AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019 TOGETHER WITH AUDITOR'S REVIEW REPORT

(CONVENIENCE TRANSLATION INTO ENGLISH OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

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 condensed consolidated financial statements originally issued in Turkish)

Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Aksa Akrilik Kimya Sanayii A.Ş. (the Company) and its subsidiaries (the Group) as of June 30, 2019 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

Other Matter

As explained in Note 2.5 to the interim condensed consolidated financial statements, US Dollar ("USD") amounts shown in the accompanying interim condensed 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 30 June 2019 for consolidated statement of financial position; and the official USD average CBRT bid rates of the first six months period of 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 interim condensed consolidated financial statements.

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

Ferzan Ülgen, SMMM
Partner

8 August 2019
Istanbul, Turkey

CONTENTS	PAGE

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2019 AND 31 DECEMBER 2018

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

	Notes	30 June 2019 USD (*)	*Reviewed* 30 June 2019	*Audited* 31 December 2018
ASSETS				
Current assets		**361,217**	**2,078,840**	**2,448,122**
Cash and cash equivalents		87,990	506,390	837,838
Trade receivables				
- Trade receivables due from unrelated parties	6	111,745	643,104	624,081
- Trade receivables due from related parties	20	44,124	253,940	296,127
Other receivables				
- Other receivables due from related parties	20	4,691	26,996	24,678
- Other receivables due from unrelated parties		403	2,318	2,242
Derivative financial assets	13	103	593	1,418
Inventories	7	74,773	430,325	485,190
Prepayments		1,944	11,187	8,291
Other current assets		35,445	203,987	168,257
Non-current assets		**326,678**	**1,880,062**	**1,740,505**
Trade receivables				
- Trade receivables due from unrelated parties	6	15,956	91,831	-
Derivative financial assets	13	127	732	1,855
Investments accounted for using the equity method	4	51,061	293,861	286,658
Investment properties	8	7,646	44,001	44,631
Property, plant and equipment	9	233,624	1,344,527	1,328,532
Right to use assets	10	2,761	15,890	-
Intangible assets and goodwill				
- Goodwill		1,041	5,989	5,989
- Other intangible assets	11	11,897	68,469	64,753
Prepaid expenses		2,565	14,762	8,087
TOTAL ASSETS		**687,895**	**3,958,902**	**4,188,627**

(*) USD amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the official TRY bid rate announced by the CBRT at 30 June 2019, and therefore do not form part of this interim condensed consolidated financial information (Note 2.5).

This interim condensed consolidated financial statements for the period ended 30 June 2019 have been approved for issue by the Board of Directors on 8 August 2019.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2019 AND 31 DECEMBER 2018

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

	Notes	30 June 2019 USD (*)	*Reviewed* 30 June 2019	*Audited* 31 December 2018
LIABILITIES				
Current liabilities		**338,934**	**1,950,599**	**2,057,250**
Current borrowings	5	134,117	771,855	984,376
Current portion of non-current borrowings				
- Bank loans	5	60,218	346,558	271,424
- Lease liabilities	5	354	2,035	-
Trade payables				
- Trade payables to unrelated parties	6	122,990	707,821	721,593
- Trade payables to related parties	20	7,763	44,679	52,307
Employee benefits obligations		757	4,358	3,415
Other payables				
- Other payables to unrelated parties		170	981	1,035
Derivative financial liabilities	13	343	1,973	-
Deferred income		6,010	34,591	6,170
Current tax liabilities	18	4,632	26,660	7,796
Current provisions				
- Current provisions for employee benefits		1,333	7,674	7,720
- Other current provisions		246	1,414	1,414
Non-current liabilities		**108,740**	**625,808**	**683,895**
Long-term borrowings				
- Bank loans	5	98,680	567,911	645,058
- Lease liabilities	5	2,257	12,988	-
Non-current provisions				
- Non-current provisions for employee benefits		4,238	24,389	22,179
Deferred tax liabilities	18	3,566	20,520	16,658
Total liabilities		**447,674**	**2,576,407**	**2,741,145**
EQUITY		**240,221**	**1,382,495**	**1,447,482**
Equity attributable to owners of the parent		**240,221**	**1,382,495**	**1,447,482**
Issued capital		32,145	185,000	185,000
Inflation adjustments on capital		33,913	195,175	195,175
Recovered shares		(5,742)	(33,048)	(31,464)
Share premium (discount)		8	44	44
Other accumulated comprehensive income/(expense) not to be reclassified in profit or loss				
- Gains/(losses) on remeasurement of defined benefit plans		(955)	(5,498)	(4,546)
- Shares not to be reclassified in profit or loss from other comprehensive income of investments accounted for using equity method		447	2,572	2,459
Other accumulated comprehensive income/(expense) to be reclassified to profit or loss				
- Gains/(losses) from hedging		(4,621)	(26,593)	-
- Exchange differences on translation		50,450	290,346	258,664
Restricted reserves		31,248	179,838	160,293
Prior years' profits/(losses)		79,514	457,609	457,561
Current period net profit or loss		23,814	137,050	224,296
Non-controlling interests		**-**	**-**	**-**
TOTAL LIABILITIES AND EQUITY		**687,895**	**3,958,902**	**4,188.627**

(*) USD amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the official TRY bid rate announced by the CBRT at 30 June 2019, and therefore do not form part of this interim condensed consolidated financial statements (Note 2.5).

The accompanying notes form an integral part of this interim condensed consolidated financial statements.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIODS ENDED 30 JUNE 2019 AND 2018

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

	Notes	1 January- 30 June 2019 USD (*)	*Reviewed* 1 January - 30 June 2019	*Not reviewed* 1 April - 30 June 2019	*Reviewed* 1 January - 30 June 2018	*Not reviewed* 1 April - 30 June 2018
Profit or loss						
Revenue		332,784	1,868,813	943,388	1,691,702	902,713
Cost of sales (-)	14	(277,577)	(1,558,791)	(782,476)	(1,382,911)	(716,034)
Gross profit		**55,206**	**310,022**	**160,912**	**308,791**	**186,679**
General administrative expenses (-)	14	(5,541)	(31,117)	(16,009)	(28,924)	(15,041)
Marketing expenses (-)	14	(8,606)	(48,331)	(27,094)	(38,929)	(24,334)
Research and development expenses (-)	14	(507)	(2,849)	(1,304)	(2,080)	(883)
Other income from operating activities	15	26,111	146,630	59,789	212,985	146,392
Other expenses from operating activities (-)	15	(17,589)	(98,775)	(38,030)	(157,093)	(104,680)
Profit from operating activities		**49,073**	**275,580**	**138,264**	**294,750**	**188,133**
Investment activity income		386	2,170	1,187	12,845	2,059
Shares of loss from investments accounted for using the equity method	4	(3,529)	(19,819)	(11,800)	(30,405)	(16,088)
Profit before financing income / (expense)		**45,930**	**257,931**	**127,651**	**277,190**	**174,104**
Finance income	16	21,448	120,447	81,709	102,153	53,043
Finance expenses (-)	17	(34,779)	(195,308)	(110,176)	(244,302)	(160,832)
Profit from continuing operations, before tax		**32,600**	**183,070**	**99,184**	**135,041**	**66,315**
Tax expense, continuing operations:						
- Current period tax expense (-)	18	(6,114)	(34,333)	(21,753)	(28,813)	(11,851)
- Deferred tax expense/income	18	(2,081)	(11,687)	(4,627)	(6,177)	(6,293)
Profit from continuing operations		**24,405**	**137,050**	**72,804**	**100,051**	**48,171**
Net income for the period attributable to:						
Owners of parent		24,405	137,050	72,804	100,051	48,171
Non-controlling interests		-	-	-	-	-
		24,405	**137,050**	**72,804**	**100,051**	**48,171**
Earnings per share for owners of parent (Kr)	19	0.13	0,74	0,39	0,54	0,26

(*) USD amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the official average TRY bid rate announced by the CBRT for the first six month period of 2019, and therefore do not form part of this interim condensed consolidated financial statements (Note 2.5).

The accompanying notes form an integral part of this interim condensed consolidated financial statements.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIODS ENDED 30 JUNE 2019 AND 2018

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

	1 January- 30 June 2019 USD (*)	***Reviewed*** **1 January - 30 June 2019**	***Not reviewed*** **1 April - 30 June 2019**	***Reviewed*** **1 January - 30 June 2018**	***Not Reviewed*** **1 April - 30 June 2018**
Other comprehensive income					
Other comprehensive income not to be reclassified in profit or loss					
Gains / losses on remeasurements of defined benefit plans	(212)	(1,190)	(1,190)	1,683	1,683
Shares not to be reclassified in profit or loss from other comprehensive income of investments accounted for using equity method					
Gains/(losses) on remeasurement of defined benefit plans of investments accounted by using equity method	20	113	128	-	-
Taxes relating to components of other comprehensive income not to be reclassified in profit or loss	42	238	238	(337)	(337)
Other comprehensive income to be reclassified to profit or loss					
Other comprehensive income for cash flow hedges	(6,071)	(34,094)	(11,181)	-	-
Exchange differences on translation	5,642	31,682	11,435	45,733	33,598
Taxes relating to components of other comprehensive income to be reclassified to profit or loss	1,336	7,501	2,460	-	-
Total comprehensive income	**25,162**	**141,300**	**74,694**	**147,130**	**83,115**
Total comprehensive income attributable to:					
Owners of the parent	25,162	141,300	74,694	147,130	83,115
Non-controlling interests		-	-	-	-
	25,162	**141,300**	**74,694**	**147,130**	**83,115**

(*) USD amounts presented above have been translated from Turkish Lira (“TRY”) for convenience purposes only, at the official average TRY bid rate announced by the CBRT for the first six month period of 2019, and therefore do not form part of this interim condensed consolidated financial statements (Note 2.5).

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2019 AND 2018

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

		Attributable to equity holders of the parent										
Reviewed	**Issued capital**	**Inflation adjustments on capital**	**Recovered shares**	**Share premium (discount)**	**Restricted reserves**	**Exchange differences on translation[1]**	**Gains/Losses on remeasurement at defined benefit plans [2]**	**Prior years' profits or losses**	**Current period net profit or loss**	**Total**	**Non-controling 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**
Recovered shares	-	-	(19,160)	-	-	-	-	-	-	(19,160)	-	(19,160)
Transfers	-	-	-	-	19,795	-	-	275,176	(294,971)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(207,200)	-	(207,200)	-	(207,200)
Total comprehensive income	-	-	-	-	-	45,733	1,346	-	100,051	147,130	-	147,130
30 June 2018	**185,000**	**195,175**	**(19,160)**	**44**	**160,293**	**222,707**	**(4,782)**	**457,561**	**100,051**	**1,296,889**	**-**	**1,296,889**

		Attributable to equity holders of the parent										
Reviewed	**Issued capital**	**Inflation adjustments on capital**	**Recovered shares**	**Share premium (discount)**	**Restricted reserves**	**Exchange differences on translation [1]**	**Gains/Losses on remeasurement at defined benefit plans [2]**	**Prior years' profits or losses**	**Current period net profit or loss**	**Total**	**Non-controling interests**	**Total Equity**
1 January 2019	**185,000**	**195,175**	**(31,464)**	**44**	**160,293**	**258,664**	**(4,546)**	**457,561**	**224,296**	**1,447,482**	**-**	**1,447,482**
Recovered shares	-	-	(5,505)	-	-	-	-	-	-	(5,505)	-	(5,505)
Transfers	-	-	-	-	19,545	-	-	204,751	(224,296)	-	-	-
Dividends paid	-	-	3,921	-	-	-	-	(204,703)	-	(200,782)	-	(200,782)
Total comprehensive income	-	-	-	-	-	31,682	(952)	-	137,050	141,300	-	141,300
30 June 2019	**185,000**	**195,175**	**(33,048)**	**44**	**179,838**	**290,346**	**(5,498)**	**457,609**	**137,050**	**1,382,495**	**-**	**1,382,495**

(1) To be reclassified to profit or loss
(2) Not to be reclassified to profit or loss

The accompanying notes form an integral part of this interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2019 AND 2018

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

	Notes	1 January- 30 June 2019 USD (*)	*Reviewed* 1 January - 30 June 2019	*Reviewed* 1 January - 30 June 2018
A. Cash Flows from Operating Activities		**46,705**	**262,281**	**159,552**
Profit		**24,405**	137,050	100,051
Adjustments to reconcile profit		**26,402**	**148,266**	**244,556**
- Adjustments for depreciation and amortisation expense	14	9,882	55,492	44,938
- Adjustments for impairment loss (reversal of impairment loss)		(1,521)	(8,541)	864
- Adjustments for provisions		435	2,445	2,710
- Adjustments for interest (income) / expenses	16, 17	2,478	13,914	2,410
- Adjustments for unrealized foreign exchange losses / (gains)		3,278	18,411	136,996
- Adjustments for undistributed profits of investments accounted for using equity method	4	3,529	19,819	30,405
- Adjustments for tax (income) / expenses		8,195	46,020	34,990
- Adjustments for losses / (gains) on disposal of non-current assets		(35)	(194)	(9,505)
- Other adjustments to reconcile profit / (loss)		160	900	748
Cash flows from operating activities		**44,743**	**(34,055)**	**(187,016)**
- Adjustments for decrease / (increase) in inventories		11,357	63,776	(71,562)
- Adjustments for decrease / (increase) in trade receivable		(8,936)	(50,180)	(142,225)
Adjustments for decrease / (increase) in other receivables related with operations		-	-	(5,590)
- Adjustments for increase / (decrease) in trade payable		(3,398)	(19,080)	93,668
- Adjustments for increase / (decrease) in other operating payables		(10)	(54)	(160)
- Other Adjustments for other increase / (decrease) in working capital		(5,078)	(28,517)	(61,147)
Cash flows from operating activities		**44,743**	**251,261**	**157,591**
Interest paid		(1,057)	(5,935)	(7,011)
Interest received		3,273	18,380	11,202
Payments made for benefits provided to employees		(254)	(1,425)	(2,230)
Income taxes refund (paid)		-	-	-
B. Cash Flows from Investing Activities		**(10,813)**	**(60,725)**	**(83,585)**
Proceeds from sales of property, plant, equipment and intangible assets		58	323	10,827
Purchase of property, plant, equipment and intangible assets		(10,871)	(61,048)	(94,412)
C. Cash Flows from Financing Activities		**(95,002)**	**(533,504)**	**(158,112)**
The entity's own shares and other equity-based instruments		(980)	(5,505)	(19,160)
Proceeds from borrowings		104,272	585,563	923,015
Repayments of borrowings		(158,762)	(891,561)	(535,297)
Dividends paid		(35,754)	(200,782)	(207,200)
Cash outflows on debt payments due from lease agreements		(371)	(2,081)	-
Interest received		4,096	23,004	12,226
Interest paid		(7,504)	(42,142)	(15,472)
Net increase in cash and cash equivalents before effect of exchange rate changes		**(59,111)**	**(331,948)**	**234,079**
D. Effect of exchange rate changes on cash and cash equivalents		**609**	**3,422**	**2,870**
Net increase / (decrease) in cash and cash equivalents		**(58,501)**	**(328,526)**	**236,949**
E. Cash and cash equivalents at the beginning of the period		**148,644**	**834,738**	**558,810**
Cash and cash equivalents at the end of the period		**90,142**	**506,212**	**795,759**

(*) USD amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the average official TRY bid rate announced by the CBRT for the period between 1 January 2019 - 30 June 2019, and therefore do not form part of this interim condensed consolidated financial statements (Note 2.5).

(Amounts expressed in thousands of Turkish Lira ("TRY") 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 (collectively 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.

Aksa is registered at Capital Markets Board of Turkey ("CMB") and its shares have been quoted in the Borsa İstanbul A.Ş. ("BIST") since 1986. The principle 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 30 June 2019, 37.43% of the Group's shares are traded on BIST and 1.92% of the shares are owned by the Company in the scope of share repurchase program.

Akkök Holding, which is the main shareholder of the Company, is controlled by Dinçkök family members. As of June 30, 2019, the number of employees is 1,240 (December 31, 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 (Note 3):

- Fibers
- Energy
- Other

The Company has the following subsidiaries and joint ventures. 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	Fibers

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL INFORMATION

2.1 Basis of presentation

2.1.1 Financial Reporting Standards Applied

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

The Group prepared its interim condensed consolidated financial information for the period ended 30 June 2019 in accordance with the TAS 34 "Interim financial reporting" in the framework of the Communiqué Serial: XII and numbered 14.1 and its related announcements. The interim condensed consolidated financial information and its accompanying notes are presented in compliance with the formats, including specific required disclosures, mandated by the CMB.

The Group's interim condensed consolidated financial information does not include all disclosures and notes that are included in the annual consolidated financial statements. Therefore the interim condensed consolidated financial information should be read together with the annual consolidated financial statements at 31 December 2018.

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

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

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

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.

Amendments and Interpretations in Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at June 30, 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, 2018.

a) Amendments in TFRS which affect the consolidated financial information and its related notes

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 it is effective for annual periods beginning on or after January 1, 2019.

Lessees have the exception to not apply this standard to short-term leases (leases with a lease term of 12 months or less) or leases where the underlying asset is of low value (personal computers, some office equipment, etc.). At the effective date of the lease, the lessee measures the lease obligation at the present value of the unpaid lease payments (lease obligation) and depreciates the leasing liability over the lease term as of the same date. Lease payments are discounted using the implicit interest rate of the lease, which can easily be determined. If this rate is not to be determined easily, the lessee will use the lessee's alternative borrowing interest rate. The lessee must record interest expense on the lease obligation and the depreciation expense of the right-of-use asset separately.

The lessee is required to re-measure the lease obligation if certain events occur (changes in the lease term, changes in prospective lease payments due to changes in a certain index or rate, etc.). In this case, the lessee records the remeasurement effect of the lease obligation as a correction to the right to use.

Transition to TFRS 16:

The Group adopted TFRS 16 using the modified retrospective method. The Group preferred to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases by applying TAS 17 and TFRIC 4 at the date of initial application.

The Group elected to use the recognition exemption for lease contracts for which the underlying asset is of low value ('low-value assets'). The Group elected not to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'). The Group's office equipment leases (such as photocopy machines) are considered to be low-value leases.

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

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

The effect of adoption TFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

Assets (TL)	
Right-of-use assets	13,639
Prepaid expenses	(39)
Liabilities (TL)	
Lease liabilities	13,600

The standard is effective for annual periods beginning on or after 1 January 2019. The effects of the mentioned standard on the financial position and performance of the Group as of 30 June 2019 are as follows:

	Before change	**Effects of new standard**	**After change**
Prepaid expenses – short term	12,514	(1,327)	11,187
Right-of-use assets	-	15,890	15,890
Payments due from lease liabilities - Short term	-	2,035	2,035
Payments due from lease liabilities - Long term	-	12,988	12,988
Cost of sales (-)	(1,560,166)	1,375	(1,558,791)
General administrative expenses (-)	(31,217)	100	(31,117)
Marketing expenses (-)	(48,338)	7	(48,331)
Finance expenses (-)	(193,366)	(1,942)	(195,308)
Current period profit	**137,510**	**(460)**	**137,050**

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of TFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. If the financial lease payables are revalued, this figure is corrected.

The cost of the right-of-use asset includes:

(a) initial direct costs incurred,
(b) lease payments made at or before the commencement date less any lease incentives received, and
(c) all initial direct costs incurred by the Group.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

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

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:
(a) Fixed payments,
(b) Variable lease payments that depend on an index or a rate,
(c) Amounts expected to be paid under residual value guarantees
(d) The exercise price of a purchase option reasonably certain to be exercised by the Group and
(e) Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, the Group determines the alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group measures the lease obligation as follows:
(a) Increase the carrying amount to reflect the interest on the lease obligation, and
(b) Decreases book value to reflect rental payments.

In addition, in the situation of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short term leases and leases where the underlying asset is of low value

The Group applies the exemption for short-term lease to short-term machinery and equipment leasing agreements (ie, assets that have a lease term of 12 months or less from the date of commencement and do not have a purchase option). It also applies the exemption for the recognition of low value assets to office equipment that is considered to be a low value rental. Short-term lease agreements and leasing agreements of low value assets are recorded as expense on a straight-line basis over the lease term.

b) As of 30 June 2019, the new standards and the amendments and interpretations to the previous standards:

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

In December 2017, the POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. These amendments clarify to entities applying TFRS 9 Financial Instruments for long-term investments in an associate or joint venture that are part of the net investment in an associate or joint venture.

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

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 have no material impact on the financial position or performance of the Group.

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 has no material 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.

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

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments have no material impact on the financial position or performance of the Group.

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 has no material 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 has no material impact on the financial position or performance of the Group.

c) Standards and amendments issued but not yet effective as of 30 June 2019

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 these amendments 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 assess the impact of the amendments after the standards are finalized.

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. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021. Early application is permitted. It will have no impact on the financial position or performance of the Group.

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

Definition of a Business (Amendments to IFRS 3)

In October 2018, the PAO issued amendments to the definition of a business in IFRS 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 IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Group does not expect any significant impact on the balance sheet and equity in general.

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

In October 2018, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 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 amendment is effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

2.2 Changes in Accounting Policies, Accounting Estimates and Errors

In case of changes and errors in accounting policies and accounting estimates, significant changes and significant accounting errors are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are only applied in the current period when the change is made and if it is related to the future periods, they are applied both in the period in which the change is made and prospectively.

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

Cash flow hedge accounting

The Company has an effective cash flow hedge relationship between its long-term foreign currency denominated loans (non-derivative hedging instruments) and its highly probable future sales (hedged item).

In this context, within the scope of the policy of managing cash flows arising from foreign exchange risk, the Company has defined its probable sales in the foreseeable future starting from 1 January 2019 as "hedged items", matching these sales with "long-term financial liabilities that are defined as non-derivative hedging instruments" and began cash flow hedge accounting. The discounted spot component of the foreign exchange difference arising from the principal balances payable in a calendar period in accordance with the foreseeable budgets of long-term loans defined as hedging instruments within the scope of this accounting (effective rate) will be held in the other comprehensive income statement, under "other comprehensive income / (expense) related to cash flow hedge" until the related sales affects the income statement. When the sales are realized, the related foreign exchange gain / loss accumulated in this fund is accounted under "foreign exchange gains / losses" in the income statement.

Comparative information and correction of prior period financial statements

The Group has prepared the consolidated statement of financial position as at 30 June 2019 comparatively with the consolidated statement of financial position as at 31 December 2018, and the consolidated profit or loss statement, the consolidated statement of other comprehensive income, the consolidated statements of cash flows and changes in equity in the six month period ended 30 June 2019 comparative to the six month period ended 30 June 2018.

2.3 Summary of Significant Accounting Policies

The interim condensed consolidated financial information for the period ended 30 June 2019 have been prepared in accordance with the TAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of this interim condensed consolidated financial statements for the period ended 30 June 2019 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2018 except for the following:

In interim periods, tax provisions are calculated considering the tax rates which are expected to apply to financial results at the end of the year. Expenses which are not distributed equally within one financial year are taken into consideration in interim summarized consolidated financial information in cases when such expenses can be estimated properly at the end of the fiscal year or can be postponed.

The consolidated statement of financial position at 30 June 2019 should be considered with the comparative financial statements at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, cash flows and changes in equity should be considered between 1 January - 30 June 2018.

2.4 Change of Operations According to Seasons

The operations of the Group are not affected by seasonal fluctuations.

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

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

2.5 Convenience Translation into English of Consolidated Financial Statements

USD amounts shown in the consolidated statement of financial position prepared in accordance with Turkish Accounting Standards have been translated from TRY, as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of the Republic of Turkey on 30 June 2019 of TRY 5.7551 = USD1 and USD amounts shown in the consolidated statements of profit or loss and other comprehensive income and cash flows have been translated from TRY, as a matter of arithmetic computation only, at the official USD average bid rates calculated from the official daily bid rates announced by the Central Bank of the Republic of Turkey for the six-month period ended 30 June 2019 of TRY 5.6157 = USD1, and do not form part of this condensed consolidated financial statements.

2.6 Convenience Translation into English of Financial Statements

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

	1 January - 30 June 2019			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenues	1,775,223	84,382	9,208	1,868,813
External revenues	**1,775,223**	**84,382**	**9,208**	**1,868,813**
Adjusted EBITDA (*)	**305,075**	**6,532**	**506**	**312,113**
Unallocated corporate expenses (**)	-	-	-	(28,896)
EBITDA	**-**	**-**	**-**	**283,217**
Amortization and depreciation	(44,006)	(6,714)	(4,772)	(55,492)
Other operating income, net	-	-	-	47,855
Income from investment activities	-	-	-	2,170
Loss of investments accounted using the equity method	(19,819)	-	-	(19,819)
Financial income / (expenses), net	-	-	-	(74,861)
Profit before tax				**183,070**

(*) Adjusted earnings before interest, taxes, depreciation, amortization ("Adjusted EBITDA"), is not a financial performance measurement published on TAS and may not be comparable with the similar indicators defined by other companies.

(**) Unallocated corporate expenses consists of unallocated parts of general administrative expenses for the period between 1 January - 30 June 2019.

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

NOTE 3 - SEGMENT REPORTING (Continued)

	1 April - 30 June 2019			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	893,287	44,355	5,746	943,388
External revenues	**893,287**	**44,355**	**5,746**	**943,388**
Adjusted EBITDA	**157,750**	**1,262**	**132**	**159,144**
Unallocated corporate expenses (***)	-	-	-	(14,872)
EBITDA	**-**	**-**	**-**	**144,272**
Amortization and depreciation	(21,547)	(3,701)	(2,519)	(27,767)
Other operating income, net				21,759
Income from investment activities	-	-	-	1,187
Loss of investment accounted using the equity method	(11,800)	-	-	(11,800)
Financial income / (expenses), net	-	-	-	(28,467)
Profit before tax				**99,184**

(***) Unallocated corporate expenses for the period between 1 April - 30 June 2019, consists of unallocated part of general administrative expenses.

	1 January - 30 June 2018			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	1,622,902	64,068	4,732	1,691,702
External revenues	**1,622,902**	**64,068**	**4,732**	**1,691,702**
Adjusted EBITDA	**304,369**	**6,634**	**290**	**311,293**
Unallocated corporate expenses (*)	-	-	-	(27,497)
EBITDA	**-**	**-**	**-**	**283,796**
Amortization and depreciation	(36,824)	(5,751)	(2,363)	(44,938)
Other operating income, net	-	-	-	55,892
Income from investment activities	-	-	-	12,845
Loss of investments accounted using the equity method	(30,405)	-	-	(30,405)
Financial income / (expenses), net	-	-	-	(142,149)
Profit before tax				**135,041**

(*) Unallocated corporate expenses consists of unallocated parts of general administrative expenses for the period between 1 January - 30 June 2018.

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

NOTE 3 - SEGMENT REPORTING (Continued)

	1 April - 30 June 2018			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	871,659	28,789	2,265	902,713
External revenues	**871,659**	**28,789**	**2,265**	**902,713**
Adjusted EBITDA	**180,735**	**3,005**	**(191)**	**183,549**
Unallocated corporate expenses (**)	-	-	-	(14,294)
EBITDA	**-**	**-**	**-**	**169,255**
Amortization and depreciation	(19,743)	(2,063)	(1,028)	(22,834)
Other operating income, net	-	-	-	41,712
Income from investment activities	-	-	-	2,059
Loss of investment accounted using the equity method	(16,088)	-	-	(16,088)
Financial income / (expenses), net	-	-	-	(107,789)
Profit before tax				**66,315**

(**) Unallocated corporate expenses consists of unallocated parts of general administrative expenses for the period between 1 April - 30 June 2018.

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

NOTE 4 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint Ventures

	30 June 2019	**31 December 2018**
DowAksa Holdings	293,861	286,658

Summary financial information of DowAksa Holding is presented below:

	30 June 2019	**31 December 2018**
Current assets	383,226	393,773
Non-current assets	1,229,111	1,130,036
Total Assets	**1,612,337**	**1,523,809**
Short-term liabilities	331,805	278,722
Long-term liabilities	692,810	671,771
Equity	587,722	573,316
Total Liabilities	**1,612,337**	**1,523,809**
Equity corresponding to Group's interest of 50%	**293,861**	**286,658**

	1 January - 30 June 2019	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Revenues	170,742	95,022	86,357	45,343
Net loss	(39,638)	(23,600)	(60,810)	(32,176)
Net loss corresponding to the Group's interest of 50%	**(19,819)**	**(11,800)**	**(30,405)**	**(16,088)**

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

	2019	**2018**
1 January, opening balance	286,658	222,014
Net loss corresponding to the Group's interest of 50%	(19,819)	(30,405)
Gains on remeasurements of defined benefit plans	113	-
Currency translation differences	26,909	41,639
30 June, closing balance	**293,861**	**233,248**

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

NOTE 5 - BORROWINGS

Group's financial liabilities are as follows:

	30 June 2019	31 December 2018
Short-term borrowings	771,855	984,376
Short-term portion of long-term borrowings	346,558	271,424
Lease liabilities	2,035	-
Total short-term borrowings	**1,120,448**	**1,255,800**
Long-term borrowings	567,911	645,058
Lease liabilities	12,988	-
Total long-term borrowings	**580,899**	**645,058**
Total borrowings	**1,701,347**	**1,900,858**

Bank borrowings

	30 June 2019		31 December 2018	
	Yearly weighted average interest rate %	TRY	Yearly weighted average interest rate %	TRY
a) Short-term borrowings:				
USD borrowings	4.43	661,837	4.38	999,571
TRY borrowings	19.75	121,607	-	9
Prepaid interest		(11,589)		(15,204)
Total short-term borrowings:		**771,855**		**984,376**
b) Short-term portion of long-term borrowings:				
EUR borrowings	2.17	143,194	2.00	112,066
USD borrowings	3.59	203,364	4.51	159,358
Lease liabilities		2,035		-
Total short-term portion of long-term borrowings		**348,593**		**271,424**
Total short-term borrowings		**1,120,448**		**1,255,800**
c) Long-term borrowings:				
USD borrowings	5.04	353,525	5.24	372,235
EUR borrowings	3.15	214,386	2.91	272,823
Lease liabilities		12,988		-
Total long-term borrowings		**580,899**		**645,058**

Group has no breach of contract concerning its borrowings.

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

NOTE 5 - BORROWINGS (Continued)

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

	30 June 2019	31 December 2018
Less than 3 months	259,032	452,723
Between 3-12 months	861,416	803,077
Between 1-2 years	152,382	193,407
Between 2-3 years	125,405	137,592
Between 3-4 years	98,754	89,731
4 years and over	204,358	224,328
	1,701,347	**1,900,858**

As of 30 June 2019, according to the general loan agreements, the Group has not blocked deposits in relation to its borrowings (31 December 2018: None).

The movement of financial borrowings for the six-month period ended 30 June 2019 and 2018 is as follows:

	2019	2018
1 January	1,900,858	1,150,586
Additions	602,666	923,015
Principal payments	(893,642)	(523,868)
Change in interest accrual	3,314	1,163
Foreign currency exchange differences	88,151	141,171
30 June	**1,701,347**	**1,692,067**

The movement of lease liabilities for the six month period ended 30 June 2019 is as follows:

	Field leases	Buildings	Vehicles	Total
Opening balance as of January 1, 2019	-	-	-	-
Effect of change in accounting policies	9,547	1,331	2,761	13,639
Additions	134	-	3,331	3,465
Interest expenses	638	88	171	897
Payments	(1,926)	(195)	(857)	(2,978)
Closing balance as of June 30, 2019	**8,393**	**1,224**	**5,406**	**15,023**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Details of trade receivables are as follows:

Trade receivables:

	30 June 2019	31 December 2018
Trade receivables	379,395	359,454
Notes receivable and cheques	295,079	295,833
Less: Provision for doubtful receivables	(27,681)	(27,681)
Less: Unearned finance income on credit sales	(3,689)	(3,525)
Total short-term trade receivables, net	**643,104**	**624,081**
Long-term trade receivables	91,831	-
Total long-term trade receivables, net	**91,831**	**-**

As of 30 June 2019 trade receivables have an average maturity of 3 months (31 December 2018: 3 months) and they are discounted with an average annual interest rate of 4% (31 December 2018: 4.5%) in TRY basis.

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

Details of trade payables are as follows:

Trade payables:

	30 June 2019	31 December 2018
Trade payables	711,078	724,569
Less: Unearned finance income on credit sales	(3,257)	(2,976)
Total	**707,821**	**721,593**

As of June 30, 2019 TRY and foreign currency denominated trade payables have an average of 3 months (31 December 2018: 3 months) and an average annual interest rate of 2% (31 December 2018: 3%) is used to calculate the loss on credit sales.

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

NOTE 7 - INVENTORIES

	30 June 2019	31 December 2018
Raw materials and supplies	239,100	309,479
Work in progress	29,253	25,258
Finished goods	128,623	127,362
Other inventories and spare parts	37,089	35,372
Less: Provision for impairment of inventories	(3,740)	(12,281)
Total	**430,325**	**485,190**

Provision for impairment of inventories is related to other inventories and finished goods. As of 30 June 2019 and 31 December 2018, the Group has included movements in the amount of impairment in inventory to cost of goods sold.

As of June 30, 2019, the Group has commodity insurance amounting to TRY 432 million (December 31, 2018: TRY 395 million) on its inventories amounting to TRY 321,489 (31 December 2018: TRY 355,920) (excluding raw materials in transit).

Cost of the raw materials and supplies which are related to goods sold in current period is shown in Note 14.

NOTE 8 - INVESTMENT PROPERTIES

	2019	2018
Net book value at 1 January	**44,631**	**45,891**
Current period depreciation	(630)	(631)
Net book value at 30 June	**44,001**	**45,260**

Current period depreciation expense is classified under general administrative expenses.

Land and Buildings

There are lands and buildings which are registered at the city of Yalova, town of Çiftlikköy, village of Deniz Çalı (at 1126, 1145 and 151/1 Parcels). According to the valuation report of an independent valuation company on December 31, 2018, the fair value of the related real estates is TRY 78,000 and they are rented monthly with a price of TRY 111.

Independent Units

Independent units consist of offices of the Company located in Gümüşsuyu and Maçka. According to the recent valuation report dated December 31, 2018, the fair value of the independent units is TRY 27,380 and it provides rent income amounting to TRY 97 per month.

As of June 30, 2019 Rental income from investment property amounting to TRY 1,216 (30 June 2018: TRY 3,127) is shown under income statement from investment activities.

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

The movement of property plant and equipment for the period ended 30 June 2019 and 2018 are as follows;

	2019	2018
Net book value at 1 January	**1,328,532**	**1,031,738**
Additions	67,091	76,981
Current period depreciation	(52,018)	(44,239)
Currency translation differences	1,302	1,169
Transfers	(251)	(262)
Disposals	(129)	(1,322)
Net book value at 30 June	**1,344,527**	**1,064,065**

The current period depreciation expense amounting to TRY 50.096 (30 June 2018: TRY 41.567) to the cost of goods sold, TRY 263 (30 June 2018: TRY 428) to research and development expenses, TRY 992 (30 June 2018: TRY 664) is related to general administrative expenses, TRY 13 (30 June 2018: TRY 16) to marketing and expenses, TRY 284 (30 June 2018: TRY 25) which is not completed yet is the depreciation amount under construction in progress and TRY 370 (30 June 2018: TL 1.539) have been included in inventories.

TRY 64,292 (30 June 2018: TRY 74,303) of current period additions of property, plant and equipment is related to construction-in-progress account. Carrying value of construction-in-progress account amounts to TRY 129,465 (30 June 2018: TRY 83,326) and these assets are not depreciated until they are ready for use in the intended manner.

NOTE 10 – RIGHT-OF-USE ASSETS

For the six month period ended 30 June 2019, movement of right-of-use assets are 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
Additions	134	-	3,331	3,465
	9,681	**1,331**	**6,092**	**17,104**
Accumulated Depreciation				
Opening balance as of January 1, 2019	-	-	-	-
Current period expense	(121)	(133)	(960)	(1,214)
	(121)	**(133)**	**(960)**	**(1,214)**
Net book value	**9,560**	**1,198**	**5,132**	**15,890**

The current period depreciation expense amounting to TRY 1,080 to the cost of goods sold, TRY 125 to general administrative expenses, TRY 9 have been included in marketing, sales and distribution expenses.

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

NOTE 11 - INTANGIBLE ASSETS

The movement table of intangible assets for the six-month period ended 30 June 2019 and 2018 is as follows:

	2019	2018
Net book value at 1 January	**64,753**	**73,714**
Additions	5,701	17,537
Current period amortization	(2,285)	(1,632)
Transfers	251	262
Currency translation differences	49	55
Net book value at 30 June	**68,469**	**89,936**

Current period depreciation expenses amounting to TRY 963 (30 June 2018: TRY 1.169) to the cost of goods sold, TRY 832 (30 June 2018: TRY 331) to research and development expenses, TRY 474 to (30 June 2018: TRY 132) is included in general administrative expenses, TRY 15 (30 June 2018: TRY 0) is included in marketing, sales and distribution expenses and TRY 1 (30 June 2018: TRY 0) is included in project development costs which are not yet completed.

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

	30 June 2019	31 December 2018
Letter of credit commitments	529,661	574,154
Collaterals given	345,876	318,220
Total	**875,537**	**892,374**

b) Guarantee letters and other commitments received for short-term trade receivables are as follows:

	30 June 2019	31 December 2018
Credit insurance	571,280	578,274
Pledges received	138,749	127,864
Pledged cheques and notes receivable	117,536	139,521
Confirmed/unconfirmed letters of credit	31,251	32,615
Limits of direct debiting system ("DDS")	11,769	12,298
Guarantee letters received	3,009	9,054
Total	**873,594**	**899,626**

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

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

		30 June 2019	**31 December 2018**
A.	CPM given on behalf of the Company's legal personality	875.537	892.374
	- USD	*744.275*	*769.389*
	- EUR	*102.069*	*94.334*
	- Turkish Lira	*29.193*	*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	-	-
	- USD	-	-
D.	Total amount of other CPM given	-	-
	i) Total amount of CPM given on behalf of the majority shareholder	-	-
	ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-
	iii) Total amount of CPM given on behalf of third parties which are not in scope of C,	-	-
Total		**875,537**	**892,374**

(*) As of 30 June 2019, the ratio of other CPMs given by the Company to equity is 0% (31 December 2018: 0%).

NOTE 13 – DERIVATIVE FINANCIAL INSTRUMENTS

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

	30 June 2019		**31 December 2018**	
	Asset	**Liability**	**Asset**	**Liability**
Held for trading	-	1,973	-	-
Held for hedging	1,325	-	3,273	-
Total	**1,325**	**1,973**	**3,273**	**-**

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

NOTE 13 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative instruments held for hedging:

	30 June 2019		31 December 2018	
	Contract amount USD thousand	Fair value Asset TRY	Contract amount USD thousand	Fair value Asset TRY
Interest rate swap	20,833	1,325	28,333	3,273

Derivative financial instruments are initially recognized at cost and subsequently remeasured at their fair values. The Group recognizes that the acquisition cost value used at initial recognition is the fair value of the derivative instrument. Derivative financial instruments of the Group mainly consist of foreign exchange forward contracts and interest rate swap transactions.

At the date of the derivative contract, the Group determines that a registered asset or liability or transactions that may be associated with a certain risk and which are likely to occur are transactions that are protected against changes in cash flows that may affect the profit / loss (cash flow hedges).

These derivative financial instruments are accounted as derivative financial instruments for hedging purposes in the consolidated financial statements, since they provide effective protection against risks for the Group and meet the necessary conditions in terms of risk accounting.

If the hedging instrument fails to meet the terms of the hedge accounting for the purpose of selling, expiring or hedging purposes, or if one of the promised or probable future transactions is not expected to occur, the contractual or probable future transaction will be the hedging instrument continues to be classified separately under equity. When the committed or probable future transaction is realized, it is recognized in profit or loss and the accumulated gains or losses related to the transaction are reflected to the consolidated financial statements as profit or loss.

As of 30 June 2019, the fixed interest rates are 1.13% and 1.35% (31 December 2018: 1.13% and 1.35%). The main variable interest rates are EURIBOR and LIBOR.

Derivative instruments held for trading:

As of 30 June 2018, Group has foreign exchange sales and purchase option contracts. Such option transactions are recognized as derivative instruments held for trading in the consolidated financial information due to not holding the necessary conditions in terms of hedge accounting and consequently changes in the fair value of these derivatives are recognized in the income statement.

	30 June 2019		31 December 2018	
	Contract amount (thousand)	Fair value Liability TRY	Contract amount (thousand)	Fair value Liability TRY
Foreign exchange held for trading transactions:				
- USD	4,700	1,917	-	-
- EUR	750	56	-	-
Total		**1,973**		**-**

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

NOTE 14 - EXPENSES BY NATURE

Cost of sales, marketing expenses and general administrative expenses by nature for the six-month and three-month periods ended at 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Raw materials and goods	1,390,574	695,128	1,231,714	640,944
Employee benefits	74,612	39,603	66,655	32,166
Depreciation and amortization	55,492	27,767	44,938	22,834
Commission expenses	24,905	12,929	18,768	11,848
Other consumables	24,623	11,494	23,171	11,596
Export expenses	13,455	8,619	12,205	8,464
Maintenance, repair, and cleaning expenses	11,726	6,302	12,077	6,553
Information technologies expenses	5,470	2,887	3,740	2,164
Consultancy expenses	3,235	1,644	9,511	5,100
Rent expenses	2,742	1,338	3,871	1,976
Other	34,254	19,172	26,194	12,647
Total	**1,641,088**	**826,883**	**1,452,844**	**756,292**

NOTE 15 - OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

Other operating income for the six-month and three-month periods ended at 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Foreign exchange gain on trading transactions	124,377	46,685	198,861	135,913
Interest income on credit sales	18,380	10,208	11,202	8,912
Gain on sale of scraps	1,499	780	2,082	941
Other	2,374	2,116	840	626
Total	**146,630**	**59,789**	**212,985**	**146,392**

Other operating income for the six-month and three-month periods ended at 30 June 2019 and 2018 also including the last 3 months are as follows:

	1 January - 30 June 2019	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Foreign exchange loss on trading transactions	91,931	35,038	148,411	100,322
Interest expense from credit purchases	5,935	2,866	7,011	2,771
Other	909	126	1,671	1,587
Total	**98,775**	**38,030**	**157,093**	**104,680**

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

NOTE 16 - FINANCE INCOME

Finance income for the six-month and three-month periods ended at 30 June 2019 and 2018 is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Foreign exchange gains	100,365	73,322	88,009	45,756
Interest income	20,082	8,387	14,144	7,287
Total	**120,447**	**81,709**	**102,153**	**53,043**

NOTE 17 - FINANCE EXPENSE

Finance costs for the six-month and three-month periods ended at 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Foreign exchange expense	161,312	92,537	227,748	151,791
Interest and comission expenses	33,996	17,639	16,554	9,041
Total	**195,308**	**110,176**	**244,302**	**160,832**

NOTE 18 - TAX ASSETS AND LIABILITIES

Tax expenses for the six-month and three-month periods ended at 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Income tax expense	(34,333)	(21,753)	(28,813)	(11,851)
Deferred tax income/(expense), net	(11,687)	(4,627)	(6,177)	(6,293)
Total tax expense	**(46,020)**	**(26,380)**	**(34,990)**	**(18,144)**

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

Deferred Income Tax Assets and Liabilities

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 30 June 2019 and 31 December 2018 are as follows:

	Temporary Taxable Differences		**Deferred Income Tax Asset/Liability**	
	30 June 2019	**31 December 2018**	**30 June 2019**	**31 December 2018**
Property, plant and equipment and intangible assets	(137,484)	(117,926)	(27,419)	(22,540)
Inventories	(16,580)	-	(3,648)	-
Right-of-use assets	(15,890)	-	(3,255)	-
Trade receivables	(6,992)	-	(1,538)	-
Trade payables	(3,257)	(2,976)	(717)	(655)
Derivative instruments	-	(3,273)	-	(720)
Deferred income tax liabilities			**(36,577)**	**(23,915)**
Employee termination benefits	26,009	22,899	5,286	4,663
Deferred income	20,406	-	4,489	-
Payables due to leasing transactions	15,023	-	3,305	-
Other short-term liabilities	9,830	3,759	2,163	837
Derivative instruments	648	-	143	-
Trade receivables	-	1,859	-	409
Inventories	-	5,824	-	1,281
Other	3,052	302	671	67
Deferred income tax assets			**16,057**	**7,257**
Deferred income tax liabilities, net			**(20,520)**	**(16,658)**

Movement for the deferred income tax liabilities for the six-month periods ended at 30 June 2019 and 2018 are as follows:

	2019	**2018**
1 January	**16,658**	**19,924**
Deferred tax (expenses) / income for the period, net	11,687	6,177
Amounts recognized under the equity	(7,739)	337
Currency translation differences	(86)	(105)
30 June	**20,520**	**26,333**

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

	30 June 2019	31 December 2018
Calculated corporate income tax	34,333	35,736
Amount offset from VAT receivables and prepaid corporate taxes	(7,673)	(27,940)
Income tax payable	**26,660**	**7,796**

	30 June 2019	30 June 2018
Profit before tax stated in the consolidated financial statements	183,070	135,041
Expected tax expense of the Group (22%)	**40,275**	**29,709**
The effect of application of equity method	19,819	30,405
Discounts and exemptions	(4,014)	(4,496)
Investment incentives	-	(3,254)
Other	7,418	1,953
Tax effect	5,491	5,414
Tax effect (22%)	254	(133)
Current period tax expense of the Group	**46,020**	**34,990**

NOTE 19 - 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. Calculating of earnings per share for the six-month and three-month periods ended at 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Net income attributable to the equity holders of the parent (TRY) (*) (A)	137,049,990	72,803,702	100,051,228	48,171,488
Weighted average number of shares (B)	18,500,000,000	18,500,000,000	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	**0.74**	**0.39**	**0.54**	**0.26**

(*) Amounts expressed in full Turkish Lira.

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

NOTE 20 - RELATED PARTY DISCLOSURES

a) Short-term trade receivables:

As of 30 June 2019 and 31 December 2018, trade receivables from related parties are as follows:

	30 June 2019	31 December 2018
Ak-Pa Tekstil İhracat Pazarlama A.Ş. ("Ak-Pa") (*) (1)	219,893	270,798
DowAksa İleri Kompozit Malzemeler San, Ltd, Şti, ("DowAksa") (2)	22,565	13,947
Akkim Kimya San, ve Tic, A,Ş, ("Akkim") (1)	10,406	12,316
Other	2,248	439
Less: Unearned finance income on credit sales (-)	(1,172)	(1,373)
Total	**253,940**	**296,127**

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

Foreign currency denominated trade receivables have 3 months maturity on average as of 30 June 2019 and are discounted with annual average discount rate of 4% (31 December 2018: 4%) based on USD.

b) Short-term trade payables:

As of 30 June 2019 and 31 December 2018, short-term trade payables to related parties are as follows:

	30 June 2019	31 December 2018
Ak-Pa (1)	17,701	23,271
Akkim (1)	17,567	12,426
Dinkal Sigorta Acenteliği A.Ş.(*) (1)	3,572	2,595
Akgirişim Müt. Müş. Çevre Tek. San. Tic. A.Ş. ("Akgirişim") (3)	2,113	7,529
Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi ("Yalkim OSB") (3)	2,028	1,394
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. (1)	1,574	1,848
Akkök Holding (4)	-	2,933
Other	124	311
Total	**44,679**	**52,307**

(*) This amount has payments to insurance companies through Dinkal Sigorta Acenteliği A.Ş.

As of 30 June 2019 and 31 December 2018, trade payables have an average maturity of one (1) month.

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

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

NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

c) Other receivables:

Other receivables from joint ventures as of 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
DowAksa - Leasing receivables (1)	26,996	24,678
DowAksa - Unearned finance income (1)	-	-
Other short-term receivables	**26,996**	**24,678**

Leasing receivables are shown as below in terms of period the collection as of 30 June 2019 and 31 December 2018:

	30 June 2019			31 December 2018		
	Leasing Receivables	Interest	Total	Leasing Receivables	Interest	Total
Between 0-3 Months	-	-	-	-	-	-
Between 3-12 Months	26,996	-	26,996	24,678	-	24,678
	26,996	**-**	**26,996**	**24,678**	**-**	**24,678**

d) Advances given

As of 30 June 2019 and 31 December 2018, advances given to related parties are as follows:

	30 June 2019	31 December 2018
Akgirişim (2)	1,802	1,716
Yalkim OSB (2)	1,291	-
Total	**3,093**	**1,716**

It consists of advance payments for various investment projects in Yalova premises.

e) Sales:

Sales to related parties for the six-month and three-month periods ended at 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Ak-Pa (*) (3)	877,018	440,429	623,973	373,378
Akkim (3)	45,812	24,228	45,773	19,083
DowAksa (1)	29,813	16,147	19,418	9,754
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") (3)	7,959	7,959	-	-
Other	4,032	2,389	5,102	3,305
Total	**964,634**	**491,152**	**694,266**	**405,520**

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

Other sales to related parties consist of rent incomes, electric and steam energy sales.

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

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

NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

f) Purchase of goods and service:

Purchases for the six-month and three-month periods ended at 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Akkim [1]	50,838	27,044	47,230	23,401
Ak-Pa [1]	13,863	6,978	10,287	6,273
Yalkim OSB [3]	12,973	7,409	23,136	18,631
Dinkal Sigorta Acenteliği A.Ş. [*] [1]	9,835	368	8,717	393
Akgirişim [3]	9,743	4,969	3,505	1,805
Aktek [1]	5,981	3,787	5,677	3,383
Akkök Holding [4]	297	144	4,235	2,069
Other	3,395	1,945	2,541	714
Total	**106,925**	**52,644**	**105,328**	**56,669**

(*) Purchases comprise gross insurance services by Dinkal Sigorta Acenteliği A.Ş. acting as an agent.

Purchases from related parties consist of chemicals, insurance, contracting, consultancy, commissions, rent, expenses for organized industrial zone and other service purchases.

The Company defined its key management personnel as member of action committee and board of directors. Benefits provided to these key management personnel as of 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Salary and other short term employee benefits	3,302	1,572	3,390	1,961
Provision for employment termination benefits	53	21	21	9
Post-employment benefits	-	-	-	-
Other long term benefits	-	-	-	-
Share based payments	-	-	-	-
Total	**3,355**	**1,593**	**3,411**	**1,970**

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

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

NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

Benefits provided to board of directors for the six-month and three-month periods ending 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Salary and other short term employee benefits	701	419	573	317
Provision for employment termination benefits	-	-	-	-
Post-employment benefits	-	-	-	-
Other long term benefits	-	-	-	-
Share based payments	-	-	-	-
Total	**701**	**419**	**573**	**317**

NOTE 21 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial risk factors

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

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by using natural hedges that arise from offsetting interest rate of assets and liabilities or derivative instruments. In this case Group has given attention to same interest renewal periods besides interest rates. To minimize the impact of the interest rate changes in financial liabilities, "fixed/flexible interest", "short term maturity/long term maturity" and "TRY/foreign currency" ratios should be in line with each other and with assets structure.

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 informations net of provision for doubtful receivables (Note 6).

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

NOTE 21 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign Exchange Risk

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

Foreign currency position presented in TRY is as follows:

	30 June 2019		31 December 2018	
	TRY Equivalent	USD Equivalent(*)	TRY Equivalent	USD Equivalent(*)
Assets	1,378,288	239,490	1,651,784	313,974
Liabilities	2,222,871	386,244	2,648,086	503,352
Net balance sheet position	**(844,583)**	**(146,754)**	**(996,302)**	**(189,378)**
Foreign currency denominated net position of derivative assets (liabilities)	27,016	4,694	-	-
Net Foreign Currency Asset/(Liability) Position	**(817,567)**	**(142,060)**	**(996,302)**	**(189,378)**
Inventories valued under natural hedge (**)	393,236	68,328	449,818	85,502
Hedge portions of foreign exchange liabilities (***)	480,011	83,406	-	-
Net foreign currency position after hedge	**55,680**	**9,674**	**(546,484)**	**(103,876)**

(*) US Dollar equivalent amounts are calculated by dividing the TRY positions by the US dollar exchange rates as of the balance sheet date and unless otherwise stated, they are expressed in thousand US Dollar.

(**) The Group limits the foreign currency risk arising from net foreign currency financial liabilities and trade payables by reflecting changes in foreign exchange rates on product sales prices. As of the related date, the Group's total raw material consists of semi-finished and finished product stocks.

(***) As of 30 June 2019, the principal amount of loans amounting to USD 53.363 thousand and EUR 26.395 thousand, which are defined as hedging instruments, and the amount of sales which are hedged items are matched. As a result of the effectiveness test performed within this scope, the Group has determined that the entire transaction is effective. As of the period, the total pre-tax amount recognized under "Other Comprehensive Income" TRY amounts to TRY 34,094 thousand, whereas the amount realized during the period and transferred from other comprehensive income in the income statement is TRY 5,115 thousand. The ineffective portion arises when sales and credit payments are not realized on the same date and the ineffective portion is insignificant as of the reporting period.

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

NOTE 21 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position as of 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019			
	TRY equivalent	**USD**	**EUR**	**Other**
1. Trade Receivables	785,546	119,129	13,444	11,878
2a, Monetary Financial Assets (including cash and bank accounts)	473,915	47,553	30,191	2,472
2b, Non-monetary Financial Assets	-	-	-	-
3, Other	26,996	4,691	-	-
4, Current Assets (1+2+3)	**1,286,457**	**171,373**	**43,635**	**14,350**
5, Trade Receivables	91,831	15,956	-	-
6a, Monetary Financial Assets	-	-	-	-
6b, Non-monetary Financial Assets	-	-	-	-
7, Other	-	-	-	-
8, Non-Current Assets (5+6+7)	**91,831**	**15,956**	**-**	**-**
9, Total Assets (4+8)	**1,378,288**	**187,329**	**43,635**	**14,350**
10, Trade Payables	646,565	107,779	4,005	50
11, Financial Liabilities	995,407	150,336	21,860	-
12a, Monetary Other Liabilities	-	-	-	-
12b, Non-monetary Other Liabilities	-	-	-	-
13, Short-Term Liabilities (10+11+12)	**1,641,972**	**258,115**	**25,865**	**50**
14, Trade Payables	-	-	-	-
15, Financial Liabilities	580,899	61,428	32,727	-
16 a, Other Monetary Liabilities	-	-	-	-
16 b, Other Non-monetary Liabilities	-	-	-	-
17, Long-Term Liabilities (14+15+16)	**580,899**	**61,428**	**32,727**	**-**
18, Total Liabilities (13+17)	**2,222,871**	**319,543**	**58,592**	**50**
19, Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	**27,016**	**5,548**	**(750)**	**-**
19a, Net Assets of Statement of Financial Position	31,929	5,548	-	-
19b, Net Liabilities of Statement of Financial Position	4,913	-	750	-
20, Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(817,567)**	**(126,666)**	**(15,707)**	**14,300**
21, Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(871,579)**	**(136,905)**	**(14,957)**	**14,300**
22, Fair Value of Financial Instruments Used for Foreign Hedge	(1,973)	(333)	(9)	-
23, Amount of Hedged Foreign Currency Assets	393,236	68,328	-	-
24, Amount of Hedged Foreign Currency Liabilities	480,011	53,363	26,395	-

As of 30 June 2019, the Company has TRY 55,680 long foreign currency position (31 December 2018 : TRY 546,484 short foreign currency position) after natural hedge.

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

NOTE 21 -NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2018			
	TRY equivalent	**USD**	**EUR**	**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, Net Assets of Statement of Financial Position	-	-	-	-
19b, Net Liabilities of Statement of Financial Position	-	-	-	-
20, Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(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 ("TRY") unless otherwise indicated.)

NOTE 21 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following table summarizes the sensitivity to possible changes in the net position, on the Group's balance sheet as of 30 June 2019 and 31 December 2018:

30 June 2019	**Profit / Loss**		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% appreciation of USD against TRY				
USD net asset/ (liability)	(76,091)	76,091	29,386	(29,386)
Amount hedged for USD risk	33,416	(33,416)	(30,711)	30,711
USD Net effect	**(42,675)**	**42,675**	**(1,325)**	**1,325**
In case 10% appreciation of EUR against TRY				
EUR net asset/ (liability)	(9,798)	9,798	-	-
Amount hedged for EUR risk	17,290	(17,290)	(17,290)	17,290
EUR Net effect	**7,492**	**(7,492)**	**(17,290)**	**17,290**

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 TRY				
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 TRY				
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 ("TRY") unless otherwise indicated.)

NOTE 21 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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.

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 financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated financial position, plus net debt.

The ratio of net debt to equity is as follows:

	30 June 2019	**31 December 2018**
Total monetary liabilities (*)	2,438,824	2,674,758
Less: Cash and cash equivalents	(506,390)	(837,838)
Net debt	**1,932,434**	**1,836,920**
Total shareholders' equity	1,382,495	1,447,482
Total capital	**3,314,929**	**3,284,402**
Debt/equity ratio	**58%**	**56%**

(*) It consists of short-term and long-term liabilities, trade payable to related parties and trade payables to other parties.