Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Kat: 2-3-4 Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

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

3) Key Audit Matters

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

Building a better working world

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

Key Audit Matters	Auditor's response
Inventory Impairment	
The Group values its inventories at the lower of cost or net realizable value. Additionally, the reserve for impairment is provided for slow-moving, surplus or scrap materials. The Group's calculation of provisions for inventory impairment includes management's estimations and assumptions. These estimations and assumptions include the utilization of the inventory that are sold slowly due to technological changes and changing customer expectations, and utilization of the provision for non-moving and damaged inventories. Therefore, this matter is determined as a key audit matter. As of 31 December 2019, the Group had inventories amounting to KTL 672,302 and booked a provision amounting to KTL 5,697. The disclosures related to inventory are made in Note 10.	During our audit, the following audit procedures have been applied related to provision for inventory impairment: -Understanding the accounting policy related to provisions for inventory impairment and assessing its appropriateness, -Comparing the inventory turnover rate with previous year, -Observing whether non-moving or damaged inventories existence, during year-end stock counts, -Testing sales prices deducted by discount used in net realizable value calculation,
Recoverability of DowAksa Advanced Composites Holdings BV ("DowAksa")	
As of 31 December 2019, as stated in Note 6 to the consolidated financial statements; the investment accounted for using equity method, DowAksa, which is owned by the Group by 50%, is presented in the consolidated financial statements with the carrying value of KTL 302,846 (7% of total assets). DowAksa has losses in the years 2019 and 2018. The Group Management's assessment of the recoverable amount of DowAksa requires the use of significant estimates and assumptions. Changes in these assumptions may affect the recoverable value of DowAksa, leading to impairment.	During our audit work, the methods and assumptions used in the valuation studies prepared by the management were reviewed, together with the experts of another company within the same audit network we are affiliated with. The business plans approved by management were questioned in light of macroeconomic data and sector explanations. Reasonableness of cash flow estimations were tested through comparison with previous year. tested whether the discount rates used were reasonable and also tested the mathematical accuracy of the valuation studies was tested. In addition, we reviewed the accuracy of the information in the footnotes related to the financial statements.

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

Trade receivable - Impairment	
Trade receivables are considered as a significant balance sheet item since it represents 20% of total assets in the consolidated financial statement. Furthermore, collectability of trade receivables is a significant component of the Group's credit risk and working capital and includes significant judgements and estimations of the management. As of 31 December 2019, trade receivables amounted to KTL 851,137 in the consolidated financial statement and provision for impairment amounted to KTL 46,663. Determining the collection risk and provision to be made for trade receivables or determining whether a particular trade receivable is collectible, requires significant management judgement. In this respect, the Group management assesses; the aging of receivables, review of ongoing litigation risks with the letters obtained from company lawyers, the collaterals received within the scope of the credit risk management and the nature of these collaterals, the performance of collection made in the current period and period after balance sheet date, as well as all other information. As of 1 January 2018, the Group has begun to apply TFRS 9 "Financial Instruments" standard and the credit losses for financial assets are accounted in the consolidated financial statements as per the related standard. The existence and collectability of trade receivables are determined as a key audit matter in consideration of; the size of the amounts and the judgement required in the assessment of collectability of trade receivables, and the complexity and comprehensiveness of TFRS 9.	The following procedures were applied regarding the audit of provision for trade receivables: -Assessment of the Group's process for trade receivables' collection follow-up and operational efficiency of related internal controls, -Understanding, assessing and testing the efficiency of internal controls related to financial reporting for credit risk, -Reviewing receivable aging tables analytically and comparing the collection turnover rate with previous year, -Testing trade receivable balances by sending confirmation letters through sampling, -Testing subsequent period collection, through sampling, -Testing collaterals received for trade receivables, through sampling and assessing ability to liquidate, -Assessment of the reasonableness; of key judgements and estimations used by the management, and methods and data sources used for impairment calculation in the scope of "TFRS 9 Financial Instruments" standard, -Assessment of the applied accounting policies; to TFRS 9, the Group's past performance and compliance with local and global practices, -Investigating disputes and lawsuits to audit the appropriateness of special provisions made for trade receivables, and obtaining confirmation letter from legal advisors related to ongoing receivable follow-up lawsuits, -Assessing the competence and compliance of disclosures related to trade receivables and trade receivable impairment, with TFRS.

Building a better working world

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

ADDITIONAL PARAGRAPH ADDED FOR CONVENIENCE TRANSLATION

4) Other Matter

As explained in Note 2.5 to the consolidated financial statements, US Dollar ("USD") amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira ("TRY"), as a matter of arithmetic computation only, at the official USD bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at December 31, 2019 for consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2019 for the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and they do not form part of these consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Building a better working world

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

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

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

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

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

Building a better
working world

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 14 February 2020.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

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

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

Ferzan Ülgen, SMMM
Partner

14 February 2020
Istanbul, Turkey

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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 2019

CONTENTS **PAGE**

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2019 AND 2018

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

			Audited	*Audited*
		31 December 2019	**31 December 2019**	**31 December 2018**
	Notes	**USD (*)**	**TL**	**TL**
ASSETS				
Current assets		**366,950**	**2,179,759**	**2,448,122**
Cash and cash equivalents	4	106,914	635,091	837,838
Trade receivables				
- Trade receivables due from third parties	8	78,631	467,086	624,081
- Trade receivables due from related parties	27	42,767	254,046	296,127
Other receivables				
- Other receivables due from related parties	27	2,330	13,843	24,678
- Other receivables due from third parties	9	372	2,211	2,242
Derivative financial assets	18	54	323	1,418
Inventories	10	113,178	672,302	485,190
Prepayments	17	4,811	28,578	8,291
Other current assets	17	17,891	106,279	168,257
Non-current assets		**338,063**	**2,008,162**	**1,740,505**
Financial investments	5	3,396	20,173	-
Trade receivables				
- Trade receivables due from third parties	8	21,886	130,005	-
Derivative financial assets	18	54	323	1,855
Investments accounted for using equity method	6	50,982	302,846	286,658
Investment property	11	7,301	43,371	44,631
Property, plant and equipment	13	233,983	1,389,903	1,328,532
Right-of-use assets	12	2,492	14,804	-
Intangible assets				
- Goodwill	14	1,008	5,989	5,989
- Other intangible assets	14	12,189	72,406	64,753
Prepayments	17	4,771	28,342	8,087
TOTAL ASSETS		**705,013**	**4,187,921**	**4,188,627**

(*) United States Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.5).

These consolidated financial statements at 31 December 2019 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 14 February 2020.

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 FINANCIAL POSITION AT 31 DECEMBER 2019 AND 2018

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

	Notes	31 December 2019 USD (*)	*Audited* 31 December 2019 TL	*Audited* 31 December 2018 TL
Current liabilities		**348,742**	**2,071,596**	**2,057,250**
Current borrowings	7	144,003	855,406	984,376
Current proportion of non-current borrowings				
- Bank credits	7	36,668	217,816	271,424
- Lease payables	7	372	2,207	-
Trade payables				
- Trade payables to third parties	8	147,764	877,748	721,593
- Trade payables to related parties	27	6,461	38,380	52,307
Employee benefits obligations	16	685	4,072	3,415
Other payables				
- Other payables to third parties	9	200	1,186	1,035
Deferred income	17	9,220	54,766	6,170
Current tax liabilities	25	1,043	6,198	7,796
Current provisions				
- Current provisions for employee benefits	16	2,206	13,103	7,720
- Other current provisions	15	120	714	1,414
Non-current liabilities		**97,826**	**581,105**	**683,895**
Long-term borrowings				
- Bank credits	7	85,078	505,382	645,058
- Lease payables	7	2,252	13,378	-
Non-current provisions				
- Non-current provisions for employee benefits	16	5,182	30,780	22,179
Deferred tax liabilities	25	3,072	18,247	16,658
Other long term liabilities	17	2,242	13,318	-
Total liabilities		**446,568**	**2,652,701**	**2,741,145**
EQUITY		**258,446**	**1,535,220**	**1,447,482**
Equity attributable to owners of parent		**258,446**	**1,535,220**	**1,447,482**
Issued capital	19	31,144	185,000	185,000
Inflation adjustments on capital	19	32,857	195,175	195,175
Repurchased Shares	19	(5,742)	(34,106)	(31,464)
Share premium		7	44	44
Other accumulated comprehensive income / (loss) that will not be reclassified in profit and loss				
- Gains / (losses) on remeasurements of defined benefit plans		(1,840)	(10,930)	(4,546)
- Other investments accounted through equity method profit or loss from comprehensive income of non-classified shares		406	2,409	2,459
Other comprehensive income / (loss) that will be reclassified in profit and loss				
- Exchange differences on translation		50,652	300,883	258,664
- Reserve of gains or losses on hedge		(3,095)	(18,384)	-
Restricted reserves appropriated from profits		30,275	179,838	160,293
Prior years' profits or losses		77,036	457,609	457,561
Current period net profit or loss		46,746	277,682	224,296
Non-controlling interests		**-**	**-**	**-**
TOTAL LIABILITIES AND EQUITY		**705,013**	**4,187,921**	**4,188,627**

(*) 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 2019, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

Profit or loss	**Notes**	**2019 USD (*)**	*Audited* **2019 TL**	*Audited* **2018 TL**
Revenue	20	642,915	3,645,900	3,537,548
Cost of sales (-)	20, 21	(533,590)	(3,025,933)	(2,916,366)
Gross profit / (loss)		**109,324**	**619,967**	**621,182**
General administrative expenses	21	(10,490)	(59,486)	(65,595)
Marketing expenses	21	(15,978)	(90,610)	(88,835)
Research and development expense	21	(1,335)	(7,568)	(4,855)
Other income from operating activities	22	36,229	205,453	539,157
Other expenses from operating activities	22	(30,272)	(171,670)	(469,335)
Profit / (loss) from operating activities		**87,479**	**496,086**	**531,719**
Income from investment activities	23	1,231	6.980	16.881
Share of profit / (loss) from investments accounted for using equity method	6	(3,348)	(18,986)	(11,467)
Profit/ (loss) before financing income/ (expense)		**85,362**	**484,080**	**537,133**
Finance income	24	49,594	281,240	874,123
Finance cost	24	(73,669)	(417,768)	(1,154,681)
Profit/ (loss) from continuing operations, before tax		**61,287**	**347,552**	**256,575**
Tax (expense)/income, continuing operations				
- Current period tax (expense) / income	25	(10,822)	(61,369)	(35,736)
- Deferred tax (expense) / income	25	(1,499)	(8,501)	3,457
Profit / (loss)		**48,966**	**277,682**	**224,296**
Profit/ (loss), attributable to:				
Owners of parent		48,966	277,682	224,296
Non-controlling interests		-	-	-
		48,966	**277,682**	**224,296**
Basic earnings/ (loss) per share for owners of parent (Kr)	26		1.50	1.21
Other comprehensive income / (loss)				
Other comprehensive income that will not be reclassified to profit or loss				
Gains / (losses) on remeasurements of defined benefit plans	16	(1,407)	(7,980)	1,978
Investments accounted through equity method profit or loss from comprehensive income of non-classified shares Gains/losses measurements of defined benefit plans of investments accounted through equity method	6	(9)	(50)	2,459
Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss	25	281	1,596	(396)
Other comprehensive income that will be reclassified to profit or loss				
Other comprehensive income/(expense) for cash flow hedges		(4,156)	(23,569)	-
Exchange differences on translation		7,445	42,219	81,690
Taxes relating to components of other comprehensive income that will be reclassified to profit or loss		914	5,185	-
Total comprehensive income / (loss)		**52,035**	**295,083**	**310,027**
Total comprehensive income / (loss) attributable to:				
Owners of parent		52,035	295,083	310,027
Non-controlling interests			-	-
		52,035	**295,083**	**310,027**

(*) 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 2019, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUİTY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

							Attributable to equity holders of the parent							
Independent Audit	**Issued capital**	**Inflation adjustments on capital**	**Repurchased Shares**	**Share premium**	**Reserve of gains or losses on hedge[1]**	**Restricted reserves appropriated from profits**	**Income from investments ounted for using equity method[2]**	**Exchange differences on translation [1]**	**Gains/(losses) on remeasurements of defined benefit plans[2]**	**Prior years' profits or losses**	**Current period net profit or loss**	**Total**	**Non-controlling interests**	**Total equity**
1 January 2018	**185,000**	**195,175**	**-**	**44**	**-**	**140,498**	**-**	**176,974**	**(6,128)**	**389,585**	**294,971**	**1,376,119**	**-**	**1,376,119**
Repurchased Shares	-	-	(31,464)	-	-	-	-	-	-	-	-	(31,464)		(31,464)
Transfers	-	-	-	-	-	19,795	-	-	-	275,176	(294,971)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(207,200)	-	(207,200)	-	(207,200)
Total comprehensive income/(loss)	-	-	-	-	-	-	2,459	81,690	1,582	-	224,296	310,027	-	310,027
31 December 2018	**185,000**	**195,175**	**(31,464)**	**44**	**-**	**160,293**	**2,459**	**258,664**	**(4,546)**	**457,561**	**224,296**	**1,447,482**	**-**	**1,447,482**

							Attributable to equity holders of the parent							
	Issued capital	**Inflation adjustments on capital**	**Repurchased Shares**	**Share premium**	**Reserve of gains or losses on hedge[1]**	**Restricted reserves appropriated from profits**	**Income from investments accounted for using equity method[2]**	**Exchange Differences on translation [1]**	**Gains/(losses) on remeasurements of defined benefit plans[2]**	**Prior years' profits or losses**	**Current period net profit or loss**	**Total**	**Non-controlling interests**	**Total equity**
1 January 2019	**185,000**	**195,175**	**(31,464)**	**44**	**-**	**160,293**	**2,459**	**258,664**	**(4,546)**	**457,561**	**224,296**	**1,447,482**	**-**	**1,447,482**
Repurchased Shares	-	-	(6,563)	-	-	-	-	-	-	-	-	(6,563)	-	(6,563)
Transfers	-	-	-	-	-	19,545	-	-	-	204,751	(224,296)	-	-	-
Dividend paid	-	-	3,921	-	-	-	-	-	-	(204,703)	-	(200,782)	-	(200,782)
Total comprehensive income/(loss)	-	-	-	-	(18,384)	-	(50)	42,219	(6,384)	-	277,682	295,083	-	295,083
31 December 2019	**185,000**	**195,175**	**(34,106)**	**44**	**(18,384)**	**179,838**	**2,409**	**300,883**	**(10,930)**	**457,609**	**277,682**	**1,535,220**	**-**	**1,535,220**

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

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

	Notes	2019 USD (*)	2019 TL	2018 TL
A. Cash Flows From/ (Used in) Operating Activities		**115,814**	**656,766**	**281,525**
Profit/ (loss)		48,966	277,682	224,296
Adjustments to reconcile Profit/ (loss):		**56,128**	**318,293**	**268,480**
Adjustments for depreciation and amortization expense	21	19,626	111,298	89,829
Adjustments for impairment loss/ (reversal of impairment loss)		3,749	21,263	11,013
Adjustments for provisions		755	4,283	5,876
Adjustments for interest (income)/expense	24	6,277	35,598	5,663
Adjustments for unrealised foreign exchange losses/ (gains)		10,433	59,163	123,191
Adjustments for undistributed profits of investments accounted for using equity method	6	3,348	18,986	11,467
Adjustments for tax (income)/expenses	25	12,321	69,870	32,279
Adjustments for losses/ (gains) on disposal of non-current assets		(451)	(2,556)	(9,831)
Other adjustments to reconcile profit/ (loss)		68	388	(1,007)
Changes in working capital		**4,912**	**27,854**	**(254,269)**
Adjustments for decrease (increase) in inventories		(31,437)	(178,273)	(71,341)
Adjustments for decrease (increase) in trade accounts receivable		9,235	52,373	(223,568)
Adjustments for decrease (increase) in other receivables related with operations		2,186	12,395	96,455
Adjustments for increase (decrease) in trade payable		23,072	130,838	56,007
Adjustments for increase (decrease) in other operating payables		27	151	432
Other adjustments for other increase (decrease) in working capital		1,829	10,370	(112,254)
Cash flows from/ (used in) operating activities		**110,005**	**623,829**	**238,507**
Interest paid	22	(2,148)	(12,183)	(13,617)
Interest received	22	5,522	31,316	31,099
Payments related with provisions for employee benefits	16	(646)	(3,662)	(5,897)
Income taxes refund/ (paid)		3,080	17,466	31,433
B. Cash Flows From/ (Used in) Investing Activities		**(30,295)**	**(171,800)**	**(357,923)**
Proceeds from sales of property, plant, equipment and intangible assets		569	3,227	15,591
Purchase of property, plant, equipment and intangible assets		(27,337)	(155,027)	(373,514)
Cash outflows from participation (profit) share and other financial instruments		(3,527)	(20.000)	-
C. Cash Flows From/(Used in) Financing Activities		**(121,622)**	**(689,705)**	**346,599**
Payments to acquire entity's shares	19	(1,157)	(6,563)	(31,464)
Proceeds from borrowings		221,453	1,255,834	1,824,268
Repayments of borrowings		(296,721)	(1,682,673)	(1,219,986)
Dividends paid	19	(35,406)	(200,782)	(207,200)
Payments of lease liabilities		(311)	(1,765)	-
Interest received		6,704	38,017	42,541
Interest paid		(16,183)	(91,773)	(61,560)
Net increase/(decrease) in cash and cash equivalents before effect of exchange rate changes		**(36,104)**	**(204,739)**	**270,201**
D. Effect of exchange rate changes on cash and cash equivalents		**887**	**5,031**	**5,727**
Net increase/(decrease) in cash and cash equivalents		**(35,216)**	**(199,708)**	**275,928**
E. Cash and Cash Equivalents at the Beginning of the Period	**4**	**147,197**	**834,738**	**558,810**
Cash and cash equivalents at the end of period	**4**	**111,981**	**635,030**	**834,738**

(*) US Dollar ''USD'' amounts presented above have been translated from TL for convenience purposes only, at the USD average CBRT bid rates for the year ended 31 December 2019, 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 referred to as 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 rental of real estate.

Aksa is registered with the Capital Markets Board ("CMB") and its shares have been quoted in the Borsa İstanbul A.Ş. ("BİST") since 1986. As of 31 December 2019, the principal shareholders and their respective shareholding rates in the Company are as follows:

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

(*) As of 31 December 2019, 37.68% of the Aksa shares are traded on BIST and 1.99% of the shares are owned by the Company in the scope of share repurchase program. (Note 19).

Akkök Holding, which is the main shareholder of the Company, is controlled by Dinçkök family members. As of December 31, 2019, the number of employees is 1,216 (2018: 1,231).

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

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

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

- Fibers
- Energy
- Other

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

Subsidiaries	**Country**	**Nature of business**	**Segment**
Aksa Egypt Acrylic Fiber Industry SAE ("Aksa Egypt")	Egypt	Textile	Fiber

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

2.1.1 Financial Reporting Standards Applied

The Company and its subsidiary established in Turkey, prepares their legal books in accordance with the Turkish Commercial Code No. 6102 ("TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries, Joint Ventures and Affiliates operating in foreign countries prepare their legal financial statements in accordance with the laws and regulations applicable in the countries in which they operate.

The companies in Turkey are subject to independent audit, prepares their financial statements in accordance with TCC and accounting standards enforced by Public Oversight Accounting and Auditing Standards Board ("POA"). The accompanying consolidated financial statements has been prepared according to Turkey Accounting Standards ("TAS") enforced by POA**.** TAS; Turkey Accounting Standards and Turkey Financial Reporting Standards supplement made in relation to this area with the name of the published accounting standards and review of and published by POA and exceptional other standards, it consists of reviews and other regulations.

Financial statements and footnotes are presented in accordance with the "2019 TAS Taxonomy" announced by the POA with the principle decision dated June 7, 2019.

The consolidated financial statements are based on legal records and has been expressed in Turkish Lira ("TL"), according to Turkey Accounting Standards issued by the POA is subjected to a number of adjustments and reclassifications to be able to properly submit the status of the Group are prepared. These adjustments generally include deferred taxes, severance pay, separation of tangible fixed assets depreciation and intangible asset redemptions according to their economic lives and prognosis, provisioning practices and hedge accounting practices.

Consolidated financial statements have been prepared on the basis of historical cost. Historical cost value is the value of the costs incurred during the acquisition or creation of the asset. This value consists of the price paid to acquire and create the asset plus transaction costs. When an obligation is incurred or an obligation is taken over, the historical cost of that obligation is the value of the value received to bear or take on the obligation minus the transaction costs.

Currency and Financial Statements Presentation Currency

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

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

a) Amendments in TFRS which affect the reported amounts and notes in consolidated financial statements

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to TFRS 16:

The Group adopted TFRS 16 using the modified retrospective approach. The Group elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and TFRIC 4.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., printing and photocopying machines) that are considered of low value.

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

Assets (TL)	
Property, plant and equipment (right-of-use assets)	13,639
Prepaid expenses	(39)
Liabilities (TL)	
Lease liabilities	13.600

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

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

The standard is applied for annual periods beginning on or after January 1, 2019. As of 31 December 2019, the effects of the mentioned standard on the financial position and performance of the Group are explained below:

	Before the change	Effects of the new standard	After the change
Prepaid expenses – short term	28,640	(62)	28,578
Right-of-use assets	-	14,804	14,804
Lease payables			
- Short term	-	2,207	2,207
Lease payables			
- Long term	-	13,378	13,378
Cost of sales (-)	(3,028,870)	2,804	(3,025,933)
General and administrative expenses (-)	(59,702)	216	(59,486)
Marketing expenses (-)	(90,624)	14	(90,610)
Financing expenses (-)	(413,891)	(3,877)	(417,768)
Net profit for the period	**278,525**	**(843)**	**277,682**

b) The new standards in effect as of 31 December 2019 and amendments and interpretations to existing previous standards:

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

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

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures. These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

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

TFRIC 23 Uncertainty over Income Tax Treatments

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

When there is uncertainty over income tax treatments, the interpretation addresses:

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

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

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

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

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation. These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

c) Standards and amendments issued as of 31 December 2019 but not yet effective

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will be applied for annual periods starting on or after January 1, 2021. Early application is permitted. It will not have an impact on the financial position or performance of the Group.

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

Definition of a Business (Amendments to TFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:
- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Group expects no significant impact on its balance sheet and equity.

Definition of Materiality (Amendments to TAS 1 and TAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7. The Group expects no significant impact on its balance sheet and equity.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The amendment has not been published by the POA yet. The Group expects no significant impact on its balance sheet and equity.

2.1.2 Basis of Consolidation

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

b) Subsidiaries are businesses controlled by Aksa. Control is provided only on the business that Aksa invests in, and only when all of the following indicators are present:

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

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

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

The table below demonstrates subsidiaries and ownership rates as of 31 December 2019 and 2018:

	The Group's direct and indirect ownership interest (%)	
Subsidiary	**31 December 2019**	**31 December 2018**
Aksa Egypt (*)	99.84	99.84

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

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

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

c) Joint ventures

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

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

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

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

	The Group's direct and indirect ownership interest (%)	
Joint venture	**31 December 2019**	**31 December 2018**
DowAksa Holdings	50.00	50.00

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

2.2 Changes in Accounting Policies, Accounting Estimates and Errors

In case of changes and errors in accounting policies and accounting estimates, important changes made and significant accounting errors detected are applied retrospectively and the previous period financial statements are restated. If the changes in accounting estimates are for only one period, they are applied both in the current period when the change is made and both in the future when the change is made and in the future.

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

In accordance with the decision taken at the CMB meeting dated June 7, 2013 and numbered 20/670, examples of financial statements that entered into force as of the interim periods ending after March 31, 2014, and the usage guide have been published. In accordance with the mentioned examples, various classifications can be made in the consolidated financial statements of the Group.

2.3 Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include cash and bank deposits and short-term investments with high liquidity, the amount of which can be easily converted into cash, with a risk of change in value and three months or less. (Note 4).

Financial Assets

The Group classifies its financial assets in three classes of financial assets at fair value through profit or loss, which are accounted for at amortized cost and are measured at fair value through profit or loss. The classification is based on the business model used by the entity for the management of financial assets and the contractual cash flows of the financial asset. The Group classifies its financial assets at the time of the purchase.

"Financial assets measured at amortized cost" are non-derivative financial assets held by a business model that aims to collect contractual cash flows and that have cash flows that include interest payments on principal dates and principal balances on certain dates under contractual terms. The Group's financial assets that are accounted for at amortized cost include "cash and cash equivalents", "trade receivables" and "other receivables". The related assets, with their fair values in the initial recognition of financial statements; in subsequent accounts, it is measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated statement of profit or loss.

Loans and receivables

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

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

2.3 Summary of Significant Accounting Policies (continued)

Trade receivables

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

In addition, the Group uses the provisioning matrix by selecting the simplified application for the impairment calculations of the trade receivables accounted at amortized cost value in the financial statements. With this application, in cases where the trade receivables are not impaired due to certain reasons, the expected credit loss provision is measured by an amount equal to the expected credit losses. In the calculation of the expected credit losses, the Group's future estimates are taken into consideration along with past loan loss experiences.

Finance Lease
As lessor

Leasing is classified as a financial lease, where the majority of the risks and gains of the property belong to the tenant and the right to purchase at the end of maturity is given to the lessee. The asset subject to financial leasing is shown as a net receivable equal to the investment subject to this transaction. Interest income is determined by calculating the present value of the total value of the lease payments and the unsecured residual value by calculating the discount rate that equals the fair value of the economic asset subject to lease, and the part not accrued in the relevant period is monitored in the unearned interest income account.

Operational Lease

The Group measures the lease obligation based on the present value of the lease payments, which were not paid on the date the lease actually started.

The lease payments included in the measurement of the lease obligation at the date of the lease actually consist of the following payments to be made for the right of use of the underlying asset during the lease period and not paid at the date when the lease actually started:

(a) Fixed payments,
(b) Variable rental payments based on an index or rate, made using an index or rate at the date when the first measurement was actually started,
(c) Amounts expected to be paid by the Group within the scope of residual value commitments
(d) The price of use of this option if the Group is reasonably sure that it will use the purchase option; and
(e) If the rental period indicates that the Group will use an option to terminate the lease, penalties for termination of the lease.

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

2.3 Summary of Significant Accounting Policies (continued)

Operational Lease (continued)

Variable lease payments that do not depend on an index or rate are recorded as expenses in the period when the event or condition that triggered the payment occurred.

In case the revised discount rate and the implicit interest rate in the lease can be easily determined for the remainder of the group lease period, this rate is; If it cannot be determined easily, it determines the alternative borrowing interest rate on the date of the Group's re-evaluation.

The group measures the lease obligation after the lease actually starts as follows:
(a) Increases the carrying amount to reflect the interest on the lease obligation, and
(b) Reduces the carrying value to reflect the rent payments made.

In addition, in the event that there is a change in lease duration, a change in substance of fixed lease payments or a change in the assessment of the option to purchase an underlying asset, the value of financial lease liabilities is re-measured.

Short-term leases and low-value leases

The Group applies its short term lease registration exemption to short term machinery and equipment lease contracts (i.e. assets with a lease period of 12 months or less from the start date and without a purchase option). At the same time, it applies the exemption of accounting for low-value assets to office equipment, the rental value of which is considered to be low-value. Short term lease contracts and lease contracts of low value assets are recorded as expense according to the linear method during the lease period.

Right-of-use assets

The Group accounts for its right-of-use assets on the date the financial lease contract commences. The right-of-use assets are calculated by deducting the accumulated depreciation and impairment losses from the cost value. In case the financial leasing debts are revalued, this figure is corrected.

The cost of the right-of-use asset includes:
(a) the first measurement of the lease obligation,
(b) the amount obtained from all lease payments made before or before the lease actually started, by deducting all lease incentives received, and
(c) all initial costs incurred by the Group.

Unless the transfer of the ownership of the underlying asset to the Group is reasonably finalized at the end of the lease term, the Group depreciates its asset right to use until the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment assessment.

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

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

2.3 Summary of Significant Accounting Policies (continued)

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 the net realizable value or cost value. The cost determination method is the monthly weighted average for all inventories, and work-in-process and finished goods take a share from the production costs. 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. Unusable inventories are removed from the records (Note 9).

Investment properties

Instead of being used in the production of goods and services or being sold for administrative purposes or during the normal course of business, the land and buildings held for the purpose of obtaining rent and / or capital gain or both are classified as investment properties and according to the cost method, the cost is minus accumulated depreciation values. (Note 11). The cost of an investment property bought consists of the purchase price and expenses that can be directly associated with this transaction. The average useful life of investment properties changes between ten (10) and fifty (50) years.

Property, plant and equipment

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

The initial cost of property, plant and equipment comprises its purchase price, including import duties and and non-refundable taxes consist of charges to make the tangible asset available.

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 2019, the depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

2.3 Summary of Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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

Profit and loss resulting from the sale of tangible fixed assets is determined by comparing the amounts collected or to be collected and reflected in the relevant income and expense accounts in the current period.

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 are recorded at their acquisition costs. Except for the expenses incurred for the development of new vehicles that are planned to be produced within the Group, intangible assets cannot be capitalized and expenditures incurred during the period they occur. Intangible assets are amortized using the straight line method based on their estimated useful lives. The activated development expenses are amortized by the straight line method in line with the estimated useful life of the product after the commencement of commercial production. Intangible assets; the values they carry are reviewed in case the changes in the conditions and the events show that the carried value may decrease, and the required provision is set. (Note 12).

Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi ("Yalkim OSB") is classified under the intangible assets of the shares of fixed assets acquired.

Useful lives of use rights are determined as 3-24 years excluding land use fees.

Research and development costs

Research expenses are written on the date they occur. Apart from the project expenditures with the below mentioned criteria, expenditures for development are recorded as expense in the period they occur. Costs of development projects that meet the criteria mentioned below are accepted as development costs within the scope of TAS 38 "Intangible Assets" standard, they are capitalized and amortized by the straight line method in accordance with the project life (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-company,
- 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.

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

2.3 Summary of Significant Accounting Policies (continued)

Revenue recognition

In accordance with TFRS 15 "Revenue from Customer Contracts Standard", which entered into force as of January 1, 2018, the Group records revenue in its financial statements in line with the following basic principles:

- Identification of contracts with customers
- Identification of performance obligations in contracts
- Determination of the transaction price in contracts
- Distribution of transaction fee to performance obligations
- Revenue recognition

Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

The Group recognizes a contract with its customer as revenue when all of the following conditions are met.

a) ownership of the company's right to collect goods or services,
b) the ownership of the legal property of the customer,
c) transfer of possession of goods or services
d) ownership of significant risks and rewards arising from ownership of the goods or services
e) take into account the terms of the customer's acceptance of the goods or service

Interest income is calculated on accrual basis by taking into consideration the effective interest rate and the effective interest rate within the remaining period to maturity.

If there is a significant financing element in revenue, the revenue value is determined by discounting the future collections with the interest rate included in the financing element. The difference is recognized in the related periods as other income from the operating activities on accrual basis (Note 20).

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

Cash flow hedge accounting

There is an effective cash flow protection relationship between the Company's foreign currency denominated long-term loans (non-derivative hedging instrument) and its likely future sales (hedged item).

In this context, the Company has defined its likely sales to be realized as "hedged item" as of January 1, 2019 within the scope of its policy of managing cash flows arising from exchange rate risk, by matching these sales with its long-term financial debts defined as "non-derivative hedging instrument" and started hedge accounting. In the context of this accounting, the discounted spot component of the long-term loans' principal payments (proportionate to effectiveness) foreign exchange losses/gains, which are defined as hedging instruments in a calendar period in accordance with the foreseeable budgets, is to be booked under Reserve of gains or losses on hedgein the Other Comprehensive Income Statement until the related sales are realized. When the sales are realized, the related foreign exchange gain / loss accumulated in the reserve is accounted under "foreign exchange income / expenses" in the income statement.

Bank borrowings

All bank loans are recorded over their fair values with reduced transaction costs. In the following periods, the effective interest rate method is valued at its discounted prices and the difference between the amount remaining after the transaction costs is deducted and the discounted cost value is reflected in the comprehensive income statement as financing cost during the loan period (Note 6). In case of need, the Group also performs early collection transactions in factoring practices against the cost of the receivable. This is an application parallel to the risk management practice in the form of recourse. Related amount is classified in financial liabilities and included in note explanations (Note 6).

Borrowing costs

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

Fair value of financial instruments

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

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

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. It is considered that the carrying values of the trade receivables after the rediscount and doubtful receivables provision are deducted are close to 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. It is considered that the fair values of loans denote the value they carry, since the interest rates are updated by taking into account the changing market conditions. The fair values of the trade payables after deducting the provision for rediscount are considered to approximate the carrying value.

Employee termination benefits

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

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

Unused vacation rights

Liabilities arising from unused vacation rights are accrued in the periods in which they are entitled.

Seniority Incentive Bonus

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

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

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 25).

Earnings per share

Earnings per share disclosed in the income statement are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 26).

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

Events after the balance sheet date

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

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

2.3 Summary of Significant Accounting Policies (continued)

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate (Note 15).

Contingent assets and liabilities

Probable obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial statements and are treated as contingent liabilities. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable (Note 15).

Offsetting

If the financial assets and liabilities have a legal right and sanction power to clarify and if they will be earned or paid in the future, the net amount in the balance sheet reported.

Foreign currency transactions

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

Goodwill

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

The carrying value of goodwill is reviewed annually and presented after deducting cumulative impairment in the balance sheet. Goodwill is monitored at the cash generating business units. The cash generating unit is determined according to expected benefits from related business combination. The Group performs goodwill impairment tests on December 31st of each year. Any impairment is not subsequently reversed. Gains/losses from the sale of business unit also include its carrying value of goodwill.

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

2.3 Summary of Significant Accounting Policies (continued)

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 Holdings are reported under "fibers" segment (Note 6).

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

Derivative instruments

Derivative instruments are initially recognized at the acquisition cost reflecting the fair value on the date of the contract and are valued at their fair value in the following periods. The Group's derivative financial instruments mainly consist of forward foreign exchange contracts and interest rate swap transactions. While the derivative instruments provide effective protection against risks for the community economically, they are recognized as derivatives held for trading in consolidated financial statements where they do not meet the requirements for risk accounting and the fair value changes are reflected in the statement of profit or loss.
In addition, the Group's foreign currency purchase and sale transactions are accounted for as derivative financial instruments held for trading in consolidated financial statements due to the fact that they do not meet the requirements for risk accounting and the changes in the fair value of these derivative financial instruments are associated with the income statement.

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

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

Related parties

Parties are considered related to the Group if:

a) Directly, or indirectly through one or more intermediaries, the party:

   i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
   ii) has an interest in the Group that gives it significant influence over the Group; or
   iii) has joint control over the Group;

b) the party is an associate of the Group;
c) the party is a joint venture in which the Group is a venture;
d) the party is member of the key management personnel of the Group or its parent;
e) the party is a close member of the family of any individual referred to in (a) or (d);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to In (d) or (e); or
g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the ordinary course of business (Note 27).

Reporting of cash flow

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

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

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

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

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three (3) months and which are subject to an insignificant risk of changes in value (Note 4).

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

2.3 Summary of Significant Accounting Policies (continued)

Government grants

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

2.4 Critical Accounting Judgments, Estimates and Assumptions

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

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

a) Provisions

As discussed in Note 2.3, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation (Note 15).

The Group makes various assumptions such as discount rate, inflation rate, real salary increase rate, and the possibility of leaving voluntarily in the calculation of severance pay liability. The effect arising from the changes in the current period in these assumptions has been recognized in the income statement in the current period. Assumptions used in calculating the liability are detailed in Note 16.

The doubtful receivables reflect the amounts that the Group management believes will cover the future losses of the receivables that exist as of the balance sheet date but which have the risk of not being collected within the framework of the current economic conditions. Regarding the receivables which have been the subject of the lawsuit, the Group management also evaluates the opinions of the legal counselors. While evaluating whether the receivables are impaired or not, the past performances of the borrowers other than the related institution and key customers, their credibility in the market and their performance from the balance sheet date to the approval date of the financial statements and the conditions under discussion are also taken into consideration. In addition, while determining the provision amount, besides the guarantees obtained as of the balance sheet date, collaterals acquired during the period until the approval date of the financial statements are also taken into consideration.

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

2.4 Critical Accounting Judgments, Estimates and Assumptions (continued)

a) Provisions (continued)

With regard to inventory impairment, inventories are physically analyzed, their availability is determined in line with the opinions of technical staff, and a provision is set for items that are not likely to be used. List sales prices are also used to determine the net realizable value of inventories and estimates are made for the sales expenses to be incurred. As a result of these studies, a provision is made for inventories with a net realizable value below the cost value.

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

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

c) Joint venture impairment analysis

The Company makes impairment analysis for its joint venture, DowAksa Holdings, using discounted cash flows. In these analyses, various assumptions are used regarding the future activities of the related company and the discount rates (Note 6).

d) Deferred tax assets and liabilities

Deferred tax assets and liabilities are recorded using tax rates that are largely used for temporary differences between the carrying values and bases of assets and liabilities. Based on the existing evidence, it has been evaluated that all or some of the deferred tax assets are likely to be converted into cash or not. Among the main factors considered, future income potential, losses accumulated from previous years, tax planning strategies to be implemented if necessary, the assumption that all of the Group's expenditures within the scope of investment incentive documents will be accepted in the incentive certificate closing visa and can be used to convert the deferred tax asset into cash. the nature of the income.

(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 2019
	Fibers	Energy	Other	Total
Total segment revenue (*)	3,424,450	194,854	26,596	3,645,900
Revenue from external customers	**3,424,450**	**194,854**	**26,596**	**3,645,900**
Adjusted EBITDA (**)	**594,236**	**31,332**	**3.081**	**628,649**
Unallocated corporate expenses (***)	-	-	-	(55,048)
EBITDA	**-**	**-**	**-**	**573,601**
Amortization and depreciation	(85,836)	(15,032)	(10,430)	(111,298)
Other income from operating activities, net	-	-	-	33,783
Income from investment activities	-	-	-	6,980
Share of profit/(loss) of investment accounted for using equity method	(18,986)	-	-	(18,986)
Finance income/(expense), net	-	-	-	(136,528)
Profit before tax				**347,552**

(*) Revenues for the Energy and Other segments of the Group consist of domestic sales, while overseas sales revenue is only included in the Fibers section.

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

(***) Unallocated corporate expenses consist of unallocated parts of general administrative expenses as of 31 December 2019.

				1 January - 31 December 2019
	Fibers	Energy	Unallocated	Total
Tangible and intangible asset purchases	106,419	40,310	8,298	155,027
				31 December 2019
Total segment assets	2,374,584	546,256	-	2,920,840
Investments accounted for using equity method	302,846	-	-	302,846
Unallocated corporate assets	-	-	964,235	964,235
Total assets	**2,677,430**	**546,256**	**964,235**	**4,187,921**
Total segment liabilities	1,736,590	7,389	-	1,743,979
Unallocated corporate liabilities	-	-	908,722	908,722
Total liabilities	**1,736,590**	**7,389**	**908,722**	**2,652,701**

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

NOTE 3 - SEGMENT REPORTING (continued)

				1 January - 31 December 2018
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	3,380,467	145,809	11,272	3,537,548
Revenue from external customers	**3,380,467**	**145,809**	**11,272**	**3,537,548**
Adjusted EBITDA (*)	**594,320**	**19,196**	**605**	**614,121**
Unallocated corporate expenses (**)	-	-	-	(62,395)
EBITDA	**-**	**-**	**-**	**551,726**
Amortization and depreciation	(72,357)	(12,570)	(4,902)	(89,829)
Other income from operating activities, net	-	-	-	69,822
Income from investment activities	-	-	-	16,881
Share of profit/(loss) of investment accounted for using equity method	(11,467)	-	-	(11,467)
Finance income/(expense), net	-	-	-	(280,558)
Profit before tax				**256,575**

(*) Adjusted Earnings Before, Interest, Taxes, Depreciation and Amortization (EBITDA) is not a financial performance indicator that is defined in TAS and may not be comparable between different entities.
(**) Unallocated corporate expenses consist of unallocated parts of general administrative expenses as of 31 December 2018.

				1 January - 31 December 2018
	Fibers	**Energy**	**Unallocated**	**Total**
Tangible and intangible asset purchases	270,615	56,234	46,665	373,514
				31 December 2018
Total segment assets	2,119,422	565,094	-	2,684,516
Investments accounted for using equity method	286,658	-	-	286,658
Unallocated corporate assets	-	-	1,217,453	1,217,453
Total assets	**2,406,080**	**565,094**	**1,217,453**	**4,188,627**
Total segment liabilities	1,712,789	2,565	-	1,715,354
Unallocated corporate liabilities	-	-	1,025,791	1,025,791
Total liabilities	**1,712,789**	**2,565**	**1,025,791**	**2,741,145**

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

NOTE 3 - SEGMENT REPORTING (continued)

Segment Liabilities

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

	31 December 2019	31 December 2018
Reportable segment liabilities	**1,743,979**	**1,715,354**
Borrowings	855,406	984,376
Lease payables	5,832	-
Other payables	1,186	1,035
Other short-term provisions	714	1,414
Current income tax liability	6,198	7,796
Provision for employee benefits	17,067	11,097
Liabilities for employee benefits	4,072	3,415
Deferred tax liabilities	18,247	16,658
Total liabilities	**2,652,701**	**2,741,145**

Segment Assets

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

	31 December 2019	31 December 2018
Reportable segment assets	**3,223,686**	**2,971,174**
Cash and cash equivalents	635,091	837,838
Financial assets	20,173	-
Derivative assets	646	3,273
Right-of-use assets	5,298	-
Other assets	106,138	171,551
Property, plants and equipment and intangibles	196,889	204,791
Total assets	**4,187,921**	**4,188,627**

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	31 December 2019	31 December 2018
Cash	145	171
Bank		
Demand deposit (TL)	1,396	1,708
Foreign currency demand deposit	11,071	7,788
Time deposits (TL)	140,508	36,205
Foreign currency time deposit	481,971	791,966
Total	**635,091**	**837,838**

Maturity of time deposits are less than three months and weighted average effective interest rates on TL denominated time deposits at 31 December 2019 is 11.23% (31 December 2018: 21.47%) for USD denominated time deposits it is 1.83% (31 December 2018: USD 4.47%) and for EUR denominated time deposits it is 0.19% (31 December 2018: EUR 1.45%), respectively.

The cash and cash equivalents included in the consolidated cash flow statement by years are as follows:

	31 December 2019	31 December 2018	31 December 2017
Cash and cash equivalents	635,091	837,838	559,536
Less: Interest accrual	(61)	(3,100)	(726)
Cash and cash equivalents, net	**635,030**	**834,738**	**558,810**

NOTE 5 - FINANCIAL INVESTMENTS

Financial Investments Held to Maturity

	31 December 2019		31 December 2018	
	Simple annual interest rate %	TL	Simple annual interest rate %	TL
Financial investments held to maturity	15.96	20,173	-	-

As of the balance sheet date, the Group has been purchased a private sector bond that is issued by Akiş Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akiş") with variable interest coupon payment indexed to TRLIBOR every three (3) months with a maturity of 2 years (728 days).

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

NOTE 6 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Joint Ventures

	31 December 2019	31 December 2018
DowAksa Holdings	302,846	286,658

Summarized financial information of DowAksa Holding is presented below:

	31 December 2019	31 December 2018
Current assets	542,138	393,773
Non-current assets	1,260,421	1,130,036
Total Assets	**1,802,559**	**1,523,809**
Short-term liabilities	400,321	278,722
Long-term liabilities	796,546	671,771
Equity	605,692	573,316
Total Liabilities	**1,802,559**	**1,523,809**
Equity corresponding to Group's interest of 50%	**302,846**	**286,658**

	2019	2018
Revenue	370,081	337,155
Net loss	(37,972)	(22,934)
Net loss corresponding to Group's interest of 50%	**(18,986)**	**(11,467)**

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

	2019	2018
1 January	**286,658**	**222,014**
Net loss corresponding to Group's interest of 50%	(18,986)	(11,467)
Currency translation differences	35,224	73,652
Actuarial (loss) / gain	(50)	2,459
31 December	**302,846**	**286,658**

As of December 31, 2019, the Company has made an impairment analysis for the value of its joint venture DowAksa Holdings, based on the financial estimates and discounted cash flow methodology prepared in US dollars, which includes a 5-year period between 2020 and 2024. The company foresees that a five-year analysis is appropriate in evaluating the operational results and forward estimates in its sector and bases the impairment test on five-year budgets.

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

NOTE 6 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

The weighted average capital cost is 10% and the tax rate is 4%, which is one of the main assumptions used by the Company in the related impairment analysis, and sensitivity analysis is applied to the related assumptions.

The sensitivity table regarding the assumptions that provide the final value in the valuation calculation is given below;

		Weighted average cost of capital		
		9%	**10%**	**11%**
	0%	49,21%	25,73%	8,51%
Corporate Tax	4%	46,48%	23,50%	6,65%
	20%	35,59%	14,60%	(0,80%)
	Base - 5%	15,34%	(2,68%)	(15,90%)
Average EBITDA margin	Base	46,48%	23,50%	6,65%
	Base + 5%	77,63%	49,69%	29,20%
	Base - 8%	33,11%	12,32%	(2,93%)
Average Annual Sales Growth Rate	Base	46,48%	23,50%	6,65%
	Base + 2%	49,83%	26,30%	9,04%

NOTE 7 - BORROWINGS

Group's financial liabilities are as follows:

	31 December 2019	**31 December 2018**
Short-term bank borrowings	855,406	984,376
Short-term portion of long-term bank borrowings	217,816	271,424
Lease payables	2,207	-
Total short-term borrowings	**1,075,429**	**1,255,800**
Long-term bank borrowings	505,382	645,058
Lease payables	13,378	-
Total long-term borrowings	**518,760**	**645,058**
Total borrowings	**1,594,189**	**1,900,858**

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

NOTE 7 – BORROWINGS (continued)

Bank Borrowings

	31 December 2019		31 December 2018	
	Annual weighted average effective interest rate (%)	TL	Annual weighted average effective interest rate (%)	TL
a) Short-term bank borrowings:				
USD borrowings	3.47	742,526	4.38	999,571
TL loans	19.75	121,946	-	9
Prepaid interest		(9,066)	-	(15,204)
Total short-term bank borrowings:		**855,406**		**984,376**
b) Short-term portion of long-term bank borrowings:				
USD borrowings	4.08	112,252	4.51	159,358
EUR loans	2.48	105,564	2.00	112,066
Lease payables		2,207		-
Total short-term portion of long-term bank borrowings		**220,023**		**271,424**
Total short-term borrowings		**1,075,429**		**1,255,800**
c) Long-term bank borrowings:				
USD borrowings	4.70	309,491	5.24	372,235
EUR loans	3.15	195,891	2.91	272,823
Lease payables		13,378		-
Total long-term borrowings		**518,760**		**645,058**

The Group does not have a contractual breach in relation to its borrowings.

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

NOTE 7 - BORROWINGS (continued)

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

	31 December 2019		31 December 2018	
	Fair value	**Book value**	**Fair value**	**Book value**
USD borrowings (*)	350,526	309,491	409,260	372,235
EUR borrowings	211,826	195,891	292,820	272,823

(*) Loans using derivative instruments for hedging are calculated by taking into account swap interest rates.

The distribution of the financial borrowings of the Group according to the contract terms is as follows:

	31 December 2019	**31 December 2018**
Less than 3 months	472,684	452,723
Between 3-12 months	602,745	803,077
Between 1-2 years	156,163	193,407
Between 2-3 years	101,606	137,592
Between 3-4 years	100,833	89,731
4 years and longer	160,158	224,328
	1,594,189	**1,900,858**

Movement of borrowing for the years 2019 and 2018 as follows;

	2019	**2018**
1 January	1,900,858	1,150,586
New borrowings	1,273,184	1,824,268
Principal payments	(1,684,438)	(1,219,986)
Interest accrual change	1,432	392
Exchange rate difference	103,153	145,598
31 December	**1,594,189**	**1,900,858**

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

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

a) Short-term trade receivables:

	31 December 2019	31 December 2018
Trade receivables	326,667	359,454
Notes receivable and cheques	190,137	295,833
Less: Provision for doubtful receivables	(46,663)	(27,681)
Less: Unearned finance income on credit sales	(3,055)	(3,525)
Total short-term trade receivables, net	**467,086**	**624,081**

b) Long-term trade receivables:

Long-term trade receivables and notes receivables	84,814	-
Notes receivables and cheques	49,027	-
Less: Unearned finance income on credit sales	(3,836)	-
Total long-term trade receivables, net	**130,005**	**-**

As of 31 December 2019, trade receivables in TL and foreign currency average a hundred ten (110) days (31 December 2018: ninety (90) days) has a maturity and financial income is calculated using the annual average rate of 3.7% (31 December 2018: 4.5%).

The movements of the provision for doubtful trade receivables during the periods ending on 31 December 2019 and 2018 are as follows:

	2019	2018
1 January	27,681	27,437
Provisions collected during the period	(240)	-
Provisions during the period (Note 22)	28,087	244
Written-off provisions	(8,865)	-
31 December	**46,663**	**27,681**

Explanations about the nature and level of risks in trade receivables are provided in Note 28 Credit Risk section.

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (continued)

c) Short-term trade payables:

	31 December 2019	31 December 2018
Suppliers	880,405	724,569
Less: Unaccrued finance costs on credit purchases (-)	(2,657)	(2,976)
Total	**877,748**	**721,593**

TL and foreign currency denominated trade payables as of 31 December 2019 have an average maturity of 3 months (31 December 2018: 3 months) and financing expense is calculated using an average annual interest rate of 3% (31 December 2018: 4%) in US dollars.

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

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

a) Short-term other receivables:	31 December 2019	31 December 2018
Deposits and guarantees given	2,211	2,242

b) Short-term other payables:	31 December 2019	31 December 2018
Taxes and funds payable	497	417
Other	689	618
Total	**1,186**	**1,035**

NOTE 10 - INVENTORIES

	31 December 2019	31 December 2018
Raw materials	450,874	309,479
Work in process	23,770	25,258
Finished goods	167,779	127,362
Other stocks and spare parts	35,576	35,372
Less: Impairment on inventories	(5,697)	(12,281)
Total	**673,302**	**485,190**

Provision for inventory impairment is related to raw materials, spare parts and finished goods.

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

NOTE 10 – INVENTORIES (continued)

Group has included the movements in the provision for impairment between 31 December 2019 and 2018 in the cost of sales (The decrease in inventory impairment results from the increase in the costs of the related inventories).

As of 31 December 2019, the Group has commodity insurance amounting to TL 446 million (31 December 2018: TL 395 million) on its inventories amounting to TL 353.010 (31 December 2018: TL 355.920).

As of current period, the cost of raw material and goods is shown in Note 21.

The movements of the provision for impairment of inventories in the periods ending on December 31, 2019 and 2018 are as follows:

	2019	2018
1 January	12,281	1,512
Provisions (cancelled/reserved) during the period	(6,584)	10,769
31 December	**5,697**	**12,281**

NOTE 11 - INVESTMENT PROPERTY

	1 January 2019	Additions	31 December 2019
Cost			
Land and buildings	47,509	-	47,509
Independent units	3,091	-	3,091
	50,600	**-**	**50,600**
Accumulated depreciation			
Land and buildings	3,959	1,188	5,147
Independent units	2,010	72	2,082
	5,969	**1,260**	**7,229**
Net book value	**44,631**		**43,371**

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

NOTE 11 - INVESTMENT PROPERTY (continued)

	1 January 2018	Additions	31 December 2018
Cost			
Land and buildings	47,509	-	47,509
Independent units	3,091	-	3,091
	50,600	**-**	**50,600**
Accumulated depreciation			
Land and buildings	2,771	1,188	3,959
Independent units	1,938	72	2,010
	4,709	**1,260**	**5,969**
Net book value	**45,891**		**44,631**

Current year depreciation expense of investment properties are classified under general administrative expenses.

Land and Buildings

The land and buildings classified as investment properties consist of land and buildings at the city of Yalova, town of Çiftlikköy, village of Deniz Çalı, locality of Topçuçiftliği at plots no. 6 and 7 and city block no. 151. The fair value of the related real estates is TL 81.900 (31 December 2018: TL 78.000) according to the report received from the independent valuation institution and it is rented with a monthly price of TL 147 (31 December 2018: TL 100)

Independent Units

Independent units consist of offices of the Company located in Gümüşsuyu and Maçka. According to the expertise report dated 31 December 2019, the fair value of the independent units is TL 28,920 (31 December 2018: TL 27,380) and it provides rent income amounting to TL 118 (31 December 2018: TL 95) per month.

Rent income from investment properties has been disclosed as Income from Investment Activities and is amounting to TL 4,042 (31 December 2018: TL 6,526) as of 31 December 2019.

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

NOTE 12 – RIGHT-OF-USE ASSETS

The movement table of the right-of-use assets as of the year ended 31 December 2019 is as follows:

	Field leases	Buildings	Vehicles	Total
Cost				
Opening balance as of January 1, 2019	-	-	-	-
Effect of change in accounting policies	9,547	1,331	2,761	13,639
Changes to the rental conditions	-	246	-	246
Additions	134	-	3,331	3,465
Disposals	-	-	(7)	(7)
	9,681	**1,577**	**6,085**	**17,343**
Accumulated Depreciation				
Opening balance as of January 1, 2019	-	-	-	-
Additions	(244)	(287)	(2,008)	(2,539)
Net book value	**9,437**	**1,290**	**4,077**	**14,804**

The current period depreciation expense amounting to TL 2,253 to the cost of goods sold, TL 269 to general administrative expenses, TL 17 have been included in marketing, sales and distribution expenses.

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2019
Cost						
Land	105,084	-	(475)	-	340	104,949
Land improvements	123,378	543	-	10,504	-	134,425
Buildings	248,653	24	-	7,839	1,193	257,709
Machinery and equipment	1,638,363	5,040	(1,860)	74,694	2,381	1,718,618
Motor vehicles	1,600	222	(167)	-	154	1,809
Furniture and fixture	76,136	835	(131)	3,493	77	80,410
Construction in progress	92,201	159,386	-	(96,781)	-	154,806
	2,285,415	**166,050**	**(2,633)**	**(251)**	**4,145**	**2,452,726**
Accumulated depreciation						
Land improvements	54,466	4,646	-	-	-	59,112
Buildings	62,169	6,409	-	-	532	69,110
Machinery and equipment	798,237	88,578	(1,722)	-	1,541	886,634
Motor vehicles	1,066	228	(167)	-	103	1,230
Furniture and fixtures	40,945	5,799	(75)	-	68	46,737
	956,883	**105,660**	**(1,964)**	**-**	**2,244**	**1,062,823**
Net book value	**1,328,532**					**1,389,903**

(*)Transfers amounting to TL 251 are associated with intangible assets.

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (continued)

There is a net financing cost of TL 27,045 capitalized as a result of the exchange difference expenses and interest costs incurred by investment loans used in the period of January 1 - December 31, 2019.

TL 100,393 of current period depreciation costs to cost of goods sold, TL 521 to research and development expenses, TL 1,901 to general administrative expenses, TL 25 to marketing, sales and distribution expenses, TL 565 to uncompleted project development costs TL 2,255 has been included in the investments under construction.

As of 31 December 2019 there is no collateral, pledge and mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for TL 3,6 billion.

	1 January 2018	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2018
Cost						
Land	66,683	1,284	(3,271)	40,028	360	105,084
Land improvements	123,093	54	-	231	-	123,378
Buildings	237,303	3,149	(42)	6,981	1,262	248,653
Machinery and equipment	1,373,546	142,098	(38,334)	158,577	2,476	1,638,363
Motor vehicles	1,325	268	(130)	-	137	1,600
Furniture and fixture	62,891	3,717	(79)	9,535	72	76,136
Construction in progress	67,866	209,085	(1,374)	(183,376)	-	92,201
	1,932,707	**359,655**	**(43,230)**	**31,976**	**4,307**	**2,285,415**
Accumulated depreciation						
Land improvements	50,054	4,412	-	-	-	54,466
Buildings	55,612	6,108	(42)	-	491	62,169
Machinery and equipment	758,713	75,460	(37,381)	-	1,445	798,237
Motor vehicles	857	166	(52)	-	95	1,066
Furniture and fixtures	35,733	5,214	(68)	-	66	40,945
	900,969	**91,360**	**(37,543)**	**-**	**2,097**	**956,883**
Net book value	**1,031,738**					**1,328,532**

(*)Transfers amounting to TL 31,976 are associated with intangible assets.

There is a net financing cost of TL 12,497 capitalized as a result of exchange difference expenses and interest costs incurred by investment loans used in the period of January 1 - December 31, 2018.

TL 83,341 of current period depreciation costs to cost of goods sold, TL 602 to research and development expenses, TL 1,490 to general administrative expenses, TL 29 to marketing, sales and distribution expenses, TL 394 to uncompleted project development costs depreciation amount and TL 5,504 are included in the inventory.

As of 31 December 2018 there is no collateral, pledge and mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for TL 3,2 billion.

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

NOTE 14 - INTANGIBLE ASSETS

	1 January 2019	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2019
Cost						
Rights	59,840	6,147	-	-	377	66,364
Development cost	22,514	5,851	-	-	-	28,365
Other intangible assets	7,462	-	-	251	-	7,713
	89,816	**11,998**	**-**	**251**	**377**	**102,442**
Accumulated depreciation						
Rights	8,065	2,286	-	-	314	10,665
Development cost	10,782	1,692	-	-	-	12,474
Other intangible assets	6,216	681	-	-	-	6,897
	25,063	**4,659**	**-**	**-**	**314**	**30,036**
Net book value	**64,753**					**72,406**

	1 January 2018	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2018
Cost						
Rights	75,842	15,810	-	(32,200)	388	59,840
Development cost	13,617	8,970	(73)	-	-	22,514
Other intangible assets	5,924	1,314	-	224	-	7,462
	95,383	**26,094**	**(73)**	**(31,976)**	**388**	**89,816**
Accumulated depreciation						
Rights	5,946	1,832	-	-	287	8,065
Development cost	10,293	489	-	-	-	10,782
Other intangible assets	5,430	786	-	-	-	6,216
	21,669	**3,107**	**-**	**-**	**287**	**25,063**
Net book value	**73,714**					**64,753**

(*) Transfers amounting to TL 251 are related to tangible assets (2018: TL 31,976).

Current period depreciation expenses TL 1,919 (2018: TL 2,168) cost the goods sold, TL 1,694 (2018: TL 489) research and development expenses, TL 1,008 (2018: TL 450) general administrative expenses, TL 38 (2018: TL Zero) is included in marketing, sales and distribution expenses.

Goodwill

The goodwill balance with the carrying amount of TL 5,989 (2018: TL 5,989) as of 31 December 2019 resulted from the acquisition of 50% shares of Ak-Tops Tekstil Sanayi A.Ş. during 2007.
There is no impairment in the goodwill's book value.

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	31 December 2019	31 December 2018
Provision for litigation	714	1,414

Contingent assets and liabilities are as follows:

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

	31 December 2019	31 December 2018
Collaterals given	556,050	574,154
Guarantees given	347,249	318,220
Total	**903,299**	**892,374**

b) Details of guarantees received for trade receivables are as follows:

	31 December 2019	31 December 2018
Credit insurance limits	573,765	578,274
Pledges received	124,486	127,864
Share pledges	118,804	-
Guarantee cheques and notes received	104,922	139,521
Confirmed/unconfirmed letters of credit	25,597	32,615
Guarantee letters received	3,130	9,054
Limits of Direct Debiting System ("DDS")	11,999	12,298
Total	**962,703**	**899,626**

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

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

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

	31 December 2019	**31 December 2018**
A. CPM given on behalf of the Company's legal personality	903,299	892,374
- USD	*757,501*	*769,389*
- EUR	*125,196*	*94,334*
- Turkish Lira	*20,602*	*28,651*
- Other	-	-
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
- US Dollars	-	-
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	**903,299**	**892,374**

As of 31 December 2019, since Company does not have any other CPMs given (D), ratio to equity is zero (31 December 2018: Zero).

NOTE 16 - EMPLOYEE BENEFIT OBLIGATIONS

Payables for employee benefit obligations	**31 December 2019**	**31 December 2018**
Social security premiums payable	4,051	3,305
Payables to employees	21	110
Total	**4,072**	**3,415**

Current provisions for employee benefits	**31 December 2019**	**31 December 2018**
Provision for performance premium	12,000	7,010
Provision for unused vacation rights	1,103	710
Total	**13,103**	**7,720**

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

NOTE 16 - EMPLOYEE BENEFIT OBLIGATIONS (continued)

Non-current provisions for employee benefits	31 December 2019	31 December 2018
Provision for employee termination benefits and employee termination incentive	30,780	22,179

Provision for employee termination benefits

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

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

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

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

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

	31 December 2019	31 December 2018
Discount rate (%)	4,96	6,86
Probability of retirement (%)	98,25	98,25

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 6.730 effective from 1 January 2020 (1 January 2019: TL 6.018) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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

	2019	2018
Balances as of 1 January	**22,179**	**24,178**
Service cost	3,183	4,217
Interest cost	1,100	1,659
Compensation paid	(3,662)	(5,897)
Actuarial loss / (gain)	7,980	(1,978)
Balances as of 31 December	**30,780**	**22,179**

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

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2019	31 December 2018
Value Added Taxes ("VAT") receivables	106,028	167,927
Other	251	330
Total	**106,279**	**168,257**

b) Prepayments - Short-term:

	31 December 2019	31 December 2018
Prepaid expenses	4,749	5,772
Advances given	23,829	2,519
Total	**28,578**	**8,291**

c) Prepayments - Long-term:

	31 December 2019	31 December 2018
Advances given for purchase of property, plant and equipment	28,253	8,048
Prepaid expenses	89	39
Total	**28,342**	**8,087**

d) Deferred Income:

	31 December 2019	31 December 2018
Income from future period	46,740	-
Order advances received	8,026	6,170
Total	**54,766**	**6,170**

e) Other long-term liabilities:

	31 December 2019	31 December 2018
Deposits and guarantees received	13,318	-

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

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2019		31 December 2018	
	Asset	**Liability**	**Asset**	**Liability**
For hedging purposes	646	-	3,273	-
Total	**646**	**-**	**3,273**	**-**

Derivative financial instruments for hedging purposes:

	31 December 2019		31 December 2018	
	Contract amount USD (thousand)	**Fair value Asset amount TL**	**Contract amount USD (thousand)**	**Fair value Asset amount TL**
Interest rate swap	13,333	646	28,333	3,273

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

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

These derivative financial instruments are recognized as derivative financial instruments for hedging purposes in the consolidated financial statements, provided that they provide an effective protection against the risks economically and also meet the necessary conditions in terms of risk accounting. The Group has shown its gains and losses related to the financial hedging transaction, which is considered as effective, in the income statement by evaluating the conditions that must bear in terms of risk accounting.

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

At 31 December 2019, fixed interest rates are 1.13% and 1.35% (31 December 2018: 1.13% and 1.35%). Main floating interest rates that Group is subject to are EURIBOR and LIBOR.

Derivative financial instruments held for trading

The Group in accordance with its risk policies, is able to make option contracts regarding to foreign exchange trading transactions. The mentioned option transactions are accounted as derivative financial instruments held for trading in the consolidated financial statements, as they do not qualify for hedge accounting and changes in fair value of these financial instruments are recognized in the consolidated statement of income.

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

NOTE 19 - EQUITY

Aksa has adopted the registered share capital system applicable to companies registered on the CMB and set a limit on its registered share capital representing type of registered shares with a nominal value of Kr 1. Historical, authorized and issued capital of Aksa as of 31 December 2019 and 2018 is presented below:

	31 December 2019	**31 December 2018**
Limit on registered share capital	425,000	425,000
Issued share capital	185,000	185,000

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

	Share %	**31 December 2019**	**Share %**	**31 December 2018**
Akkök Holding	39.59	73,237	39.59	73,237
Emniyet Ticaret ve Sanayi A.Ş.	18.72	34,638	18.72	34,638
Other	41.69	77,125	41.69	77,125
	100.00	**185,000**	**100.00**	**185,000**
Inflation adjustments on capital		195,175		195,175
Total paid-in share capital		**380,175**		**380,175**

The approved and paid-in share capital of the Company consists of 18,500,000,000 (31 December 2018: 18,500,000,000) shares issued on bearer with a nominal value of Kr 1 (31 December 2018: Kr 1) each. All shareholders have same rights and there are not issued different type of shares such as privilege. Adjustment to share capital represents the difference between the amounts of the restatement effect of cash and cash equivalents contributions to share capital and the amounts before the restatements.

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

In accordance with TAS, the Company has to classify the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 179,838 as of 31 December 2019 (31 December 2018: TL 160,293). This amount fully consists of legal reserves.

NOTE 19 – EQUITY (continued)

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

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

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

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

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

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

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

Dividend Distribution

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

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

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

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

NOTE 19 – EQUITY (Continued)

In the ordinary general meeting of the company dated April 2, 2019, in accordance with the Turkish Commercial Code and the Company's Articles of Association, the distributable profit of 2018 amounted to TL 19,545. The Group has decided to set aside Legal Reserves and to pay TL 204,703 (2018: TL 207,200) of the gross profit share (TL 1,1065 per share). Dividend payments were completed on April 11, 2019.

Repurchased shares

In accordance with the decision taken by the Board of Directors on 9 May 2018, a share repurchase program was initiated. In the scope of the program, a total of 3,675,059 shares, which correspond to 1.99% of the Company's capital were repurchased for TL 38,027, until 31 December 2019 (31 December 2018: a total of 2,878,534 shares, which correspond to 1.56% of the Company's capital were repurchased for TL 31,464)

Financing of share repurchases was provided by the Company's internal resources. As of January 23, 2020, all of the shares bought back were sold at a price of TL 13,87 (expressed in TL), and a profit of TL 12,947 occurred, excluding dividends. The profit will be accounted under equity (Note 30).

NOTE 20 - REVENUE AND COST OF SALES

Sales and cost of goods sold for the years ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Domestic sales	2,220,224	2,075,227
Export sales	1,562,514	1,609,881
Less: Sales returns	(1,875)	(346)
Less: Other discounts	(134,963)	(147,214)
Net sales income	**3,645,900**	**3,537,548**
Cost of sales (-)	**(3,025,933)**	**(2,916,366)**
Gross profit	**619,967**	**621,182**

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

NOTE 21 - EXPENSES BY NATURE

Cost of sales, marketing expenses, general administrative expenses and research and development expenses by nature for the years ended as of 31 December 2019 and 2018 are as follows;

	31 December 2019	31 December 2018
Raw materials and goods	2,693,061	2,614,138
Employee benefits	151,120	129,283
Depreciation and amortization	111,298	89,829
Consumables	48,420	47,412
Commission expenses	45,093	43,693
Export expenses	24,932	28,057
Maintenance, repair and cleaning expenses	24,854	23,891
Information technologies expense	10,567	8,829
Insurance expenses	8,272	6,830
Consultancy and audit expenses	6,835	15,839
Rent expenses	5,079	8,458
Other	54,066	59,392
Total	**3,183,597**	**3,075,651**

NOTE 22 – OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

Income from other operating activities by nature for the years ended as of 31 December 2019 and 2018 are as follows;

	31 December 2019	31 December 2018
Foreign exchange income from trading transactions	166,941	503,684
Interest income from credit sales	31,316	31,099
Scrap sales income	4,322	3,488
Other	2,874	886
Total	**205,453**	**539,157**

Expense from other operating activities by nature for the years ended as of 31 December 2019 and 2018 are as follows;

	31 December 2019	31 December 2018
Foreign exchange expense from trading transactions	129,914	450,470
Provision for doubtful receivables (Note 8)	28,086	244
Interest expense from credit purchases	12,183	13,617
Other	1,487	5,004
Total	**171,670**	**469,335**

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

NOTE 23 – INCOME FROM INVESTMENT ACTIVITIES

Income from investment activities for the years ended at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Rent income	4,424	6,859
Income from fixed asset sales	2,556	10,022
Total	**6,980**	**16,881**

NOTE 24 – FINANCIAL INCOME/COSTS (EXPENSE)

Financial income for the years ended at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Foreign exchange income	246,089	829,675
Interest income	35,151	44,448
Total	**281,240**	**874,123**

Financial costs for the years ended at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Foreign exchange expense	347,019	1,104,570
Interest and commission expenses	70,749	50,111
Total	**417,768**	**1,154,681**

NOTE 25 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Current period corporate tax	(61,369)	(35,736)
Deferred tax (expense) / income	(8,501)	3,457
Total tax expense	**(69,870)**	**(32,279)**

NOTE 25 - TAX ASSETS AND LIABILITIES (continued)

Corporate Tax

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

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

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

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

Income Withholding Tax

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

Deferred Income Tax Assets and Liabilities

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

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

NOTE 25 - TAX ASSETS AND LIABILITIES (continued)

The tax rate used in calculating deferred tax assets and liabilities is 20% and 22% compared to the period when temporary differences disappear (2018: 20% and 22%).

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2019 and 2018 are as follows:

	Temporary taxable differences		**Deferred income tax asset/liability**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Property, plant and equipment and intangible assets	(168,890)	(117,926)	(33,393)	(22,540)
Inventories	(34,864)	5,227	(7,670)	1,150
Right-of-use assets	(14,804)	-	(3,013)	-
Trade payables	(2,657)	(2,976)	(585)	(655)
Derivative instruments	(646)	(3,273)	(142)	(720)
Deferred income tax liabilities			**(44,803)**	**(22,765)**
Deferred income	46,877	-	10,313	-
Employee termination benefits	31,882	22,899	6,433	4,663
Trade receivables	21,756	1,859	4,786	409
Lease payables	15,585	-	3,429	-
Other short-term liabilities	7,249	4,657	1,595	1,035
Deferred income tax assets			**26,556**	**6,107**
Deferred income tax assets/(liabilities), net			**(18,247)**	**(16,658)**

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

NOTE 25 - TAX ASSETS AND LIABILITIES (continued)

Movement for the deferred income tax liabilities for the periods ended at 31 December 2019 and 2018 are as follows:

	2019	**2018**
1 January	**16,658**	**19,924**
Current period deferred tax (expense) / income	8,501	(3,457)
Associated with equity	(6,781)	396
Currency translation differences	(131)	(205)
31 December	**18,247**	**16,658**

	31 December 2019	**31 December 2018**
Calculated corporate income tax	61,369	35,736
Amount offset from VAT receivables and prepaid corporate taxes	(55,171)	(27,940)
Current tax liabilities, current	**6,198**	**7,796**

The reconciliation of tax expenses stated in consolidated income statements for the years ended 31 December 2019 and 2018 are as follows:

	31 December 2019	**31 December 2018**
Profit before tax in the consolidated financial statements	347,552	256,575
Expected tax expense of the Group (22%)	**76,461**	**56,447**
The effect of application of equity method	18,986	11,467
Investment incentives	(46,775)	(14,247)
Discounts and exemptions	(8,405)	(13,380)
Revaluation effect	-	(96,919)
Additions	8,981	7,626
Tax effect (22%)	(5,987)	(23,200)
Tax rate effect (20%)	(604)	(968)
Current period tax expense of the Group	**69,870**	**32,279**

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

NOTE 26 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the period. The earnings per share calculation for the years ended 31 December 2019 and 2018 as follows:

	31 December 2019	**31 December 2018**
Net income attributable to the equity holders of the parent (TL) (*) (A)	277,681,617	224,295,974
Weighted average number of shares (B)	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	1.50	1.21

(*) Amounts expressed in Turkish Lira.

NOTE 27 – RELATED PARTY DISCLOSURES

a) Short-term trade receivables due from related parties

As of 31 December 2019 and 2018, trade receivables from related parties are as follows:

	31 December 2019	**31 December 2018**
Ak-Pa Tekstil İhracat Pazarlama A.Ş.("Ak-Pa") (*) (1)	212,492	270,798
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. ("DowAksa") (2)	29,460	13,947
Akkim Kimya San. ve Tic. A.Ş. ("Akkim")(1)	10,091	12,316
Other	3,233	439
Less: Unearned finance income on credit sales (-)	(1,230)	(1,373)
Total	**256,046**	**296,127**

(*) Foreign sales are made through Ak-Pa, the foreign trade company of the Group, and the balance consists of trade receivables arising from these transactions.

As of December 31, 2019 and 2018, trade receivables in foreign currency have a maturity of three (3) months and are discounted using an average annual interest rate of 3.7% (December 31, 2018: 4%) in USD terms.

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

NOTE 27 - RELATED PARTY DISCLOSURES (continued)

b) Short-term trade payables due to related parties

As of 31 December 2019 and 2018, short-term trade payables to related parties are as follows:

	31 December 2019	31 December 2018
Ak-Pa (1)	15,824	23,271
Akkim (1)	15,654	12,426
Yalova Kompozit ve Kimya İhtisas Organize Sanayi Bölgesi ("Yalkim OSB") (4)	2,744	1,394
Dinkal Sigorta Acenteliği A.Ş. (**) (1)	1,785	2,595
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. (1)	1,292	1,848
Akgirişim Müt. Müş. Çevre Tek. San. Tic. A.Ş. ("Akgirişim") (4)	848	7,529
Akkök Holding (3)	168	2,933
Other	65	311
Total	**38,380**	**52,307**

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

As of December 31, 2019 and 2018, trade receivables have an average maturity of one (1) month.

c) Other receivables due to related parties

Other receivables from related parties as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December2018
DowAksa - Receivables arising from financial leasing agreement (2)	13,843	24,678
Other short-term receivables	**13,843**	**24,678**

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

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

NOTE 27 - RELATED PARTY DISCLOSURES (continued)

Receivables are shown as below in terms of period of the collection as of 31 December 2019 and 2018 are as follows:

			31 December 2019			31 December 2018
	Principle	**Interest**	**Total**	**Principle**	**Interest**	**Total**
Between 0-3 months	-	-	-	-	-	-
Between 3-12 months	13,843	-	13,843	24,678	-	24,678
	13,843	**-**	**13,843**	**24,678**	**-**	**24,678**

d) Advances Given

Advances given to related parties for the year ended as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Akgirişim (4)	1,836	1,716
Yalkim OSB (4)	1,291	-
Total	**3,127**	**1,716**

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

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

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

NOTE 27 - RELATED PARTY DISCLOSURES (continued)

e) Sales

Sales to related parties for the years ended December 31, 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Ak-Pa (*) (1)	1,611,178	1,623,154
Akkim (1)	95,315	98,386
DowAksa (2)	70,256	48,821
Sakarya Elektrik Perakende Satış A.Ş ("Sepaş") (1)	18,815	-
Other	11,973	5,761
Total	**1,807,537**	**1,776,122**

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

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

f) Purchases of goods and services

Product and service purchases from related parties for the years ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Akkim (1)	101,267	92,646
Ak-Pa (1)	25,871	24,722
Yalkim OSB (4)	25,685	40,506
Akgirişim (4)	23,798	37,224
Dinkal Sigorta Acenteliği A.Ş. (*) (1)	16,590	15,008
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. (1)	10,731	13,513
Akkök Holding (3)	794	9,705
Other	8,228	4,143
Total	**212,964**	**237,467**

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

Purchases from related parties; chemicals, insurance, contracting, consultancy, commission, rent, land-land, OSB expense share and various service purchases.

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

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

NOTE 27 - RELATED PARTY DISCLOSURES (continued)

g) Interest Income:

As of the balance sheet date, the Group has purchased private sector bonds with variable interest coupon payments indexed to TRLIBOR every three (3) months with a maturity of 2 years (728 days), and interest income of TL 1,158 as of the period ended December 31, 2019. (December 31, 2018, TL Zero).

h) Benefits provided to key management personnel:

The Company defined its key management personnel as board of directors and members of the executive committee. Benefits provided to key management personnel as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Salary and other short-term employee benefits	9,609	9,293
Employment termination benefits	156	16
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	**9,765**	**9,309**

Benefits provided to the Board of Directors, for the years ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Salary and other short-term employee benefits	1,591	1,243
Employment termination benefit	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	**1,591**	**1,243**

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

Financial risk factors

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

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

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 8).

Trade Receivable Aging Analysis

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

Trade Receivables	**31 December 2019**	**31 December 2018**
1-30 days overdue	35,874	110,901
1-3 months overdue	21,619	64,988
3-12 months overdue	76,053	44,589
More than 12 months overdue	59,798	35,965
Total (*)	**193,344**	**256,443**
Secured with guarantees	**162,362**	**240,202**

(*) TL 41,626 of the amount has been collected as of the date of the report (31 December 2018: TL 114,401)

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

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

As of 31 December 2019 the Group's maximum exposure to credit risk is presented below:

	Trade receivables		Other receivables		Financial assets	Deposits in banks
31 December 2019	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**254,046**	**597,091**	**13,843**	**2,211**	**20,173**	**634,946**
- Secured portion of maximum credit risk by guarantees (*)	***191,605***	***489,228***	-	-	-	-
Net book value of financial assets either are not due or not impaired	220,527	436,568	13,843	2,211	20,173	634,946
Net book value of the expired or not impaired financial assets	33,519	159,825	-	-	-	-
- Secured portion with guarantees	12,383	149,979	-	-	-	-
Net book value of impaired assets	-	698	-	-	-	-
- Matured (gross book value)	-	47,361	-	-	-	-
- Impairment (-) (Note 8)	-	(46,663)	-	-	-	-
- Secured portion with guarantees	-	*(698)*	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

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

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

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

As of 31 December 2018 the Group's maximum exposure to credit risk is presented below:

	Trade receivables		Other receivables		Financial assets	Deposits in banks
31 December 2018	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**296,127**	**624,081**	**24,678**	**2,242**	**-**	**837,667**
- Secured portion of maximum credit risk by guarantees (*)	***240,674***	***503,910***	-	-	-	-
Net book value of financial assets either are not due or not impaired	256,802	406,265	24,678	2,242	-	837,667
Net book value of the expired or not impaired financial assets	39,325	217,118	-	-	-	-
- Secured portion with guarantees	38,897	201,305	-	-	-	-
Net book value of impaired assets	-	698	-	-	-	-
- *Matured (gross book value)*	-	28,379	-	-	-	-
- Impairment (-) (Note 8)	-	(27,681)	-	-	-	-
- Secured portion with guarantees	-	*(698)*	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

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

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

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

Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities in the translation of the Turkish Lira. The exchange rate risk is monitored by 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 2019		31 December 2018	
	TL equivalent	**USD equivalent (*)**	**TL equivalent**	**USD equivalent (*)**
Assets	1,205,343	202,913	1,651,784	313,974
Liabilities	2,353,169	396,143	2,648,086	503,352
Net balance sheet position	**(1,147,826)**	**(193,230)**	**(996,302)**	**(189,378)**
Net asset/ (liability) position of off-balance sheet derivative instruments in foreign currency	-	-	-	-
Net foreign currency asset / (liability) position	**(1,147,826)**	**(193,230)**	**(996,302)**	**(189,378)**
Stocks under natural hedge (**)	636,726	107,189	449,818	85,502
Amounts subject to cash flow hedge accounting (***)	368,528	62,040	-	-
Net foreign currency position after hedge	**(142,572)**	**(24,001)**	**(546,484)**	**(103,876)**

(*) Amounts equivalent to US Dollars are calculated by dividing TL equivalent positions by US dollar as of balance sheet dates and expresses thousand USD unless otherwise stated.

(**) The Group limits the foreign currency risk arising net foreign currency financial liabilities and trade payables by reflecting exchange rate changes in product sales prices. As of the related date, the Group has total raw material, work in process and finished goods.

(***) As of 31 December 2019, the principal amount of the loans amounting to USD 37,308 thousand and EUR 22,090 thousand, which are defined as hedging instruments, and the amount of the hedged items were matched. As a result of the activity test carried out in this context, the Group determined that the entire transaction was effective. As of the period, the total pre-tax amount recognized under "Other Comprehensive Income" is TL 23,569 thousand, and the amount transferred from other comprehensive income in the period is TL 21.163 thousand. Ineffective portion occurs when sales and credit payments are not realized on the same dates and ineffective portion is insignificant as of the reporting period.

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

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

Foreign currency position as of 31 December 2019 and 2018 are as follows:

	31 December 2019			
	TL equivalent	USD position	EUR position	Other
1. Trade Receivables	568,309	82,315	8,894	20,192
2a. Monetary Financial Assets) (including cash and bank accounts)	493,186	45,908	32,700	3,009
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	13,843	2,330	-	-
4. Current Assets (1+2+3)	**1,075,338**	**130,553**	**41,594**	**23,201**
5. Trade Receivables	130,005	21,886	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**130,005**	**21,886**	-	-
9. Total Assets (4+8)	**1,205,343**	**152,439**	**41,594**	**23,201**
10. Trade Payables	872,610	140,451	5,684	501
11. Financial Liabilities	961,346	143,897	16,023	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**1,833,956**	**284,348**	**21,707**	**501**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	505,912	52,101	29,535	-
16 a. Other Monetary Liabilities	13,301	-	2,000	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**519,213**	**52,101**	**31,535**	-
18. Total Liabilities (13+17)	**2,353,169**	**336,449**	**53,242**	**501**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	-	-	-	-
19a. Off balance sheet derivative asset amount	-	-	-	-
19b. Off balance sheet derivative liability amount	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(1,147,826)**	**(184,010)**	**(11,648)**	**22,700**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1,161,669)**	**(186,340)**	**(11,648)**	**22,700**
22. Fair Value of Financial Instruments Used for Foreign Hedge	-	-	-	-
23. Amount of Hedged Foreign Currency Assets	636,726	107,189	-	-
24. Amount of Hedged Foreign Currency Liabilities	368,528	37,308	22,090	-

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

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

	31 December 2018			
	TL equivalent	**USD position**	**EUR position**	**Other**
1. Trade Receivables	827,191	143,169	12,275	-
2a. Monetary Financial Assets) (including cash and bank accounts)	799,915	118,836	28,571	2,506
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	24,678	4,691	-	-
4. Current Assets (1+2+3)	**1,651,784**	**266,696**	**40,846**	**2,506**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-
9. Total Assets (4+8)	**1,651,784**	**266,696**	**40,846**	**2,506**
10. Trade Payables	732,033	133,590	4,843	36
11. Financial Liabilities	1,270,995	220,291	18,591	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**2,003,028**	**353,881**	**23,434**	**36**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	645,058	70,755	45,259	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**645,058**	**70,755**	**45,259**	-
18. Total Liabilities (13+17)	**2,648,086**	**424,636**	**68,693**	**36**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	-	-	-	-
19a. Off balance sheet derivative asset amount	-	-	-	-
19b. Off balance sheet derivative liability amount	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(996,302)**	**(157,940)**	**(27,847)**	**2,470**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1,020,980)**	**(162,631)**	**(27,847)**	**2,470**
22. Fair Value of Financial Instruments Used for Foreign Hedge	-	-	-	-
23. Amount of Hedged Foreign Currency Assets	449,818	85,502	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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

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

As of 31 December 2019 and 2018, the situations to reach of net foreign position in the Group's balance sheet with the changes in exchange rates are summarized in the table below:

31 December 2019	**Profit/Loss**		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL				
USD net asset/ (liability)	(109,306)	109,306	30,285	(30,285)
Amount hedged for USD risk	22,162	(22,162)	(22,162)	22,162
USD net effect	**(87,144)**	**87,144**	**8,123**	**(8,123)**
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(7,747)	7,747	-	-
Amount hedged for EUR risk	14,691	(14,691)	(14,691)	14,691
EUR net effect	**6,944**	**(6,944)**	**(14,691)**	**14,691**

31 December 2018	**Profit/Loss**		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL				
USD net asset/ (liability)	(83,091)	83,091	28,666	(28,666)
Amount hedged for USD risk	-	-	-	-
USD net effect	**(83,091)**	**83,091**	**28,666**	**(28,666)**
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(16,786)	16,786	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	**(16,786)**	**16,786**	**-**	**-**

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

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

Interest Risk

The Group is exposed to interest risk arising from the borrowings interest rate changes. According to balance sheet position of the floating interest rate financial liabilities as of 31 December 2019, other things being constant, if the interest rate depreciate/ appreciate by 1%, profit before tax would TL 12 (31 December 2018: TL 6), capitalized financial cost on construction in progress would TL 12 (31 December 2018: TL 288).

	31 December 2019	**31 December 2018**
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents (*)	622,479	828,171
Financial liabilities		
Lease payables	15,585	-
USD borrowings (fixed due to interest rate swap)	851,134	1,253,768
TL borrowings	121,946	9
Floating interest rate financial instruments		
Financial assets		
Other financial investments (Note 5)	*20,173*	-
Financial liabilities		
EUR borrowings	301,455	384,888
USD borrowings	313,135	277,396

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

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

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

Liquidity risk

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

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

31 December 2019:

Expected or maturities per agreement	Book value	Contractual cash outflows	Up to 3 months	3-12 months	1-5 years	Over than 5 years
Non-derivative financial liabilities						
Financial liabilities	1,594,189	1,761,744	486,987	625,423	415,359	233,975
Trade payables	877,748	880,405	688,068	192,337	-	-
Due to related parties	38,380	38,380	36,130	2,250	-	-
	2,510,317	**2,680,529**	**1,211,185**	**820,010**	**415,359**	**233,975**

31 December 2018:

Expected or maturities per agreement	Book value	Contractual cash outflows	Up to 3 months	3-12 months	1-5 years	Over than 5 years
Non-derivative financial liabilities						
Financial liabilities	1,900,858	2,012,046	444,982	840,970	477,490	248,604
Trade payables	721,593	724,569	532,232	192,337	-	-
Due to related parties	52,307	52,307	50,057	2,250	-	-
	2,674,758	**2,788,922**	**1,027,271**	**1,035,557**	**477,490**	**248,604**

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

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

Import and export information:

Import and export in TL according to their original currency for the years ended at 31 December 2019 and 2018 are as follows:

Export

	31 December 2019	31 December 2018
EUR	692,161	508,952
USD	551,463	711,523
Other	318,890	389,406
Total	**1,562,514**	**1,609,881**

Import

	31 December 2019	31 December 2018
USD	1,859,624	1,881,978
EUR	385,273	299,790
Other	2,105	2,198
Total	**2,247,002**	**2,183,966**

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

The ratio of net debt to equity is as follows:

	31 December 2019	31 December 2018
Total monetary liabilities (*)	2,510,317	2,674,758
Less: Cash and cash equivalents (Note 4)	(635,091)	(837,838)
Net debt	**1,875,226**	**1,836,920**
Total shareholders' equity	1,535,220	1,447,482
Total capital	**3,410,446**	**3,284,402**
Debt/equity ratio	**55%**	**56%**

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

NOTE 29 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial assets

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

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

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

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

NOTE 29 - 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 values of foreign currency long-term borrowings are assumed to approximate to their carrying values due to bearing floating interest rates. The estimated fair values of long-term borrowings are calculated based on the effective market interest rates and the cash flow calculations are discounted accordingly (Note 7).

Fair Value Estimation:

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

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

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

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

31 December 2019	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets for hedging purposes	-	646	-
Total asset / (liabilities)	**-**	**646**	**-**

31 December 2018	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets for hedging purposes	-	3,273	-
Total asset / (liabilities)	**-**	**3,273**	**-**

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

NOTE 30 – EVENTS AFTER REPORTING PERIOD

1) All of the shares purchased by the Company were sold in the stock exchange on 23 January 2020 with a unit price of TL 13,87 (expressed in TL) for a total price of TL 50,973 and a profit of TL 12,947, excluding dividend, was obtained from this transaction. Related profit will be accounted under equity (Note 19).

2) The company has completed capital increase through bonus shares as of 14 February 2020 and its paid-up capital has reached TL 323,750 as of the date of the report.