*	-	-	-	-

(*) Guarantees taken from the related parties consist of Ak-Pa's guarantees received from foreign customers. Therefore export sales that are made through Ak-Pa are secured by these guarantees.

(**) As of 31 December 2013, re-structured receivables amount of TL 4,616 has been collected in subsequent period and given receivables secured with guarantees.

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2012 amounts carried in the balance sheet reflect maximum credit risk of the Group:

	Trade Receivables		Other receivables		Deposits at bank	
31 December 2012	**Related Parties**	**Other**	**Related Parties**	**Other**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**139,091**	**183,873**	**-**	**170**	**-**	**138,778**
- Secured portion of maximum credit risk by guarantees	***123,036***	***164,852***	**-**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	128,720	173,855	-	170	-	138,778
Financial assets with renegotiated conditions (**)	-	5,009	-	-	-	-
Net book value of the expired or not impaired financial assets	10,371	10,018	-	-	-	-
- Secured portion with guarantees	10,040	8,803	-	-	-	-
Net book value of impaired assets	-	2,000	-	-	-	-
- *Matured (net book value)*	-	42,248	-	-	-	-
- Impairment (-) (Note 8)	-	(40,248)	-	-	-	-
- Secured portion with guarantees	-	*2,000*	-	-	-	-

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities in the translation of the Turkish Lira. The exchange rate risk is monitored by the analyzing the foreign currency position. The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities.

Foreign currency position presented in TL is as follows:

	31 December 2013	31 December 2012
Assets	393,964	394,025
Liabilities	(622,126)	(497,464)
Net balance sheet position	**(228,162)**	**(103,439)**

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position as of 31 December 2013 and 2012 are as follows:

	31 December 2013			
	TL equivalent	**USD position**	**EURO position**	**Other**
1. Trade Receivables	276,506	107,863	15,765	-
2a. Monetary Financial Assets (including cash and bank accounts)	116,412	47,005	2,924	7,503
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	1,046	-	-	1,046
4. Current Assets (1+2+3)	**393,964**	**154,868**	**18,689**	**8,549**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-		-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**393,964**	**154,868**	**18,689**	**8,549**
10. Trade Payables	280,704	129,925	1,160	-
11. Financial Liabilities	215,793	98,554	-	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	1,013	-	-	1,013
13. Short Term Liabilities (10+11+12)	**497,510**	**228,479**	**1,160**	**1,013**
14. Trade Payables	-	-		-
15. Financial Liabilities	124,616	41,533	14,106	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long Term Liabilities (14+15+16)	**124,616**	**41,533**	**14,106**	**-**
18. Total Liabilities (13+17)	**622,126**	**270,012**	**15,266**	**1,013**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	**554**	**(16,709)**	**12,333**	**-**
19a. Net Assets of Statement of Financial Position	-	-	-	-
19b. Net Liabilities of Statement of Financial Position	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(228,162)**	**(115,144)**	**3,423**	**7,536**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(228,195)**	**(115,144)**	**3,423**	**7,503**
22. Fair Value of Financial Instruments Used for Foreign Hedge	-	-	-	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2012			
	TL equivalent	**USD position**	**EURO position**	**Other**
1. Trade Receivables	299,880	154,182	10,645	-
2a. Monetary Financial Assets (including cash and bank accounts)	93,193	44,621	4,782	2,406
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	952	24	29	841
4. Current Assets (1+2+3)	**394,025**	**198,827**	**15,456**	**3,247**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-		-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**394,025**	**198,827**	**15,456**	**3,247**
10. Trade Payables	210,817	117,575	522	-
11. Financial Liabilities	161,498	90,597	-	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	709	-	-	709
13. Short Term Liabilities (10+11+12)	**373,024**	**208,172**	**522**	**709**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	124,440	69,808	-	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long Term Liabilities (14+15+16)	**124,440**	**69,808**	**-**	**-**
18. Total Liabilities (13+17)	**497,464**	**277,980**	**522**	**709**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	**(103,439)**	**(79,153)**	**14,934**	**2,538**
19a. Net Assets of Statement of Financial Position	-	-	-	-
19b. Net Liabilities of Statement of Financial Position	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(103,439)**	**(79,153)**	**14,934**	**2,538**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(103,682)**	**(79,177)**	**14,905**	**2,406**
22. Fair Value of Financial Instruments Used for Foreign Hedge	-	-	-	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2013	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL		
USD net asset/ (liability)	(24,575)	24,575
Amount hedged for USD risk	-	-
USD net effect	**(24,575)**	**24,575**
In case 10% change of EUR against TL		
EUR net asset/ (liability)	1,006	(1,006)
Amount hedged for EUR risk	-	-
EUR net effect	**1,006**	**(1,006)**

31 December 2012	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL		
USD net asset/ (liability)	(14,110)	14,110
Amount hedged for USD risk	-	-
USD net effect	**(14,110)**	**14,110**
In case 10% change of EUR against TL		
EUR net asset/ (liability)	3,512	(3,512)
Amount hedged for EUR risk	-	-
EUR net effect	**3,512**	**(3,512)**

Interest Risk

The Group is exposed to interest risk arising from the borrowings interest rate changes. According to balance sheet position of the floating interest rate financial liabilities as of 31 December 2013, other things being constant, if the interest rate depreciate/ appreciate by 1%, profit before tax would increase/decrease TL 230 (31 December 2012: TL 260), capitalized financial cost on construction in progress would not change (31 December 2012: TL 474).

	31 December 2013	**31 December 2012**
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	*187,585*	*116,024*
Financial liabilities		
USD borrowings (fixed due to interest rate swap)	269,002	237,440
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	-	-
Financial liabilities		
USD borrowings	81,475	62,083

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

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid In the framework of liquidity risk management, funding sources are being diversified, and sufficient cash and cash equivalents are held.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due dates are classified in over one year column.

31 December 2013:

Expected or maturities per agreement	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over than 5 years
Non-derivative financial liabilities						
Financial liabilities	350,477	359,867	53,193	172,306	114,690	19,678
Trade payables	308,130	310,222	220,453	89,769	-	-
Due to related parties	32,976	33,082	29,528	3,554	-	-
	691,583	**703,171**	**303,174**	**265,629**	**114,690**	**19,678**
Derivative financial instruments						
Derivative cash outflow	3,312	3,312	38	3,274	-	-

31 December 2012:

Expected or maturities per agreement	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over than 5 years
Non-derivative financial liabilities						
Financial liabilities	299,523	313,576	135,031	37,328	90,347	50,870
Trade payables	215,793	216,884	166,823	50,061	-	-
Due to related parties	28,674	28,747	27,399	1,348	-	-
	543,990	**559,207**	**329,253**	**88,737**	**90,347**	**50,870**
Derivative financial instruments						
Derivative cash outflow	1,723	2,125	193	922	1,010	-

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Import export information:

Import export for the years ended at 31 December 2013 and 2012 are as follows:

Export

	31 December 2013	31 December 2012
USD	363,692	352,921
EUR	143,140	219,452
Other	91,386	17,995
Total	**598,218**	**590,368**

Import

	31 December 2013	31 December 2012
USD	832,626	776,429
EUR	58,818	39,031
Other	717	786
Total	**892,161**	**816,246**

Capital risk management

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

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

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

The ratio of net debt to equity is as follows:

	31 December 2013	31 December 2012
Total liabilities	691,583	543,990
Less: Cash and cash equivalents (Note 4)	(233,208)	(141,472)
Net debt	**458,375**	**402,518**
Total shareholders' equity	1,047,486	970,920
Total capital	**1,505,861**	**1,373,438**
Debt/equity ratio	**30%**	**29%**

NOTE 28 - FINANCIAL INSTRUMENTS

Fair value estimation

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

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

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

Financial assets

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

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

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

Financial liabilities

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

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

Fair Value Estimation:

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

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

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

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

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

NOTE 28 - FINANCIAL INSTRUMENTS (Continued)

31 December 2013

	Level 1	Level 2	Level 3
Financial investments	-	-	2,355
Hedging derivative financial instruments	-	(2,788)	
Total Liabilities		**(2,788)**	**2,355**

31 December 2012

	Level 1	Level 2	Level 3
Financial investments	-	-	1,327
Hedging derivative financial instruments	-	(1,723)	-
Total Liabilities	**-**	**(1,723)**	**1,327**

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

NOTE 29 - EVENTS AFTER THE BALANCE SHEET DATE

DowAksa Holdings and the Nanotechnology Center of Composites (NCC), a joint project between Holding Company Composite (HCC) and the Fund for Infrastructure and Educational Programs (FIEP, a member of the RUSNANO Group), signed an investment agreement on 24 January 2014 for 208 Million Rubles ($6.1 Million). After this agreement, DowAksa Holdings will participate in the capital of NCC with 134 million Rubles (4.3 million USD), each party – DowAksa Holdings, HCC and FIEP – will own one third of NCC's total charter capital.

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