AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. and its subsidiaries (collectively referred as the "Group") which comprise the consolidated balance sheet as of 31 December 2012 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

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

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

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

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Cad. No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul - Turkey
www.pwc.com/tr *Telephone: +90 (212) 326 6060, Facsimile: +90 (212) 326 6050*

Opinion

4. In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aksa Akrilik Kimya Sanayii A.Ş. as of 31 December 2012, and their financial performance and their cash flows for the year then ended in accordance with the financial reporting standards accepted by the CMB (Note 2).

Additional Paragraph for Convenience Translation into English

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

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

Cansen Başaran Symes, SMMM
Partner

Istanbul, 26 February 2013

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 2012

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

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CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011

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

	Notes	31 December 2012 USD (*)	31 December 2012 TL	31 December 2011 TL
ASSETS				
Current Assets		**388,342**	**692,258**	**768,174**
Cash and cash equivalents	4	79,363	141,472	85,106
Trade receivable				
- Other trade receivables	8	100,630	179,383	266,464
- Due from related parties	26	78,027	139,091	134,832
Other receivables	9	95	170	223
Inventories	10	92,525	164,935	191,375
Other current assets	16	37,702	67,207	90,174
Non-current Assets		**485,077**	**864,698**	**884,391**
Trade receivables	8	2,519	4,490	1,074
Financial investments	5	744	1,327	1,385
Joint ventures accounted for by the equity method	6	127,758	227,742	-
Property, plant and equipment	11	346,704	618,035	838,915
Intangible assets	12	2,704	4,821	21,406
Goodwill	13	3,360	5,989	5,989
Other non-current assets	16	1,288	2,294	15,622
TOTAL ASSETS		**873,419**	**1,556,956**	**1,652,565**

(*) 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 2012, and therefore do not form part of these consolidated financial statements (Note 2.5)

These consolidated financial statements at 31 December 2012 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 26 February 2013. These consolidated financial statements will be definitive following their approval in the General Assembly.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011

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

	Notes	31 December 2012 USD (*)	31 December 2012 TL	31 December 2011 TL
LIABILITIES				
Current liabilities		**240,994**	**429,596**	**432,974**
Financial liabilities	7	95,589	170,397	172,986
Trade payables				
- Other trade payables	8	121,055	215,793	226,135
- Due to related parties	26	16,085	28,674	26,628
Other payables	9	1,678	2,992	2,072
Taxes on income	24	3,311	5,902	369
Provisions	14	2,602	4,639	3,276
Other current liabilities	16	674	1,199	1,508
Non-current Liabilities		**87,759**	**156,440**	**368,644**
Financial liabilities	7	72,437	129,126	320,245
Derivative financial instruments	17	967	1,723	4,175
Provision for employment termination benefits	15	9,063	16,156	14,220
Deferred income tax liabilities	24	4,736	8,443	17,182
Other non-current liabilities	16	556	992	12,822
Total Liabilities		**328,754**	**586,036**	**801,618**
EQUITY		**544,665**	**970,920**	**850,947**
Attributable to Equity Holders of the Parent		**538,889**	**960,623**	**841,429**
Share capital	18	103,781	185,000	185,000
Adjustment to share capital	18	109,489	195,175	195,175
Share premium		25	44	44
Restricted reserves		34,020	60,644	52,542
Currency translation differences		(105)	(1,098)	1,185
Hedge funds		(557)	(993)	(3,340)
Retained earnings		199,629	355,858	313,774
Net income for the year		92,607	165,993	97,049
Non-controlling Interests		**5,776**	**10,297**	**9,518**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**873,419**	**1,556,956**	**1,652,565**

(*) 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 2012, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

	Notes	2012 USD (*)	2012 TL	2011 TL
Continuing operations				
Sales	19	906,841	1,625,463	1,675,470
Cost of sales (-)	19,20	(777,719)	(1,394,019)	(1,442,272)
Gross profit		**129,122**	**231,444**	**233,198**
Marketing, selling and distribution expenses (-)	20	(19,361)	(34,703)	(30,860)
General administrative expenses (-)	20	(29,192)	(52,325)	(53,422)
Research and development expenses (-)	20	(1,157)	(2,074)	(2,692)
Other operating income	21	52,726	94,509	11,111
Other operating expenses (-)	21	(387)	(694)	(15,163)
Operating profit		**131,751**	**236,157**	**142,172**
Share of profit/loss of investment in Joint Venture		(4,668)	(8,367)	-
Financial income	22	52,224	93,608	154,035
Financial expenses (-)	23	(48,464)	(86,869)	(174,479)
Profit before tax		**130,843**	**234,529**	**121,728**
Taxation expense on income:				
- Income tax expense	24	(37,939)	(68,004)	(18,796)
- Deferred tax benefit/(charge)	24	1,180	2,116	(3,465)
Net income for the year		**94,084**	**168,641**	**99,467**
Other comprehensive income/(expense):				
Changes in fair value of derivative financial instruments		250	446	660
Currency translation differences		(4,867)	(8,723)	1,185
Financial instruments and currency translation differences associated with profit loss statement due to subsidiary share sales		4,653	8,341	-
Total comprehensive income		**94,120**	**168,705**	**101,312**
Net income for the period attributable to:				
Equity holders of the parent		92,607	165,993	97,049
Non-controlling interests		1,477	2,648	2,418
		94,084	**168,641**	**99,467**
Total comprehensive income attributable to:				
Equity holders of the parent		92,643	166,057	98,894
Non-controlling interests		1,477	2,648	2,418
		94,120	**168,705**	**101,312**
Earnings per share for equity holders of the parent (Kr)	25	0.51	0.90	0.52

(*) 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 2012, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2012 AND 2011

(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**	**Current translation differences**	**Hedge Reserve**	**Retained Earnings**	**Net income for the period**	**Total**	**Non-controlling interests**	**Total equity**
Balances at 1 January 2011	**185,000**	**195,175**	**44**	**48,523**	**-**	**(4,000)**	**276,528**	**56,718**	**757,988**	**17,777**	**775,765**
Transfers	-	-	-	4,019	-	-	52,699	(56,718)	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	2,025	-	2,025	(9,283)	(7,258)
Dividends paid	-	-	-	-	-	-	(17,478)	-	(17,478)	(1,394)	(18,872)
Total comprehensive income	-	-	-	-	1,185	660	-	97,049	98,894	2,418	101,312
Balances at 31 December 2011	**185,000**	**195,175**	**44**	**52,542**	**1,185**	**(3,340)**	**313,774**	**97,049**	**841,429**	**9,518**	**850,947**

	Attributable to equity holders of the parent										
	Share Capital	**Adjustments to share Capital**	**Share Premium**	**Restricted Reserves**	**Current translation differences**	**Hedge Reserve**	**Retained Earnings**	**Net income for the period**	**Total**	**Non-controlling interests**	**Total equity**
Balances at 1 January 2012	**185,000**	**195,175**	**44**	**52,542**	**1,185**	**(3,340)**	**313,774**	**97,049**	**841,429**	**9,518**	**850,947**
Transfers	-	-	-	8,102	-	-	88,947	(97,049)	-	-	-
Dividends paid	-	-	-	-	-	-	(46,863)	-	(46,863)	(1,869)	(48,732)
Total comprehensive income	-	-	-	-	(2,283)	2,347	-	165,993	166,057	2,648	168,705
Balances at 31 December 2012	**185,000**	**195,175**	**44**	**60,644**	**(1,098)**	**(993)**	**355,858**	**165,993**	**960,623**	**10,297**	**970,920**

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED 31 DECEMBER 2012 AND 2011

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

	Notes	31 December 2012 USD (*)	31 December 2012 TL	31 December 2011 TL
Profit before taxation		**130,843**	**234,529**	**121,728**
Adjustments to reconcile income before tax to net cash generated from operating activities:				
Depreciation and amortization	20	29,837	53,188	46,594
Provision for employment termination benefits		3,148	5,642	3,593
Interest income	22	(12,455)	(22,325)	(21,182)
Interest expense	23	7,274	13,038	17,898
Income from government grants		(343)	(614)	(1,513)
Reversal of impairment on inventory		(576)	(1,033)	(2,709)
Provision for impairment on trade receivables	8	13	24	11,632
Unrealized exchange differences		(6,437)	(11,538)	49,107
Gain on sale of shares of subsidiary	6	(49,189)	(88,169)	-
Currency translation differences		(4,739)	(8,797)	(112)
Other		(1,423)	(2,550)	(734)
Cash flows before changes in operating assets and liabilities		**95,789**	**171,395**	**224,302**
Changes in operating assets and liabilities:				
Taxes paid		914	1,638	960
Changes in restricted cash		(860)	(1,541)	(886)
Changes in trade receivables		38,563	69,122	(72,981)
Changes in other receivables		30	53	(62)
Changes in inventories		(530)	(950)	(44,483)
Changes in other receivables		(24,677)	(44,233)	(41,234)
Changes in trade payables		6,190	11,096	47,554
Changes in other payables		1,364	2,444	(1,408)
Changes in other liabilities		11,084	19,868	7,689
Employment termination benefits paid	15	(1,150)	(2,062)	(2,170)
Net cash generated from operating activities		**126,717**	**226,830**	**117,281**
Investing activities:				
Purchase of property, plant and equipment		(77,073)	(138,150)	(245,676)
Proceeds from sale of property, plant and equipment		951	1,704	350
Interest received		13,113	23,505	21,108
Proceeds from subsidiary share sales		12,640	22,656	-
Net cash used in investing activities		**(50,369)**	**(90,285)**	**(224,218)**
Financing activities:				
Investment loans received		-	-	197,710
Investment loans paid		(19,982)	(35,817)	(49,500)
Changes in revolving loans, net		9,404	16,857	25,740
Dividends paid by the parent company		(26,145)	(46,863)	(17,478)
Dividends paid to non-controlling interests		(1,043)	(1,869)	(1,394)
Changes in non-controlling interests		-	-	(9,283)
Interest paid		(7,720)	(13,838)	(19,184)
Net cash (used in) / generated from financing activities		**(45,486)**	**(81,530)**	**126,611**
Net increase in cash and cash equivalents		**30,862**	**55,015**	**19,674**
Cash and cash equivalents at 1 January	**4**	**46,949**	**83,691**	**64,017**
Cash and cash equivalents at 31 December	**4**	**77,811**	**138,706**	**83,691**

(*) 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 2012, 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 Istanbul Stock Exchange ("ISE") since 1986. As of 31 December 2012, the principle shareholders and their respective shareholding rates in the Company are as follows (Note 18):

	%
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 2012, 37.27% of the Group's shares are traded on ISE.

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:

Miralay Şefik Bey Sokak
No: 15 Akhan
Gümüşsuyu 34437 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**
Ak-Tops Tekstil Sanayi A.Ş. ("Ak-Tops")	Turkey	Textile	Other
Fitco BV ("Fitco")	Holland	Investment	Other
Aksa Egypt Acrylic Fiber Industry SAE ("Aksa Egypt")	Egypt	Textile	Fiber

(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

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 consolidated interim financial statements of the Group have been prepared in accordance with the accounting and reporting principles accepted by the Capital Markets Board ("CMB"), namely "CMB Financial Reporting Standards CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB") (In November 2011 TASB has been dismissed and its responsibilities are transferred to Public Oversight Accounting and Auditing Standards Authority), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") accepted by the TASB which are in line with the aforementioned standards shall be considered.

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

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB as announced through the CMB's weekly bulletins numbered 2008 / 16, 2008 / 18, 2009 / 2 and 2009 / 4, with the compulsory disclosures.

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

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

The consolidated financial statements are prepared in Turkish Lira ("TL") based on the historical cost convention except for the financial assets and liabilities which are expressed with their fair values.

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 2012.

a) Standards, amendments and IFRICs newly applicable for companies with 31 December 2012 year ends are set out below:

- IAS 24 (revised) (amendment), "Related party disclosures", is effective for annual periods beginning on or after 1 January 2011. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. Earlier adoption is permitted either for the entire standard or for the reduced disclosures for government-related entities.

- IFRIC 14 (amendment), "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", is effective for annual periods beginning on or after 1 January 2011. The amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement.

- Annual Improvements to IFRSs 2010 amendments effect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34, IAS 1 and IFRIC 13.

- IFRS 7 (amendment), "Financial instruments: Disclosures on transfers of assets", is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets.

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

- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs..

  These standards and interpretations have no significant impact on the Groups' financial statements.

b) New IFRS standards, amendments and IFRICs that are not effective yet:

- IAS 12 (amendment), "Income taxes" on deferred tax, is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.

- 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. Early adoption is permitted.

- IAS 1 (amendment), "Presentation of financial statements", 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. Early adoption is permitted.

- IFRS 9, "Financial instruments: Classification and Measurement", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

- IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- 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. Proportional consolidation of joint ventures is no longer allowed.

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

- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard 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. The standard 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.

- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard 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), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard 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

- IFRS 7 (amendment), "'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.

- IAS 32 (amendment), "'Financial instruments: Presentation', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- 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. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

- Annual Improvements to IFRSs 2011 is effective for annual periods beginning on or after 1 January 2013. Amendments affect five standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

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

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

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

2.1.2 Basis of Consolidation

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 2012 and 2011:

	Direct and indirect ownership interest Aksa and its subsidiaries (%)	
Subsidiary	**31 December 2012**	**31 December 2011**
Ak-Tops (1)	60.00	60.00
Fitco (1)	100.00	100.00
Aksa Egypt (1)	99.14	99.14
Akgirişim (2)	-	58.00
DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti. (3)	-	-

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

(2) The sale has occurred on 20 April 2012, besides the group has the power to exercise more than 50% of the voting rights directly or indirectly, this subsidiary has been reflected to consolidated financial statements with a carrying value of their initial acquisition cost deducted by impairment, if any, since the company does not have a significant effect on consolidated financial statements.

(3) Established with partial spin off on 2 January 2012 (previously title was Aksa Karbon Elyaf Sanayi A.Ş.), and has been transferred to DowAksa as capital in kind on 29 June 2012, all financial results have been included in the scope of consolidation by this date (Note 6).

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 31 "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 2012**	**31 December 2011**
DowAksa Holdings	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 2012**	**31 December 2011**
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 2012 and 31 December 2011 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 2012, 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. The costs related to the development projects are capitalized when the criteria above are met and amortized by straight-line basis over the useful lives of related (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.

Company monitors research and development costs via declaration of project documentation. Capitalization or recognition as expense of R&D expenditures are supervised through the declaration documents which are approved by the Company's senior management and based on revisions that are made during the project in the beginning or completion phase of those projects.

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.

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 2012. 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 İleri Kompozit Malzemeler Sanayi Ltd. Şti. (Until the date of 29 June 2012) are included under "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.

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 2012, 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 10.71% and the risk premium is 3%.

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

b) Provision for doubtful receivables

In the event there is a situation which makes impossible for the Group to collect the amounts due payable, a provision for loss is created for the trade receivables. The amount of the provision is determined with the assessment of the payment performance of the customer and trade receivable aging. Provision for doubtful receivables is the accounting estimation that is based on the past payment performance and financial situations of the customers (Note 8).

c) 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).

2.5 Convenience Translation into English of Consolidated Financial Statements

As of 31 December 2012, the financial reporting standards described in Note 2.1 (defined as "CMB" Financial Reporting Standards) to the consolidated financial statements differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the periods between 1 January and 31 December 2005. Accordingly, these consolidated financial statements are not intended to present the financial position and the results of operations in accordance with IFRS

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 2012 of TL1,7826 = 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 2012 of TL1,7924 = 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 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	**235,129**	**8,206**	**(3,312)**	**240,023**
Unallocated corporate expenses (*)	-	-	-	(44,493)
Amortization and depreciation (Note 20)	(33,157)	(16,151)	(3,880)	(53,188)
Other operating income, net (Note 21)	-	-	-	93,815
Share of profit/loss of investment in Joint Ventures	(8,367)	-	-	(8,367)
Financial income, net (Note 22-23)	-	-	-	6,739
Profit before tax				**234,529**

(*) As of 31 December 2012, unallocated corporate expenses consists of general administrative expenses amounting to TL 43,081, research and development expenses amounting to TL 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
	Fibers	**Energy**	**Other**	**Unallocated**	**Total**
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)

	1 January- 31 December 2011			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	1,634,482	46,829	37,627	1,718,938
Inter-segment revenue	-	(7,552)	(35,916)	(43,468)
External revenues	**1,634,482**	**39,277**	**1,711**	**1,675,470**
Adjusted EBITDA	**227,720**	**13,159**	**(2,828)**	**238,051**
Unallocated corporate expenses (*)	-	-	-	(45,233)
Amortization and depreciation (Note 20)	(36,834)	(5,707)	(4,053)	(46,594)
Other income, net (Note 21)	-	-	-	(4,052)
Financial expenses, net (Note 22-23)	-	-	-	(20,444)
Profit before tax				**121,728**

(*) As of 31 December 2011, unallocated corporate expenses consists of general administrative expenses amounting to TL 42,541, research and development expenses amounting to TL 2,692.

	1 January- 31 December 2011				
	Fibers	**Energy**	**Other**	**Unallocated**	**Total**
Capital expenditure	91,887	145,457	8,332	-	245,676
					31 December 2011
Total segment assets	1,100,686	330,687	40,447	-	1,471,820
Inter-segment adjustments and classification	-	(348)	(6,276)	-	(6,624)
Unallocated corporate assets	-	-	-	187,369	187,369
Total assets	**1,100,686**	**330,339**	**34,171**	**187,369**	**1,652,565**
Total segment assets	252,500	16,096	3,541	-	272,137
Inter-segment adjustments and classification	(6,276)	-	(348)	-	(6,624)
Unallocated corporate assets	-	-	-	536,105	536,105
Total liabilities	**246,224**	**16,096**	**3,193**	**536,105**	**801,618**

(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 2012	31 December 2011
Reportable segment assets	**1,335,895**	**1,465,196**
Cash and cash equivalents	141,472	85,106
Other receivables	146	185
Other assets	57,935	86,638
Financial investments	1,327	1,385
Tangible and intangible assets	20,181	14,055
Total Assets	**1,556,956**	**1,652,565**

Segment Liabilities

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

	31 December 2012	31 December 2011
Reportable segment liabilities	**258,581**	**265,513**
Financial liabilities (*)	299,523	493,231
Derivative financial instruments (**)	1,723	4,175
Other liabilities	2,992	2,072
Provisions	4,202	2,382
Taxes on income	5,902	369
Other liabilities	1,689	14,207
Provision for employment benefits	2,981	2,487
Deferred income tax liabilities	8,443	17,182
Total liabilities	**586,036**	**801,618**

(*) As of 31 December 2012, TL 72,099 (31 December 2011: TL 114,614) of the borrowings issued for energy unit investment and TL 214,155 (31 December 2011: TL 265,247) is secured for fiber investments.

(**) As of 31 December 2012, the swap agreement liability, amounting to TL 1,181 (31 December 2011: TL 3,077) of the derivative financial instruments is related to borrowings for fiber investment and amounting to TL 542 (31 December 2011: TL 1,098) 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 2012	31 December 2011
Cash	19	104
Bank		
Demand deposit (TL)	9,572	10,042
Foreign currency demand deposit	13,182	12,770
Time deposits (TL)	38,688	13,732
Foreign currency time deposit	77,336	47,122
Other	2,675	1,336
Total	**141,472**	**85,106**

Maturity of time deposit are less than three months and weighted average effective interest rates on TL denominated time deposits at 31 December 2012 is 7.88% (31 December 2011: 11.01%), and for USD 3.45% (31 December 2011: 4.44%), respectively. Weighted average effective interest rates of Euro denominated time deposits are 2.70% (31 December 2011: 4.41%).

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

	31 December 2012	31 December 2011	31 December 2010
Cash and cash equivalents	141,472	85,106	64,499
Less: Restricted cash with maturity			
of three months or less	(2,675)	(1,336)	(450)
Interest accrual	(91)	(79)	(32)
Cash and cash equivalents	**138,706**	**83,691**	**64,017**

NOTE 5 - FINANCIAL INVESTMENTS

Details of financial assets of the Group are as follows:

	31 December 2012	31 December 2011
Unquoted financial assets:		
Ak-Pa	1,327	1,327
Akgirişim (*)	-	58
Total	**1,327**	**1,385**

(*) Akgirişim, the subsidiary is not included in the scope of consolidation on the grounds of materiality due to the insignificance of their impact on the consolidated net assets, financial position and results of the Group. 58% shares of this Company are transferred to Ariş Sanayi ve Ticaret A.Ş. a group Company of Akkök, to a price of TL 40 as of 20 April 2012 regarding to valuation report dated 26 March 2012.

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

NOTE 6 -INVESTMENT IN JOINT VENTURES

Joint Ventures

	31 December 2012	31 December 2011
DowAksa Holdings	227,742	-

In accordance with the article 20 and subparagraph (b) of paragraph 3 of article 19 of Corporate Tax Law no. 5520, article 19.2.2 of General Communiqué on Corporate Tax by Ministry of Finance dd. 3 April 2007 (Serial No: 1), Communiqué on the Regulation of Principles and Procedures of Partial Diverse Operations for Joint Stock and Limited Companies by Ministry of Finance and Ministry of Industry and Trade dd. 16.09.2003 and no. 25231 as published in Official Gazette, and the resolution of Capital Market Board dd. 25 November 2011 and no. 39/1065 and that the same was acknowledged by the shareholders in extraordinary general assembly held on 28 December 2011, It is hereby declared that it is appropriate for Aksa Akrilik Kimya Sanayii Anonim Şirketi to demerge into a new joint stock company to be established by means of partial spin-off through transfer of the carrying amounts of all assets and liabilities of the carbon fiber and Aksa Karbon Elyaf Sanayi A.Ş. is established as of 2 January 2012.

Before the establishment of 50%-50% international joint venture operations, Group acquired Celtic Pharma Holdings II B.V with the nominal value of Euro 18.000 capital as of 1 June 2012 and the title of the Company is amended as Aksa Netherlands Holding B.V. ("Aksa Netherlands").

As of 15 June 2012, Group has transferred 99,99% of Aksa Karbon Elyaf Sanayi A.Ş. shares, a subsidiary of the Group, to Aksa Netherlands as capital in kind with a nominal value of USD 185.000.000.

In the scope of establishment of 50%-50% international joint venture operations with Dow Europe Holdings B.V., Group sold 8,108% of Aksa Netherland shares to Dow Europe Holdings B.V. with a value of USD 15.000.000, following this operation, by capital and emission premium contribution of Dow Europe Holdings B.V., on Aksa Netherlands Holding B.V. amounting to USD 170.000.000 Dow Europe Holdings B.V. , 50% partnership is ensured and the title of the Company is amended as DowAksa Advanced Composites Holdings B.V. ("DowAksa Holdings") at the same date.

According to IAS Interpretation 13 Jointly controlled entities - Non-participation of entrepreneurs common shares, this transaction is defined as a loss of control over subsidiaries, and TL 88,169 of gain from the 8.108% share sale and Dow Europe Holding B.V.'s capital increase and emission premium contribution is recognized as "other operating income" (Note 21). Furthermore, income and expenses occurred until the date of the loss of control over a subsidiary, is accounted in the consolidated income statement.

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

	31 December 2012
Current assets	284,319
Non-current assets	327,485
Total Assets	**611,804**
Short term liabilities	27,760
Long term liabilities	128,561
Equity	455,483
Total Liabilities	**611,804**
Shareholders' Equity For 50% Share of the Group (Note 3)	**227,742**

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

NOTE 6 - INVESTMENT IN JOINT VENTURES (Continued)

	29 June - 31 December2012
Revenue	16,613
Net Loss	(16,733)
Net Loss for 50% Share of the Group	**(8,367)**

Book value of the assets and liabilities related with the disposal of the subsidiary and the gain on sale as follows;

	29 June 2012
Cash and cash equivalents	4,574
Trade receivables	9,067
Inventories	31,923
Property, plant and equipments (Note 11)	290,731
Intangible asset (Note 12)	14,930
Other current and noncurrent assets	9,923
Trade payables	(20,488)
Other payables and liabilities	(1,526)
Short and long term financial liabilities	(162,413)
Derivative financial instruments	(2,182)
Provision for employment termination benefits (Note 15)	(1,570)
Deferred tax liabilities (Note 24)	(4,425)
Net book value of assets (A)	**168,544**

Share provided from the capital increase and emission premiums (50% of 170 million USD)	153,553
Cash proceeds from the sale of 8.108% share (15 million USD)	27,229
Less: Net book value of assets to the sale of 50% shares (A/2)	(84,272)
Subsidiary share sales income before hedge funds and currency differences associated with equity (B)	96,510
Hedge funds	*(1,901)*
Currency translation differences	*(6,440)*
Total(C)	(8,341)
Subsidiary share sales income (B+C)	**88,169**

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

NOTE 7 - FINANCIAL LIABILITIES

Group's financial liabilities are as follows:

	31 December 2012	31 December 2011
Short term bank borrowings	126,870	114,227
Short term factoring liabilities	6,989	-
Current portion of long-term bank borrowings and interests	36,538	58,759
Short term financial liabilities	**170,397**	**172,986**
Long term factoring liabilities	4,686	-
Long term bank borrowings	124,440	320,245
Long term financial liabilities	**129,126**	**320,245**
Total financial liabilities	**299,523**	**493,231**

Bank Loans

	31 December 2012		31 December 2011	
	Yearly weighted average interest rate %	TL	Yearly weighted average interest rate %	TL
Short term bank borrowings:				
USD borrowings	2.19	124,960	1.78	114,185
TL borrowings	-	1,910	-	42
		126,870		114,227
Factoring liabilities	5.95	6,989	-	-
Current portion of long term bank borrowings:				
USD bank borrowings	3.52	36,538	3.54	58,759
Total short term financial liabilities		**170,397**		**172,986**
Long term bank borrowings:				
USD bank borrowings	3.52	124,440	3.54	320,245
Factoring liabilities	5.95	4,686	-	-
Total long term financial liabilities		**129,126**		**320,245**

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

NOTE 7 - FINANCIAL LIABILITIES

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

	31 December 2012		31 December 2011	
	Fair Value	**Book Value**	**Fair Value**	**Book Value**
USD borrowings (*)	142,992	129,126	354,047	320,245

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

The redemption schedule of financial liabilities is as follows:

	31 December 2012	**31 December 2011**
Less than 3 months	133,866	2,670
Between 3-12 months	36,531	170,316
Between 1-2 years	47,723	56,618
Between 2-3 years	22,240	72,291
Between 3-4 years	14,812	26,957
The payment within 4 year and over	44,351	164,379
	299,523	**493,231**

As of 31 December 2012, according to the credit agreements, the Group has unused credit limit amounting to TL 1,145,437 (31 December 2011: TL 1,127,883).

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Details of trade receivables of the Group are as follows:

Short-term Trade Receivables:

	31 December 2012	**31 December 2011**
Trade receivables	127,905	149,555
Notes receivable and cheques	92,739	159,470
Less: Provision for doubtful receivables	(40,248)	(40,236)
Less: Unearned finance income on term based sales	(1,013)	(2,231)
Less: Provision for sales discount premium	-	(94)
Total short term trade receivables, net	**179,383**	**266,464**

Trade receivables as of 31 December 2012 and 2011 have an average maturity of 3 months and they are discounted with an average annual interest rate of 6% (31 December 2011: 8%).

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

(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 2012 and 2011 are as follows:

	2012	2011
1 January	**40,236**	**28,789**
Collections and reversal of provisions	(12)	(185)
Current period charge	24	11,632
31 December	**40,248**	**40,236**

Long term trade receivables:

	31 December 2012	31 December 2011
Notes receivables and cheques	4,532	1,090
Less: Unearned finance income on term based sales (-)	(42)	(16)
Total long term trade receivables, net	**4,490**	**1,074**

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 2012	31 December 2011
Suppliers	216,884	228,040
Less: Unincurred finance costs on purchases (-)	(1,091)	(1,905)
Total	**215,793**	**226,135**

Trade payables as of 31 December 2012 have an average maturity of 67 days (31 December 2011: 75 days) and they are discounted with an average annual interest rate of 3% in USD terms (31 December 2011: 4%).

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

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

Short term other receivables:	**31 December 2012**	**31 December 2011**
Deposits and guarantees given	170	223

Short term other payables:	**31 December 2012**	**31 December 2011**
Accrued tax liability	2,867	1,931
Other	125	141
Total	**2,992**	**2,072**

NOTE 10 - INVENTORIES

	31 December 2012	**31 December 2011**
Raw materials	102,308	124,882
Semi-finished goods	13,482	20,272
Finished goods	35,975	35,005
Other stocks and spare parts	13,380	12,459
Less: Provision for impairment on inventories	(210)	(1,243)
Total	**164,935**	**191,375**

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 2012 and 2011. 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 as of 31 December 2012 and 2011.

As of 31 December 2012 raw materials include goods in transit of TL 41,420 (31 December 2011: TL 53,669).

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	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 included in “general administrative expenses, TL 19 is included in “selling and marketing costs” TL 1,600 which is related with projects in progress is charged to “construction in progress”, TL 3,500 is included in “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 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2011	Additions	Disposals	Transfers (1)	Changes in the scope of consolidation (3)	Currency translation differences	31 December 2011
Cost							
Land	59,457	2,341	(54)	713	1,154	-	63,611
Land improvements	43,925	-	-	35,815	-	-	79,740
Buildings	109,640	800	(297)	45,368	(1,418)	-	154,093
Machinery and equipment	748,983	3,365	-	186,993	4,459	-	943,800
Motor vehicles	1,358	84	(234)	-	241	-	1,449
Furniture and fixtures	23,255	1,101	-	2,097	(26)	-	26,427
Construction in progress	221,633	239,379	-	(288,170)	-	-	172,842
	1,208,251	**247,070**	**(585)**	**(17,184)**	**4,410**	**-**	**1,441,962**
Accumulated depreciation							
Land improvements	27,676	2,667	-	-	-	-	30,343
Buildings	33,357	2,445	(81)	-	(786)	14	34,949
Machinery and equipment	471,004	43,903	-	-	4,265	12	519,184
Motor vehicles	912	169	(204)	-	133	5	1,015
Furniture and fixtures	16,360	1,205	-	-	(9)	-	17,556
	549,309	**50,389**	**(285)**	**-**	**3,603**	**31**	**603,047**
Net book value	**658,942**						**838,915**

(1) The transfer of TL 232,622 is related with capitalization of Company's energy plant investment.
(2) The transfer of TL 17,184 is related with intangible fixed assets (Note 11).
(3) Related with exclusion of Ak-Pa from the scope of consolidation, inclusion of Fitco and Aksa Egypt in the scope of full consolidation as of 1 January 2011.

Additions to construction in progress are mainly comprised of expenditures related with the coal plant and carbon fiber investments,

For the year ended 31 December 2011, borrowing costs amounting to TL 24,073 related with power plant investment, carbon fiber investment and efficiency projects have been capitalized on property, plant and equipment.

TL 44,114 of current year depreciation and amortization expense is charged to "cost of goods sold", TL 1 is charged to "research and development expenses", TL 556 is included in "general administrative expenses", TL 16 is included in "selling and marketing costs", TL 2,189 which is related with projects in progress is charged to "construction in progress", TL 3,513 is included in "inventory".

As of 31 December 2011 there is no mortgage on property, plant and equipment. At the date of reporting, Group's tangible assets' insurance worth USD 255 million.

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

NOTE 12 - INTANGIBLE ASSETS

	1 January 2012	Additions	Disposals	Transfers (1)	Currency translation differences	Subsidiary share sales (Note 6)	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 January 2011	Additions	Disposals	Transfer (1)	Changes in the Scope of consolidation (2)	Currency translation differences	31 December 2011
Cost							
Rights	1,648	726	-	-	542	77	2,993
Development cost	7,117	-	-	17,184	-	-	24,301
Other intangible assets	1,577	69	-	-	-	-	1,646
	10,342	**795**	**-**	**17,184**	**542**	**77**	**28,940**
Accumulated depreciation							
Rights	1,480	146	-	-	445	15	2,086
Development cost	2,316	1,672	-	-	-		3,988
Other intangible assets	1,371	89	-	-	-	-	1,460
	5,167	**1,907**	**-**		**445**	**15**	**7,534**
Net book value	**5,175**						**21,406**

(1) Consists of the capitalized cost of development projects regarding to R&D Center.
(2) Related with exclusion of Ak-Pa from the scope of consolidation, inclusion of Fitco and Aksa Egypt in the scope of full consolidation as of 1 January 2011.

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

NOTE 12 - INTANGIBLE ASSETS (Continued)

TL 1,946 (2011: TL 153) of the current amortization expense is charged to "cost of goods sold", 661 TL (2011: TL 1,626) is charged to "research and development expenses", TL 248 (2011: TL 128) is included in "general administrative expenses.

NOTE 13 - GOODWILL

The goodwill balance with the carrying amount of TL5,989 (2011: TL5,989) as of 31 December 2012 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 2012 (31 December 2011: TL 5,989).

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	31 December 2012	31 December 2011
Bonus provision	3,256	1,671
Provision for lawsuits	538	538
Provision for unused vacation (Note 15)	513	1,061
Provision for other payable and expenses	332	6
Total	**4,639**	**3,276**

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 2012	31 December 2011
Collaterals given	202,890	249,213
Letter of credit commitments	135,067	149,914
Total	**337,957**	**399,127**

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

	31 December 2012	31 December 2011
Credit insurance	193,385	139,522
Limits of Eximbank	86,595	78,444
Pledges received	72,056	47,730
Confirmed/unconfirmed letter of credits	64,629	42,190
Guarantee notes and cheques received	59,553	95,007
Limits of Direct Debit System ("DDS")	22,236	29,464
Guarantee letters received	7,222	7,913
Total	**505,676**	**440,270**

(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 2012	**31 December 2011**
A.	CPM given on behalf of the Company's legal personality	337,040	397,151
	- Turkish Lira	*99,207*	*112,655*
	- USD	*237,566*	*275,643*
	- Euro	*-*	*3,519*
	- Other	*267*	*5,334*
B.	CPM given on behalf of fully consolidated subsidiaries	-	-
C.	CPM given for continuation of its economic activities on behalf of third parties	917	1,976
	- USD	*917*	*1,976*
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		**337,957**	**399,127**

NOTE 15 - EMPLOYEE BENEFITS

Short Term Employee Benefits	**31 December 2012**	**31 December 2011**
Provision for unused vacation (Note 14)	513	1,061

Long Term Employee Benefits		
Provision for employee termination benefits and employee termination incentive	16,156	14,220

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

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

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

(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 2012	31 December 2011
Discount rate (%)	1.67	2.91
Probability of retirement (%)	99.00	98.94

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 3,129.25 effective from 1 January 2013 (1 January 2012: 2,805.04 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:

	2012	2011
Balances as of 1 January	**14,220**	**13,168**
Service cost	2,047	2,294
Interest cost	450	614
Changes in the scope of consolidation	-	(371)
Compensation paid	(2,062)	(2,170)
Sale of shares of the subsidiary	(1,570)	-
Currency translation differences	(74)	-
Actuarial losses	3,145	685
Balances as of 31 December	**16,156**	**14,220**

NOTE 16 - OTHER ASSETS AND LIABILITIES

Other current assets:

	31 December 2012	31 December 2011
VAT receivables	44,153	61,082
VAT to be transferred	17,215	17,168
Prepaid expenses	2,817	1,855
Purchase advances given	2,143	2,024
Prepaid taxes and funds	196	5,522
Personnel advances	142	700
Job advances	48	1,598
Other	493	225
Total	**67,207**	**90,174**

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

NOTE 16 - OTHER ASSETS AND LIABILITIES (Continued)

Other non-current assets:

	31 December 2012	31 December 2011
Advances given for purchase of property, plant and equipment	2,233	15,527
Other	61	95
Total	**2,294**	**15,622**

Other current liabilities:

	31 December 2012	31 December 2011
Expense accrual	608	509
Advances received	568	21
Deferred income (*)	23	978
	1,199	**1,508**

Other non current liabilities:

	31 December 2012	31 December 2011
Deferred income (*)	983	12,771
Other	9	51
Total	**992**	**12,822**

(*) 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 liabilities as deferred revenue and they are recognized in the consolidated income statement on a systematic basis over the estimated useful life of the related assets.

Incentives, grants and benefits which have been obtained from TÜBİTAK and 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 2012		31 December 2011	
	Asset	**Liability**	**Asset**	**Liability**
Held for hedging	-	1,723	-	4,175

Derivative instruments held for hedging:

	31 December 2012		31 December 2011	
	Contract Amount (USD thousand)	**Fair value Liability TL**	**Contract amount (USD thousand)**	**Fair value Liability TL**
Interest rate swap	32,593	1,723	90,747	4,175

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 2012, the fixed interest rates vary from 1.35% to 2.5% (31 December 2011: 2.5% - 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 2012 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 2012 and 2011 is presented below:

	31 December 2012	31 December 2011
Limit on registered share capital (historical)	425,000	425,000
Issued share capital	185,000	185,000

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

	Share %	31 December 2012	Share %	31 December 2011
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 2011: 18.500.000.000) shares issued on bearer with a nominal value of Kr 1 (31 December 2011: 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 60,644 as of 31 December 2012 (31 December 2011: 52,542 TL). 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

Based on CMB Decree No. 02/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations in 2009. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of CMB Communiqué No. IV-27, their articles of association and their previously publicly declared profit distribution policies. In regards to the profit distribution, in accordance with the decision of the General Assembly, the distribution can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. 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.

There is no other mandatory minimum profit distribution decision taken according to CMB.

(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 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Domestic sales	1,052,250	1,105,026
Export sales	607,119	625,533
Less: Sales returns	(7,200)	(6,839)
Less: Other discounts	(26,706)	(48,250)
Net sales income	**1,625,463**	**1,675,470**
Cost of sales (-)	**(1,394,019)**	**(1,442,272)**
Gross profit	**231,444**	**233,198**

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 2012 and 2011 are as follows;

	31 December 2012	31 December 2011
Raw materials and goods	1,242,338	1,311,887
Employee benefits	69,680	67,152
Depreciation and amortization	53,188	46,594
Repair, maintenance and cleaning expenses	21,890	17,811
Commission expense	17,597	14,598
Consultancy expenses	14,588	9,557
Export expenses	9,646	9,805
Information technologies expense	4,318	6,166
Miscellaneous tax expenses	4,240	4,759
Travel expenses	4,152	3,686
Other	41,484	37,231
Total	**1,483,121**	**1,529,246**

NOTE 21 - OTHER OPERATING INCOME / EXPENSE

As of 31 December 2012 net other income / expense amounting to TL 93,815 (2011: TL (4,052)). Other income balance is mainly comprised of "gain on sale of subsidiary shares" amounting to TL 88.169. The amount of 2011 mainly comprise of TL 40,248 of provision for doubtful trade receivable expense.

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

NOTE 22 - FINANCIAL INCOME

Financial income for the years ended at 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Foreign exchange gains	71,283	132,853
Interest income from term based sales	16,145	15,590
Interest income	6,180	5,592
Total	**93,608**	**154,035**

NOTE 23 - FINANCIAL EXPENSES

Financial expense for the years ended at 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Foreign exchange expense	73,831	156,581
Borrowing costs	6,885	6,870
Due date charges on term purchases	6,153	11,028
Total	**86,869**	**174,479**

NOTE 24 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Income tax expense	(68,004)	(18,796)
Deferred tax income/(expense) net	2,116	(3,465)
Total tax expense	**(65,888)**	**(22,261)**

(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 2012 and 31 December 2011 are as follows:

	Temporary taxable differences		Deferred income tax asset/liability	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Property, plant and equipment and intangible assets	(61,348)	(110,410)	(12,270)	(22,082)
Trade payables	(1,147)	(1,880)	(229)	(376)
Other	-	-	-	-
Deferred income tax liabilities			**(12,499)**	**(22,458)**
Employee benefits	16,156	14,220	3,231	2,844
Derivative financial instruments	1,723	4,175	345	835
Trade receivables	1,068	2,312	214	462
Inventories	831	2,765	166	553
Other current liabilities	358	2,485	72	497
Other	141	423	28	85
Deferred income tax assets			**4,056**	**5,276**
Deferred income tax liabilities, net			**(8,443)**	**(17,182)**

Movement for the deferred income tax liabilities for the periods ended at 31 December 2012 and 2011 are as follows:

	2012	2011
1 January	**17,182**	**13,463**
Deferred tax (income)/expense for the period, net	(2,116)	3,465
Amounts recognized under equity	562	165
Currency translation differences	(2,760)	-
Changes in the scope of consolidation	-	89
Subsidiary share sales (Note 6)	(4,425)	-
31 December	**8,443**	**17,182**

	31 December 2012	31 December 2011
Taxes on income calculated	68,004	18,796
Amount deducted from VAT tax receivables and prepaid corporate taxes	(62,102)	(18,427)
Taxes payable	**5,902**	**369**

(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 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Profit before tax	234,529	121,728
Expected tax expense of the Group (20%)	**46,906**	**24,346**
Subsidiary share sales (*)	88,453	-
Disallowable expenses	6,204	4,780
The effect of application of equity method	8,367	-
Research and development incentive	(5,830)	(10,001)
Dividend income	(551)	(2,690)
Other	(1,735)	(2,516)
Tax Effect (20%)	18,982	(2,085)
Current period tax expense of the Group	**65,888**	**22,261**

(*) As discussed within the framework of partnership process in Note 6, as a result of transferring all shares of Aksa Karbon Elyaf Sanayi A.Ş. amounting to USD 185,000,000 as capital in kind to Aksa Netherlands (with new title DowAksa Advanced Composites Holdings BV) of the Group, corporate tax base according to legal regulation is TL 176,622. The difference such tax base and "Subsidiary share sales income" amounting to TL 88,169 which is reflected to Group's consolidated financial statements is taken in consideration in the reconciliation above.

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 2012 and 2011 as follows

	31 December 2012	31 December 2011
Net income attributable to the equity holders of the parent (TL) (*)	165,992,798	97,049,347
Weighted average number of shares (B)	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	0.90	0.52

(*) 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 2012 and 2011, trade receivables from related parties are as follows:

	31 December 2012	31 December 2011
Ak-Pa (*) [1]	129,930	134,552
Akkim Kimya San. ve Tic. A.Ş. [2]	4,239	2,606
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş. [3]	2,828	-
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. [4]	2,118	-
Other	31	3
Less: Provision for sales discounts (-)	-	(2,231)
Less: Unearned finance income on term based sales (-)	(55)	(98)
Total	**139,091**	**134,832**

(*) 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 2012 and 2011, short-term trade payables due to related parties are as follows:

	31 December 2012	31 December 2011
Ak-Pa [1]	12,977	22,504
Akkim Kimya San. ve Tic. A.Ş. [2]	4,359	2,898
Akkök [5]	2,684	659
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. [2]	285	496
Dinkal Sigorta Acenteliği A.Ş. [2]	45	87
Other	117	100
Less: Unincurred finance costs on purchases (-)	(56)	(116)
Total	**20,411**	**26,628**

As of 31 December 2012 and 2011, short-term financial liabilities due to related parties are as follows:

	31 December 2012	31 December 2011
Ak-Pa [1]	8,280	-
Less: Unincurred finance costs on purchases (-)	(17)	-
Total	**8,263**	**-**

(1) Akkök's subsidiary and Company's financial investment
(2) Subsidiary of Akkök
(3) Joint Venture of Akkök
(4) Subsidiary of Joint Venture of the Company
(5) Shareholder of the Company

(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 31.12.2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Ak-Pa (*) (1)	570,869	611,144
Akkim Kimya San. ve Tic. A.Ş. (2)	41,044	36,077
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş. (4)	20,305	-
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. (5)	10,760	-
Ak-Al Gayrimenkul Geliştirme Ve Tekstil Sanayii A.Ş. (2)	-	17,877
Other	868	1,015
Total	**643,846**	**666,113**

(*) 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 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Ak-Pa (1)	5,099	29,402

Product and service purchases from related parties for the years ended 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Akkim Kimya San. ve Tic. A.Ş. (2)	42,819	36,252
Ak-Pa (1)	9,846	6,251
Akkök (3)	7,030	9,736
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. (2)	6,148	7,009
Dinkal Sigorta Acenteliği A.Ş. (2)	3,055	2,386
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş. (2)	2,106	1,033
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. (2)	1,061	603
Ak-Al Gayrimenkul Geliştirme Ve Tekstil Sanayii A.Ş. (2)	-	754
Other	167	637
Total	**72,232**	**64,661**

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

(1) Akkök's subsidiary and Company's financial investment
(2) Subsidiary of Akkök
(3) Company's shareholder
(4) Joint Venture of Akkök
(5) Subsidiary of Joint Venture of the Company

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

NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

The Company defined its key management personnel as member of action committee and board of directors, benefits provided to key management personnel as of 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Salary and other short term employee benefits	3,704	4,490
Provision for employee termination benefit	(26)	27
Providing benefits after working period	-	-
Other long term benefits	-	-
Share payments	-	-
Total	**3,678**	**3,194**

Benefits provided to the Board of Directors, for the years ended 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Salary and other short term employee benefits	2,828	2,559
Provision for employee termination benefit	10	11
Providing benefits after working period	-	-
Other long term benefits	-	-
Share payments	-	-
Total	**2,838**	**2,570**

NOTE 27 - FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

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

Trade Receivable Aging Analysis

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

31 December 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**

(*) Overdue trade receivables amounting to TL 14,737, has been collected in the period between the balance sheet date and the date of publication of these financial statements.

31 December 2011	Trade Receivables
1-30 days overdue	12,690
1-3 months overdue	10,963
3-12 months overdue	2,201
More than 12 months overdue	131
Total	**25,985**
Secured with guarantees	**21,530**

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (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**	**-**	**24**	**-**	**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	-	24	-	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*	-	-	-	-

(*) 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 2012, re-structured receivables amount of TL 448 has been collected in subsequent period and TL 4,945 portion of given receivables secured with guarantees.

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2011 amounts carried in the balance sheet reflect maximum credit risk of the Group:

	Trade Receivables		Other receivables		Deposits at bank	
31 December 2011	**Related Parties**	**Other**	**Related Parties**	**Other**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**134,832**	**267,538**	**-**	**30**	**-**	**83,666**
- Secured portion of maximum credit risk by guarantees (*)	***119,520***	***229,130***	**-**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	128,577	247,809	-	30	-	83,666
Financial assets with renegotiated conditions (**)	-	13,656	-	-	-	-
Net book value of the expired or not impaired financial assets	6,256	19,729	-	-	-	-
- Secured portion with guarantees	5,706	15,824	-	-	-	-
Net book value of impaired assets	-	2,000	-	-	-	-
- Matured (net book value)	-	42,236	-	-	-	-
- Impairment (-) (Note 8)	-	(40,236)	-	-	-	-
- Secured portion with guarantees	-	*(2,000)*	-	-	-	-

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities in the translation of the Turkish Lira. The exchange rate risk is monitored by 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 2012	31 December 2011
Assets	394,025	435,426
Liabilities	(497,464)	(723,383)
Net balance sheet position	**(103,439)**	**(287,957)**

Foreign currency position as of 31 December 2012 and 2011 are as follows:

	31 December 2012			
	USD position	**EURO position**	**Other foreign currency position**	**Total**
Assets:				
Cash and cash equivalents	79,541	11,246	2,406	93,193
Trade receivables	274,845	25,035	-	299,880
Other assets	43	68	841	952
Total assets	**354,429**	**36,349**	**3,247**	**394,025**
Liabilities:				
Financial liabilities	285,938	-	-	285,938
Trade payables	209,589	1,228	-	210,817
Other liabilities	-	-	709	709
Total liabilities	**495,527**	**1,228**	**709**	**497,464**
Net foreign currency position	**(141,098)**	**35,121**	**2,538**	**(103,439)**

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2011			
	USD position	**EURO position**	**Other foreign currency position**	**Total**
Assets:				
Cash and cash equivalents	57,526	1,233	1,133	59,892
Trade receivables	335,236	39,329	57	374,622
Other assets	43	23	846	912
Total assets	**392,805**	**40,585**	**2,036**	**435,426**
Liabilities:				
Financial liabilities	493,189	-	-	493,189
Trade payables	226,065	2,400	1,528	229,993
Other liabilities	-	52	149	201
Total liabilities	**719,254**	**2,452**	**1,677**	**723,383**
Net foreign currency position	**(326,449)**	**38,133**	**359**	**(287,957)**

The following table demonstrates the sensitivity to possible changes in the net position, on the Group's balance sheet as of 31 December 2012 and 31 December 2011.

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)**

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2011	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL		
USD net asset/liability	(32,645)	32,645
Amount hedged for USD risk	-	-
USD net effect	**(32,645)**	**32,645**
In case 10% change of EUR against TL		
EUR net asset/liability	3,813	(3,813)
Amount hedged for EUR risk	-	-
EUR net effect	**3,813**	**(3,813)**

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 2012, other things being constant, if the interest rate depreciate/ appreciate by 1%, profit before tax would increase/decrease TL 260 (31 December 2011: TL 31), capitalized financial cost on construction in progress would not change (31 December 2011: TL 474).

	31 December 2012	**31 December 2011**
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	*116,024*	*60,854*
Financial liabilities		
USD borrowings	237,440	204,974
TL Borrowings	-	-
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	-	-
Financial liabilities		
USD borrowings	62,083	288,257

(*) 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 - FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

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

31 December 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	-

31 December 2011:

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	493,231	557,115	2,335	183,621	229,764	141,395
Trade payables	226,135	228,040	147,965	80,075	-	-
Due to related parties	26,628	26,685	25,447	1,238	-	-
	745,994	**811,840**	**175,747**	**264,934**	**229,764**	**141,395**
Derivative financial instruments						
Derivative cash outflow	4,175	4,288	311	1,954	2,023	-

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

Import export information:

Import export for the years ended at 31 December 2012 and 2011 are as follows:

Export

	31 December 2012	**31 December 2011**
USD	352,921	334,244
EUR	219,452	134,305
Other	17,995	41
Total	**590,368**	**468,590**

Import

	31 December 2012	**31 December 2011**
USD	776,429	632,741
EUR	39,031	45,454
Other	786	920
Total	**816,246**	**679,115**

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.

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

The ratio of net debt to equity is as follows:

	31 December 2012	31 December 2011
Total liabilities	543,990	745,994
Less: Cash and cash equivalents (Note 4)	(141,472)	(85,106)
Net debt	**402,518**	**660,888**
Total shareholders' equity	970,920	850,947
Total capital	**1,373,438**	**1,511,835**
Debt/equity ratio	**29%**	**44%**

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.

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

NOTE 28 - FINANCIAL INSTRUMENTS (Continued)

Financial liabilities

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

The estimated fair 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).

31 December 2012

	Level 1	**Level 2**	**Level 3**
Hedging derivative financial instruments	-	1,723	-
Total Liabilities	**-**	**1,723**	**-**

31 December 2011

	Level 1	**Level 2**	**Level 3**
Hedging derivative financial instruments	-	4,175	-
Total Liabilities	**-**	**4,175**	**-**

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

1. There has been a fire in Company's Yalova plant at the finished good warehouse as of 27 January 2013 The fire has been intervened immediately by the Company's technical team, along with fire departments of neighboring provinces and districts. As a result of the fire, finished goods warehouse, some cutting and packaging equipments and finished goods in the warehouse were damaged. A draft damage claim has been prepared through insurance contracts related with aforementioned assets. Based on the claim USD 5 million has been received as advance from the insurance companies. As of the release date of these financial statements, the expertise report and reimbursement file have not been finalized yet. However net book value of damaged assets are below the claim for compensation.

2. The memorandum of intention in order to consider probability of investing to Prepreg- ACM and Nanotechnology Center of Composite, companies which are located in Russia, by Dow Aksa, was signed at 25 January 2013, between the Company's joint venture, DowAksa, and the Chemical Company Holding Company Compasite and Rusnano. Under the possibility of occurrence of the investment, the contracting parties will continue to evaluate opportunities in aerospace, construction, energy, oil, gas and transportation businesses and they will continue assessment of demand in Russia's market and global market.

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