AKSA

Annual Report 2013

AKKÖK

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Stability, success and trust…

As the first company to introduce acrylic fiber to the Turkish textile industry, we have played a key role in making Turkey the world's second largest acrylic fiber market after China. We maintained steady growth by supporting our operational excellence strategy with R&D activities.

Ordinary General Assembly Agenda

AGENDA FOR THE 2013 ORDINARY GENERAL ASSEMBLY MEETING OF AKSA AKRİLİK KİMYA SANAYİİ ANONİM ŞİRKETİ

1. Opening of the meeting and election of the Presiding Board of the General Assembly,

2. Reading and discussing the 2013 Annual Report prepared by the Board of Directors,

3. Reading the Auditors' Report for the year 2013,

4. Reading, discussing and approval of the Financial Statements for the year 2013,

5. Releasing the members of the Board of Directors individually with regard to the Company's activities in 2013,

6. Determining the usage of profit, percentages of profit distribution and profit sharing,

7. Determining the compensation for the members and independent members of the Board of Directors,

8. Submitting the new Board members appointed during the year due to a decrease in the number of members on the Board of Directors, and as pursuant to the Turkish Commercial Code, for the approval of the General Assembly,

9. Determining the number and the terms of office of the members of the Board of Directors; election of the members of the Board of Directors.

10. Selection of the Independent Auditor pursuant to the Turkish Commercial Code and the "Communiqué on Independent Auditing Standards in Capital Markets" issued by the Capital Markets Board of Turkey; and approval of the Independent Auditor selected by the Board of Directors pursuant to the "Communiqué on Independent Auditing Standards in Capital Markets,"

11. Pursuant to the Capital Markets Board's Communiqué on Corporate Governance, in the event that controlling shareholders, members of the Board of Directors, executive management and their first and second degree relatives by blood or by marriage have carried out significant transactions that may result in conflict of interest either with the Company or its subsidiaries, and/or have carried out commercial transactions in the same line of business with the Company or its subsidiaries either by themselves or on behalf of others, or have become partners without limits of liability in a company that is engaged in the same line of business, informing the shareholders with regard to such transactions,

12. Pursuant to articles 395 and 396 of the Turkish Commercial Code, granting permission and authority to the members of the Board of Directors,

13. Pursuant to the Capital Market Law, submitting the upper limit for donations and the Company's Donations and Aid Policy for the approval of the General Assembly,

14. Pursuant to the Capital Market Law, informing the shareholders about the donations and aid made by the Company in 2013,

15. Pursuant to the Capital Markets Board's Communiqué on Dividends (No: II-19.1), determining the Company's Dividend Distribution Policy,

16. Pursuant to Article 12 of the Communiqué on Corporate Governance, informing the shareholders about the sureties, pledges, mortgages and guarantees given by the Company in favor of third parties and on the income and benefits acquired by the Company in 2013,

17. Wishes and closing.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

Mr. Abdullah Gül, the President of Turkey, visited Aksa and DowAksa facilities on September 6, 2013. During his visit, President Gül was accompanied by Mr. Ali Raif Dinçkök, Chairman of the Board of Directors of Akkök Group, Mrs. Nilüfer Dinçkök Çiftçi, Deputy Chairman of the Board of Directors of Akkök Group, Mr. Ahmet Dördüncü, Chairman of the Executive Board of Akkök Group; Mr. Mehmet Ali Berkman, Advisor to the Executive Board of Akkök Group, Mr. Raif Ali Dinçkök, Member of the Executive Board of Akkök Group; and Mr. Cengiz Taş, General Manager of Aksa.

Key Indicators

CONSOLIDATED BALANCE SHEET SUMMARY(*)	31 December 2013 (Thousand US$)	31 December 2012 (Thousand US$)
ASSETS	**848,805**	**873,419**
Current Assets	401,625	388,342
Cash and Cash Equivalents	109,267	79,363
Trade Receivables	171,202	178,657
Inventories	86,770	92,525
Other Current Assets	34,386	37,797
Non-Current Assets	447,180	485,077
Trade Receivables	-	2,519
Financial Investments	1,103	744
Investments Accounted for by the Equity Method	114,842	127,758
Property, Plant and Equipment	317,908	346,704
Intangible Assets	4,653	2,704
Goodwill	2,806	3,360
Other Non-Current Assets	5,867	1,287
LIABILITIES	**848,805**	**873,419**
Short Term Liabilities	288,879	240,994
Financial Liabilities	105,824	95,589
Trade Payables	159,821	137,141
Taxes on Income	4,890	3,311
Other Short Term Liabilities	18,343	4,953
Long Term Liabilities	69,140	87,759
Financial Liabilities	58,387	72,437
Derrivative Financial Instruments	-	967
Provision for Employment Termination Benefits	7,186	9,063
Deferred Tax Liabilities	3,395	4,736
Other Long Term Liabilities	171	556
Shareholders' Equity	490,787	544,665

(*) US$ currency conversions shown in the consolidated financial statements are provided for informational purposes only; the closing exchange rate TL 2.1343 (December 31, 2012: TL 1.7826) was used in calculating the balance sheet items. Aksa has significantly reduced the sources used to finance working capital since 2011 thanks to the improvements the Company has achieved in the collection of commercial receivables.

Net Working Capital

2012	134,041
2013	98,151

-27%

Aksa has significantly reduced the sources used to finance working capital since 2011 thanks to the improvements the Company has achieved in the collection of commercial receivables.

Operating Profit

2012	81,305
2013	98,699

21%

Aksa increased its operating profit by 21% in comparison to the previous year.

Net Sales (Thousand US$)

2012	906,841
2013	923,396

2%

Aksa increased its sales 2% in 2013 over the previous year to US$ 923,396 thousand.

Key Indicators

CONSOLIDATED INCOME STATEMENT(*)	31 December 2013 (Thousand US$)	31 December 2012 (Thousand US$)
Net Sales	923,396	906,841
Operating Profit	98,699	81,305
EBITDA	132,312	110,489
Net Profit	73,963	94,011

FINANCIAL RATIOS	31 December 2013 (Thousand US$)	31 December 2012 (Thousand US$)
Current Ratio	1.39	1.61
Liquidity Ratio	1.09	1.23
EBITDA Margin	14.33%	12.18%
Net Profit Margin	8.01%	10.37%
Return on Invested Capital (ROIC)	8.71%	10.76%
Return on Equity (ROE)	15.07%	17.26%

(*) The conversion of the consolidated income statement into US$ is provided for informational purposes only; the period average exchange rate of TL 1.9021 (December 31, 2012: TL 1.7924) was used in the statement.

Capacity Utilization Rate (%)

Aksa achieved a record high capacity utilization rate of 98% at the end of 2013.

EBITDA

Aksa achieved an increase in the EBITDA for three years in a row and reached 14.33%.

Major Developments in 2013

Aksa will represent Turkey in the Turquality Program

Aksa was accepted into the "Turquality Program," which is carried out by Turkey's Ministry of Economy. Turquality is the world's first and only state-sponsored brand development program. Designed with the vision of "Creating 10 Global Brands in 10 years," this support program aims to enhance Turkey's competitive power in global markets by creating global players out of the country's domestic brands.

Aksa, the world leader in acrylic fiber, applied to enter the Turquality Program not only to strengthen its competitive power in global markets, but also to reinforce the "Made in Turkey" image with its production quality and product diversity. As a result of the detailed evaluations carried out by an independent consulting firm, Aksa was included in the Turquality Program in July 2013 with the approval of the Ministry of Economy.

Aksa Shares Rose on the Stock Exchange

Aksa's stock performance in 2013 pleased the Company's shareholders. Starting the year with a stock price of TL 4.67 (adjusted price after dividend payout), Aksa continued to attract investor interest with its strong operational performance, robust financial structure and market leadership, and thus closed the year at TL 8.02 per share. In line with the rising stock price, Aksa's market capitalization increased 72%, from TL 864 million to TL 1,484 million. During the same period, the BIST 100 index dropped from 78,208 to 67,802, closing the year down 13%. Since the beginning of 2013, Aksa has traded on the BIST 50 index.

Lean Management with the Merger of Aksa and Ak-Tops

Ak-Tops Tekstil Sanayi A.Ş. began to operate under the roof of Aksa Kimya Sanayii A.Ş. during the year. Following the announcement made on the Public Disclosure Platform (PDP) on November 1, 2013, and the official registration on December 31, 2013 as per the permissions obtained from the Energy Market Regulatory Authority (EMRA) and the Capital Markets Board, Aksa took over all assets and liabilities of Ak-Tops Tekstil Sanayi A.Ş., the Company's wholly owned subsidiary since August 2013.

Second Phase of the Power Plant Commissioned

Aksa's new investment projects initiated as part of its sustainable growth strategy resulted in an increasing need for uninterrupted, high-quality and low-cost energy. In fact, the Company's energy requirements are such that it needs electric and steam power at the same time and in the same location.

Accordingly, Aksa commissioned the second phase of the power plant in 2013. As a result, all phases of the power plant, which has an electricity generation capacity of 100 MW and steam production capacity of 350 tons/hour, were commissioned in June 2013.

A New Product of Aksa Technology: Pigment-Dyed Acrylic Filament Yarn

Having achieved global success in the acrylic fiber markets, Aksa is preparing to launch new products to maintain its successful track record. With high light and weather resistance properties, acrylic fibers are mostly used in the production of awnings, canopies and garden furniture, which are directly exposed to sunlight, and thus have become an indispensable part of everyday life.

In 2013, Aksa started pilot production of pigment-dyed acrylic filament yarn. This new product, which boasts excellent color brightness, high-quality appearance, ultra-high water resistance as well as self-cleaning properties, was entirely developed with the Company's proprietary technology. Aksa is the sole manufacturer of pigment-dyed acrylic filament yarn in the world.

Aksa in Brief

"As one of the main pioneers of sustainable growth in the Turkish industry, Aksa's acrylic fiber production capacity has climbed to 308,000 tons/year. With a high market share, Aksa is the world's largest acrylic fiber producer."

Cengiz Taş
Member of the Board of Directors and General Manager

Akkök Group, one of the most well-established and trustworthy industrial groups in Turkey, laid the foundations of Aksa Akrilik Kimya Sanayii A.Ş. in 1968 with 100% Turkish capital. Three years after its establishment, Aksa started production at the Yalova plant with a capacity of 5,000 tons/year in order to meet Turkey's acrylic fiber demand. Located on a 502,000 square meter land tract, the Company is the only local acrylic fiber manufacturer in Turkey.

As one of the main pioneers of sustainable growth in the Turkish industry, Aksa's acrylic fiber production capacity has climbed to 308,000 tons/year. Making use of Akkök Group's know-how in its operations, the Company remains the world's largest acrylic fiber producer with 16% global market share. With its core business the production of acrylic-based tow, top and fiber, Aksa is also engaged in the generation of electricity and steam power. The Company holds an energy generation license with a capacity of 142.5 MWe, and thus is capable of meeting its own energy needs. While continuously increasing its production capacity through technology and modernization initiatives, Aksa has successfully operated in foreign markets since 1977.

After improving its technology infrastructure, Aksa entered the carbon fiber market in 2009; subsequently in 2012, the Company established DowAksa as a 50% joint venture with Dow Europe Holdings B.V., a subsidiary of the Dow Chemical Company. Today, the Company carries out carbon fiber production under the roof of DowAksa with a capacity of 3,500 tons/year.

In August 2013, Aksa acquired the remaining 40% stake in Ak-Tops, of which it already owned a 60% shareholding; as a result, Ak-Tops became a wholly owned subsidiary of Aksa. Following the announcement made on the Public Disclosure Platform (PDP) on November 1, 2013, and the official registration on December 31, 2013 as per the permissions obtained from the Energy Market Regulatory Authority (EMRA) and the Capital Markets Board, Aksa took over all assets and liabilities of Ak-Tops Tekstil Sanayi A.Ş., the Company's wholly owned subsidiary since August 2013. Among the results of this merger, all management and operational processes will become simpler and productivity will increase.

Capital and Shareholding Structure

Aksa's goal is to always be a profitable investment for its shareholders.

Aksa accepted the registered capital system outlined in the provisions of Law No. 2499 and on the basis of Permission No. 90 granted by the Capital Markets Board on February 20, 1992 adopted this system. The Company's registered capital is TL 425,000,000 and its paid in capital stands at TL 185,000,000.

The Company increased its capital stock in 2009 with an amount of TL 75,000,000 thus, from TL 110,000,000 to TL 185,000,000. The sum of TL 60,000,000 was paid out of the reserves of inflation adjustments, while TL 15,000,000 was paid with the sum added to the capital from the first dividends set aside from 2008 profit. The Company issued shares corresponding to the capital increase of TL 75,000,000, although no securities or financial bonds were issued.

Company shareholders and their shareholding ratios are as seen in the table.

Capital and Shareholding Structure

SHAREHOLDER	SHARE (%)	VALUE (TL)
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	39.59	73,237,497
Emniyet Ticaret ve Sanayi A.Ş.	18.72	34,638,843
Other(*)	41.69	77,123,660
Total	100.00	185,000,000

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

Subsidiaries

					DIVIDEND AMOUNT (TL)		
FINANCIAL INVESTMENT	COUNTRY	FIELD OF OPERATION	PARTICIPATION AMOUNT(*)	PARTICIPATION (%)	2011	2012	2013
Akpa Tekstil İhracat Pazarlama A.Ş.	Turkey	Foreign Trade	2,226,133	13.47	487,406	551,394	775,705

					DIVIDEND AMOUNT (TL)		
SUBSIDIARY	COUNTRY	FIELD OF OPERATION	PARTICIPATION AMOUNT(*)	PARTICIPATION (%)	2011	2012	2013
Fitco B.V.	The Netherlands	Foreign Investment	7,150,069	100.00	-	-	-
Ak-Tops Tekstil Sanayi A.Ş.	Turkey	Textile	37,406,873(**)	60.00	2,202,206	2,803,404	3,404,690

					DIVIDEND AMOUNT (TL)		
JOINT VENTURE	COUNTRY	FIELD OF OPERATION	PARTICIPATION AMOUNT(*)	PARTICIPATION (%)	2010	2011	2012
DowAksa Advanced Composites Holding B.V.	The Netherlands	Foreign Investment	308,458,145	50.00	-	-	-

(*) Composed of amounts that are included in the financial tables which are in line with Tax Procedure Law.
(**) Continued its operations as a subsidiary of Aksa Akrilik until the registration of the merger on December 31, 2013.

Aksa Akrilik Kimya Sanayii A.Ş.	**2013**
Market Value	TL 1,484 million
Public Share Ratio	41.69%
BIST Trading Ratio	37.24%
Foreign Investor Shares(*)	20.87%

(*) Foreign investor stake among shares traded on the BIST.

Mission, Vision and Corporate Values

Mission

To become the world's most preferred company in acrylic-based textile and technical fiber production, and to be recognized as an efficient, innovative, and environmentally friendly partner, with a customer and health & safety focused business model.

Vision

To achieve the highest level of operational excellence by investing in technology in order to maintain sustainable profitability and to create new end-uses for acrylic fiber. To achieve the highest level of operational excellence, by investing in our technology in order to create sustainable, profitable and new end-uses for acrylic fiber.

Corporate Values

Business Ethics
We respect our ethical values and work with individuals and firms which share similar approaches to us.

Customer Orientation
We ensure customer satisfaction by creating added value by new products and services. Our target is to be the best in terms of quality, service, production, price and delivery time.

Team-Work and Cooperation
We encourage harmony and cooperation in team-work.

Creativity and Innovation
Our business priority is to understand and meet our customers' changing needs in every area, through creativity and innovation in all our processes.

Health, Safety and Environment
We aim for excellence in safety and the environment as reflected in our approach to issues of the workplace, products and in all our production processes. Health and safety at work is the first priority at all levels throughout our business, from design through to after sales service.

Continuous Learning and Development
Our employees' creativity and advancement is our strength. We emphasize the importance of employee participation, empowerment and team working. We continuously learn and develop.

Milestones

With its robust financial structure and reliable reputation, Aksa has become the pioneer of sustainability in the Turkish industry.

1968
- Aksa was established under the same roof of Akkök Group Companies, to meet Turkey's acrylic fiber requirements.

1969
- A license agreement was signed and executed with the Italian acrylic producer company Chatillon (now Montefibre) and the Monsanto technology was acquired by Aksa. The construction of the Aksa plant was started in Yalova.

1971
- The plant which founded in Yalova began to operate with a capacity of 5,000 tons /year to produce staple fiber and top.

1974
- Capacity was increased for the first time.

1976
- Four new high capacity fiber spinning machines were added, increasing the capacity to 35,000 tons/year, and two gas turbines were installed to meet the energy requirements of the plant.

1977
- In addition to staple fiber and top, tow was also offered to the market , and it was exported to Italy for the first time.

1978
- Technical assistance agreement with Chatillon ended, and Aksa started to develop its own technology.

1982
- Distributed Control System (DCS) was established for the first time in Turkey, and the entire processing system monitored from a single center.

1985
- Jel dyeing technology was developed and producer dyed tow production initiated.

1986
- Acrylic fiber production capacity reached 116,000 tons/year.

1991
- Realized the first CCE steam generation in Turkey.

1992
- The Fiber Pilot Plant and the Research Lab was established to promote polymer research and to develop new products.

1997
- Microfiber production was started. Open end type fiber, the major input for cotton type yarn production, was also offered to the market.
- Acrylic fiber production capacity reached 190,000 tons/year.

2000
- Began manufacturing outdoor fiber.
- Switched to biological treatment with the Deep Tank system, the most advanced technology in water treatment, breaking new ground in Turkey.

2002
- Accelerated new product development activities by refurbishing the Pilot Plant and the R&D Lab that were established in 1992.

2004
- A pilot plant for textiles was established in addition to existing pilot plants to provide more efficient customer services in the post-processing of fiber.

2006
- Began investments and initiated R&D work on carbon fiber.

2007
- Acrylic fiber production capacity reached 308,000 tons/year.
- With its performance in developing technology, Aksa reached a position from where it was able to establish a new acrylic fiber manufacturing facility in any part of the world, or else to sell technological licenses.

2008
- Began manufacturing carbon fiber on a pilot level.
- Received the National Grand Prize for Quality Award.

2009
- With the launch of the 1,500 tons/year capacity carbon fiber production line, Aksa became the first Turkish company in the industry to provide raw input. With this production line, it also secured its position as the ninth largest carbon fiber manufacturer in the world.
- Certified by the Ministry of Science, Industry and Technology became a registered R&D Center.
- In addition to the existing power plant, a decision was made to invest in a new power plant with an electricity capacity of 100 MW and 350 tons/hour steam production within the Yalova plant.

2010
- In line with its 10% market share target in the carbon fiber industry, Aksa decided to establish a second carbon fiber production line.

2011
- Decision was made to establish a new company by the partial separation of the carbon fiber business line.
- A preliminary joint venture agreement was signed between Aksa and the Dow Chemical Company for the production and marketing of carbon fiber and carbon fiber based products.

2012
- On January 2, 2012, the carbon fiber business line became a separate company through partial separation and Aksa Karbon Elyaf Sanayi A.Ş. was established as a wholly-owned subsidiary of Aksa.
- On June 29, 2012, DowAksa Ltd. was established as a 50:50 joint venture of Aksa and DowEurope.
- First phase of the power plant investment was completed and activated.

2013
- Aksa completed and commissioned the second phase of the power plant.
- Aksa was included in the Turquality Program, the world's first and only state-sponsored brand development initiative promoted by Turkey's Ministry of Economy with the vision of "Creating 10 Global Brands in 10 years."
- Aksa merged with Ak-Tops Tekstil Sanayi A.Ş., the Company's wholly owned subsidiary since August 2013, by taking over all of its assets and liabilities. The merger was registered on December 31, 2013.
- In 2013, Aksa started pilot production of pigment-dyed acrylic filament yarn using its proprietary technology. This new product boasts excellent color brightness, high-quality appearance, ultra-high water resistance as well as self-cleaning properties.

Akkök in Brief

All members of Akkök Group reflect the deep know-how and reliability embedded in the "Akkök" name in their operations.

Akkök Group

Chemicals
- Aksa Akrilik Kimya Sanayii A.Ş.
- DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.
- Ak-Kim Kimya Sanayi ve Ticaret A.Ş.

Energy
- Akenerji Elektrik Üretim A.Ş.
- Egemer Elektrik Üretim A.Ş.
- AKCEZ Enerji Yatırımları Sanayi ve Ticaret A.Ş.
- Sakarya Elektrik Dağıtım A.Ş.
- Sakarya Elektrik Perakende Satış A.Ş.

Real Estate
- Akiş Gayrimenkul Yatırım Ortaklığı A.Ş.
- Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.
- SAF Gayrimenkul Yatırım Ortaklığı A.Ş.
- Ak Turizm ve Dış Ticaret A.Ş.

Textile
- Ak-Tops Tekstil Sanayi A.Ş. (*)
- Aksa Egypt Acrylic Fiber Industry S.A.E.

Services
- Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.
- Akdünya Eğitim Eğlence Sanat Yatırımları ve Dış Tic. A.Ş.
- Ak-Pa Tekstil İhracat Pazarlama A.Ş.
- Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.
- Dinkal Sigorta Acenteliği A.Ş.

(*) Continued its operations until the registration of the merger on December 31, 2013.

Founded in 1952 by the late Raif Dinçkök, and with deep know-how spanning 61 years, Akkök Group ranks among the most well established industrial groups in Turkey. The Group conducts operations in the fields of chemicals, energy and real estate with 17 commercial and industrial enterprises, one of which is overseas, and with 18 production plants. By closely following the trends in the world's markets and in its operating industries, Akkök Group aims to catch up with the global competition and achieve world-class standards together with all the companies under its roof.

With an installed production capacity of 308,000 tons/year, Aksa is the only local acrylic fiber manufacturer in Turkey. The Company holds a 16% global market share in acrylic fiber production, and supplies the textile and industrial textile industries in more than 50 countries across five continents. After improving its technology infrastructure, in 2009 Aksa started the production of carbon fiber, which is considered one of the most important raw materials of the 21st century.

As of 2012, the Company started to carry out carbon fiber production under the roof of DowAksa İleri Kompozit Malzemeler Sanayi Limited, which was established as a 50:50 joint venture with the Dow Chemical Company. With this joint venture, a collaboration was initiated for the production and worldwide marketing of carbon fiber and carbon fiber based products. DowAksa mainly focuses on areas such as providing solutions for infrastructure development, reinforcing buildings for sturdiness and durability, increasing the energy generation of wind turbines, and reducing automobile fuel consumption. With its technical expertise and advanced production capabilities, the Company aims to provide innovative solutions to some of the most challenging problems both in Turkey and the rest of the world.

Aksa took over all assets and liabilities of Ak-Tops Tekstil Sanayi A.Ş., the Company's wholly owned subsidiary since August 2013. The merger of these two companies, both of which have been very successful in their respective operational fields, will create a robust structure in terms of both management and operations. The merger process commenced on November 1, 2013, and the merger was registered on December 31, 2013.

Ak-Kim stands out as a model company in the chemicals industry with its world-class manufacturing facilities and an annual production capacity of 600,000 tons. The Company's product portfolio caters to diverse industrial groups, including textiles, metals, food, cleaning, water treatment, and the prevention of corrosion and scab, as well as the paper, pharmaceutical and construction industries.

Thanks to a rich product portfolio of more than 500 assorted chemicals, Ak-Kim continuously increases its competitive strength in international markets. The Company exports to about 55 countries across five continents and has the ability to sell its products even in those markets where competitors have manufacturing facilities. Some 50% of its exports go to EU countries, with the remainder to other markets that include Pakistan, Israel, Iran, USA, Canada and Korea. Additionally, Ak-Kim has been selling its know-how and technologies since 2002, and provides various services that range from engineering work to turnkey contracts.

Akenerji, one of the leading power generation companies in Turkey, is renowned in the sector thanks to its pioneering investments as well as industry know-how spanning 24 years. Since its establishment, Akenerji has undertaken several major investment projects in order to contribute to meeting Turkey's energy demand. In 2009, the Company was transformed into a strategic partnership with equal participation between Akkök and the Czech giant ČEZ. Standing out with its energy-related investments particularly in renewables, Akenerji's renewable energy capacity of 388 MW accounts for 60% of its total installed capacity. The Company plans to commission the Kemah Hydroelectric Power Plant in Erzincan, which will have an installed capacity of 198 MW, in 2017. Additionally, the Erzin Combined Cycle Natural Gas Power Plant located in Erzin, Hatay with a capacity of 900 MW, is scheduled for completion in 2014. After completion of Erzin Power Plant, Akenerji will be generating about 7 billion kWh electricity per year, and thus meeting 2.6% of Turkey's total electricity needs.

In 2013, Akenerji further expanded its energy trading operations and today the Company effectively manages an energy portfolio much larger than its production capacity. In 2011, Akenerji entered international markets through electricity imports and exports, and continues to expand these operations.

Akiş REIT, the real estate investment company operating under Akkök Group, continues to develop projects that help improve quality of life in the regions it operates. The projects successfully managed by the Company include Akbatı Residences, Akbatı Shopping and Lifestyle Center, Akbatı White Tower and Akasya.

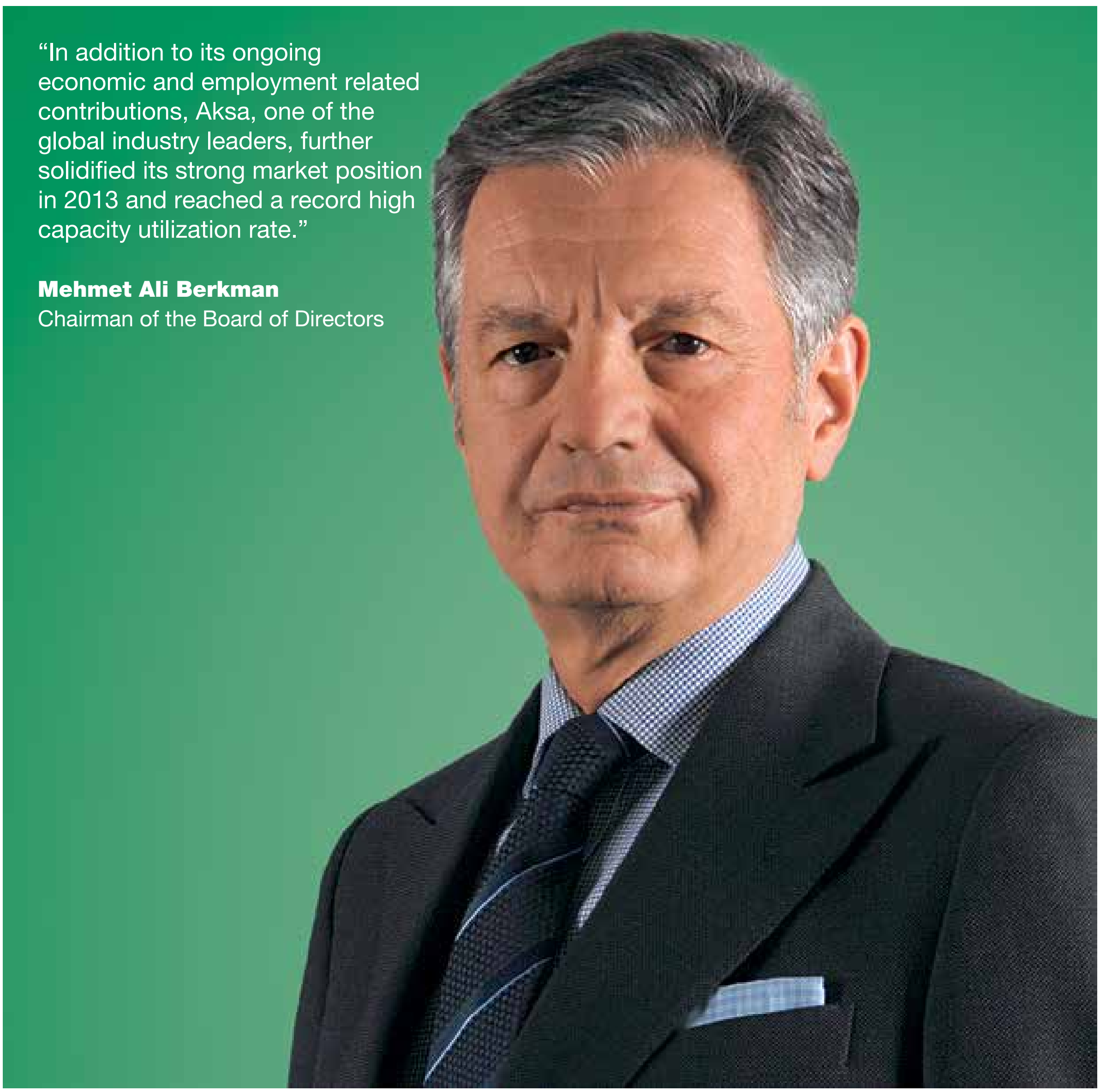
With their steadily improving structures and activities that add value to society as a whole, SAF REIT and Akmerkez shopping mall also help reinforce Akkök Group's reputation in the real estate industry.

Following the separation of distribution and retail sales operations at the beginning of 2013, AKCEZ, which had taken control of SEDAŞ through a privatization transaction on February 11, 2009, restructured its organization and companies on July 1, 2013 in a way to establish shared service units that will provide services to SEDAŞ and SEPAŞ.

Akkök Group signed the United Nations Global Compact in 2007, and thus further strengthened the principles of openness and accountability that are adopted by all Group companies. In the Group's relationships with all social stakeholders, particularly employees, customers, suppliers and shareholders, Akkök Group adheres to these two fundamental principles. In addition to fulfilling their financial obligations, all Group companies act as good corporate citizens and strive to add value to society, the natural environment and the economy as a whole in all their operations.

Message from the Chairman of the Board of Directors

In 2013, Aksa undertook successful initiatives to expand its operations in international markets.



"In addition to its ongoing economic and employment related contributions, Aksa, one of the global industry leaders, further solidified its strong market position in 2013 and reached a record high capacity utilization rate."

Mehmet Ali Berkman
Chairman of the Board of Directors

Dear Shareholders,

Although the world economy showed some improvement in 2013, the effects of the global economic crisis were still being felt around the world during the year. While the crisis especially continued to affect European countries, even the US economy lost some of its luster due to the budget impasse and the subsequent government shutdown. Considering the weak global economic recovery and the fact that the countries of Europe have not yet reached a deal to address the weaknesses of the financial system there, one cannot help but ponder the possibility of another economic crisis.

On the other hand, while emerging markets were expected to maintain their rapid economic growth during the first half of the year, developments in the third and fourth quarters signaled a shift in the dynamics that were expected to improve the global economy as a whole. The continuously changing factors in the economic and political arenas led the IMF to revise down its economic growth forecasts for 2013 and 2014 in the October World Economic Outlook Report. As a result, the global economic growth rate was lowered to 2.9% for 2013 and to 3.6% for 2014.

Amid these uncertainties, our country managed to maintain an economic balance thanks to the stability of its financial system. The Turkish economy maintained positive growth in 2013 and expanded 3.7% during the first half of the year. Taking into account the steady expansion of our economy in recent years, the IMF projected 3.8% growth in 2013, and 3.5% in 2014 for Turkey.

The country's positive debt indicators, consistent financial strategies and steady improvements in government finances caught the notice of international credit rating agencies. In March 2013, Standard & Poor's raised Turkey's credit rating from "BB" to "BB+". Similarly, in May, Moody's upgraded Turkey's long-term foreign currency credit rating one notch, from "Ba1" to "Baa3", up to investment grade, and confirmed its outlook as stable. Subsequently, JCR, Japan Credit Rating Agency, raised Turkey's credit rating two notches, from "BB" to "BBB-", investment grade.

The widening current account deficit, growing inflation rate, rising domestic political tensions and continuing uncertainties in neighboring Syria were among the major challenges facing the Turkish economy in 2013. Rising oil prices and foreign currency exchange rates raised the cost of importing energy, as Turkey is largely dependent on imports to meet its energy demands. We are hoping that the government will take a series of steps in 2014 to promote local energy resources and find a permanent solution to our current account deficit issue. We are also hoping that the industry will maintain its growth with new investments and government incentives. We believe that our country will further strengthen its international reputation and image by implementing consistent financial policies and by further cultivating its leading brands in 2014.

Thanks to the Company's sustainable financial strategies and innovative marketing approach, Aksa was not negatively affected by the global economic recession. In 2013, our Company further solidified its market leading position and reached a record high capacity utilization rate of 98%.

In 2013, Aksa successfully continued the maintenance and modernization efforts it undertakes in line with its productivity-centered approach. By commissioning the second phase of our power plant project in June, we were able to render our Energy Management System more effective in terms of accessing reliable, high quality and uninterrupted energy sources in the most cost efficient way.

Further, in 2013, Aksa was included in the "Turquality Program," which is implemented by the Ministry of Economy. Under this innovative initiative, Aksa will contribute to improving Turkey's image in international markets, thanks to its world-class and high quality production capabilities. We believe that our Company, which is a world leader in acrylic fiber, will further advance its already strong position with the Turquality Program.

Another important development in 2013 was Aksa's takeover of Ak-Tops Tekstil Sanayi A.Ş., with the target concern's assets and liabilities, on December 31, 2013. With the merger of these two powerful companies of Akkök Group, we plan to further expand our market activities.

As part of its sales and marketing strategies in 2013, Aksa focused on building close relationships with customers and maintaining domestic market share, and undertook successful initiatives to expand its international market operations. As a result of these efforts, Aksa increased its EBITDA (earnings before interest, taxes, depreciation and amortization) margin by 27% over the previous year, and the Company's EBITDA climbed to TL 251,673 thousand.

All these positive developments during the year increased Aksa's market capitalization as well. In 2013, Aksa's market cap jumped 72%, from TL 864 million to TL 1,484 million. During the same period, the BIST 100 index fell 13% due to economic fluctuations in Turkey and the rest of the world. As such, Aksa clearly distinguished itself from the country's other industrial enterprises and provided substantial gains to investors.

Despite being only 18 months old, DowAksa, our 50:50 joint venture with Dow Chemical Company, one of the world's leading chemicals manufacturers, has already undertaken successful initiatives in the global arena, proving that it will follow Aksa's successful path in the composite materials industry.

Fully aware of its responsibilities as a corporate citizen, Aksa continued to contribute to societal development in the regions where it operates in 2013 through social responsibility projects, in addition to its ongoing economic and employment related contributions. In the coming year, our Company plans to continue its environmental and social efforts with the same level of sensitivity and together with all of its employees and stakeholders. Aksa will also maintain its global leadership position and set an example with its world-class manufacturing in 2014.

I would like to express my gratitude to our employees, who with their skills and dedication have played the biggest role in Aksa's achievements throughout the years, while also extending my thanks to our business partners, customers and all of our stakeholders for their unwavering trust and support.

Respectfully yours,

Mehmet Ali Berkman
Chairman of the Board of Directors

ACTIVITIES IN 2013
MARKETING-SALES AND INVESTMENTS

"In 2013, Aksa evaluated alternative international markets, particularly in the Far East. With regard to value-added products aimed at the Chinese market, Aksa entered into strategic partnerships in terms of production and quality to achieve the level of quality sought in this key market."

Sabri Arca
Marketing, Sales and New Business Development Director

Thanks to the Company's robust and balanced financial structure, Aksa, the world's largest acrylic fiber producer, maintained its strong market position in 2013 without being affected by the uncertainties in the market. During the year, the Company focused on protecting domestic market share and built its marketing and sales strategies on increasing unit sales and diversifying its marketing collateral. To that end, the Company forged close relationships with customers through effective marketing activities, and increased sales by reaching a record high capacity utilization rate of 98%.

Amid uncertainties stemming from the global economic crisis and political tensions in the Middle East, sustainable strategies became even more important for all industries in 2013. The contraction in customer demand in the domestic tricot industry posed a significant challenge for Aksa in the current economic environment. However, the Company plans to address this issue with ongoing capital investments. On the other hand, Aksa continues to increase production capacity in other sectors where demand is on the rise.

In accordance with its customer-focused approach, Aksa restructured the Customer Services Department in 2012, and continued to offer customers technical advice and after-sales support throughout 2013. As a result of these efforts, the Company maintained and increased customer satisfaction in line with its strategic goals, while also seeing a significant decrease in customer complaints.

Under the "Center for Learning with the Customers" initiative, marketing and technical teams visit Aksa customers regularly in order to determine their needs and expectations, in accordance with the Company's customer-focused philosophy.

In 2013, Aksa evaluated alternative international markets, particularly in the Far East. With regard to value-added products aimed at the Chinese market, Aksa entered into strategic partnerships in terms of production and quality in order to achieve the level of quality sought in this key market. Meanwhile, the Company continued to maintain a presence through a customer-focused approach in Near and Far East markets where adverse political and economic conditions prevail. Aksa aims to become the permanent supplier in these markets and create a second domestic market, and conducts its operations accordingly. In 2013, Aksa initiated market research studies to explore sales and marketing strategies to increase its share in profitable export markets. To this end, the Company is currently working to achieve its sales targets and becoming a permanent supplier in these markets. Aksa has also focused on expanding the Company's sales network and increasing its sales volume in the US.

Maintaining its position both in the domestic and overseas markets, Aksa made 65% of its sales in the domestic market and 35% overseas. Its capacity utilization rate realized 98% on the previous year and the Company also maintained market leadership in technical fibers by landslide in 2013.

As part of the branding activities initiated in 2013, the Company will continue to raise Aksa brand recognition among end-users in 2014. To that end, the Company applied to and was accepted into the "Turquality Program," which is carried out by the Ministry of Economy, thanks to Aksa's global leadership position in the industry.

The Turquality Program, the world's first and only state-sponsored brand development initiative, aims to enhance Turkey's competitive strength in global markets by creating world-class players out of Turkish brands. Under this innovative program, which was designed with the vision of "Creating 10 Global Brands in 10 Years," companies that have the potential to create world brands are identified and offered government incentives to achieve this objective.

In order to strengthen the Company's presence in international markets and to bolster the "Made in Turkey" image overseas, Aksa was evaluated against 10 criteria during the Turquality application process. These included: strategic planning and corporate performance management; brand management; new product development; corporate governance; information technology; human resources management; marketing; customer and trade management; supply chain management; and financial performance. The Company was accepted into the Turquality Program in July 2013.

ACTIVITIES IN 2013
INVESTMENTS IN 2013

"Aiming to achieve higher quality at lower cost in acrylic fiber production, Aksa focused on efficiency related initiatives and capital investments in 2013 in order to realize this goal. To that end, the Company reviewed its business processes and undertook efforts to improve process effectiveness and efficiency."

Eren Ziya Dik
Director of Financial Affairs

In 2013, Aksa continued to implement and expand its operational excellence strategy across all the Company's business operations. Aiming to achieve higher quality at lower cost in acrylic fiber production, Aksa focused on efficiency related initiatives and capital investments in 2013 in order to realize this goal. To that end, the Company reviewed its business processes and undertook efforts to improve process effectiveness and efficiency.

Aksa spent US$ 72,182 thousand on investments in 2013. The projects classified according to their type are as follows:

- Renewal and Modernization Projects (77 Projects)
- Maintenance, Performance and Upkeep Projects (43 Projects)
- Investment and R&D Projects towards Developing New Processes and New Products (50 Projects)
- Projects to Increase Energy Efficiency (34 Projects)
- Investments in Carbon Fiber Infrastructure Support (1 Projects)

Among the 205 initiatives implemented in this area, capital investments in carbon fiber infrastructure (solvent) support, power plant, energy efficiency, and modernization projects received the lion's share of total investment spending.

Charitable Donations and Social Welfare

Aksa is keenly aware that sustainable social development can only be achieved with young generations who are well-educated, well-qualified and well-cultured; who are environmentally and socially sensitive; and who are able to take the initiative. With this awareness, the Company provides educational and cultural opportunities to local residents in its operating regions. By means of new corporate social responsibility initiatives in 2013, the Company continued to create value for each and every region where the "Aksa" name is present.

In 2013, Aksa spent a total of TL 1,575,941 for "Charitable Donations and Social Welfare," mainly in the areas of education, culture, arts and sports.

Charitable Donations and Social Welfare	Amount (TL)
Associations, foundations and municipalities	71,666
Education	1,504,275
Total	1,575,941

SUBSIDIARIES

“The Common Wastewater Treatment Plant project initiated in 2013 will enable all residential and industrial wastewater treated at Aksa, Ak-Kim and DowAksa’s separate treatment facilities in Yalova to be collected and treated in one facility.”

İsmail Murat İnceoğlu
Factory Director

DowAksa Carbon Fiber

DowAksa was established on June 29, 2012 as a 50:50 joint venture between Aksa and Dow Europe Holding B.V., a wholly owned subsidiary of the Dow Chemical Company. The priority of this joint venture is to supply carbon fiber and advanced carbon fiber technologies to globally developing industries, primarily in the areas of energy, transportation and infrastructure. DowAksa is operating at Aksa’s carbon fiber facilities in Yalova.

DowAksa uses its unique infrastructure to develop solutions to reduce total production costs across the entire product chain. With this competitive advantage, DowAksa aims to strengthen the company’s financial structure and expand its area of application in various industrial markets.

Additionally, DowAksa aims to provide a wide range of products to the carbon fiber composites industry, and market the company’s products on a global scale by developing its technical support services. To that end, the company signed a joint investment agreement in 2013, taking a big step toward meeting this objective.

On November 1, 2013, DowAksa signed a joint investment agreement with Rusnano and Holding Company Composite (HCC) related to the Nanotechnology Center of Composites (NCC), Russia’s leader in polymer composites processing.

With this investment, which is already included in the company’s 10-year business plan, DowAksa will invest approximately RUB 134 million (US$ 4.3 million) in NCC’s charter capital and own a 33.3% stake.

Aksa Egypt

Aksa Egypt is an important subsidiary for Aksa as it expands the Company’s North Africa operations, primarily in Egypt. The Egyptian market was adversely impacted by domestic political unrest in 2013; as a result, Aksa Egypt’s capacity utilization rate stood at 60% for the year. Aksa plans to use its resources in the most efficient way possible because the uncertainty in Egypt will likely continue. Therefore, the Company plans to evaluate potential export markets on the African continent in order to increase its capacity utilization rate. Despite the political turbulence in its home market, Aksa Egypt posted turnover of US$ 22.1 million in 2013.

Aksa well understands the importance of social awareness in securing an economically and socially sustainable future. Therefore, with its corporate social responsibility initiatives, Aksa not only transfers knowledge to younger generations, but also aims to instill in them environmental and social sensitivity.

Corporate Social Responsibility for a Sustainable Future

In its CSR projects, Aksa places a priority on those related to environmental protection as well as regional economic and social development. The Company successfully applies the principles of openness, transparency and accountability, all of which are integral components of its corporate culture and management approach, across all platforms that are associated with the "Aksa" name.

Stakeholders

Aksa recognizes all parties affected by the Company's products, services and processes as its stakeholders. Consequently, Aksa's stakeholders include customers, employees and their families, suppliers, investors, public agencies, local authorities, civil society organizations, the local community, industrial associations, educational and research institutions, affiliated companies, and local and national media.

"The HR Department's 2013 practices and long-term objectives focus on leadership development, the career development model, completion of succession plans, and employee loyalty surveys as well as efforts to improve operational efficiency."

Aydın Fethi Baytan
Director of Human Resources
Management Systems and Purchasing

Aksa Human Resources Department's policy is to invest in people and to bring together creative, team-oriented, self-confident and satisfied employees, who are willing to improve themselves and take responsibility to work toward the Company's core goals, under the roof of Aksa.

The practices developed under this policy are designed to support Aksa's core strategies and facilitate the achievement of desired business results. The Human Resources Department's 2013 practices and long-term objectives focus on leadership development, the career development model, completion of succession plans, and employee loyalty surveys as well as efforts to improve operational efficiency.

By using current HR methods, Aksa identifies employees with leadership skills and supports their continuous development.

Identifying competencies in employee development plans is especially important for Aksa. Therefore, the Company developed a "Leadership Potential" inventory together with Akkök Group, and identified the strengths and development areas of specialists and managers. Feedback on the strengths and development areas of specialist and managerial personnel in relation to "Aksa Competencies" was obtained through the 360-degree feedback methodology. Aksa and Akkök Group will use all the results from these practices while creating the development programs and individual development plans in 2014.

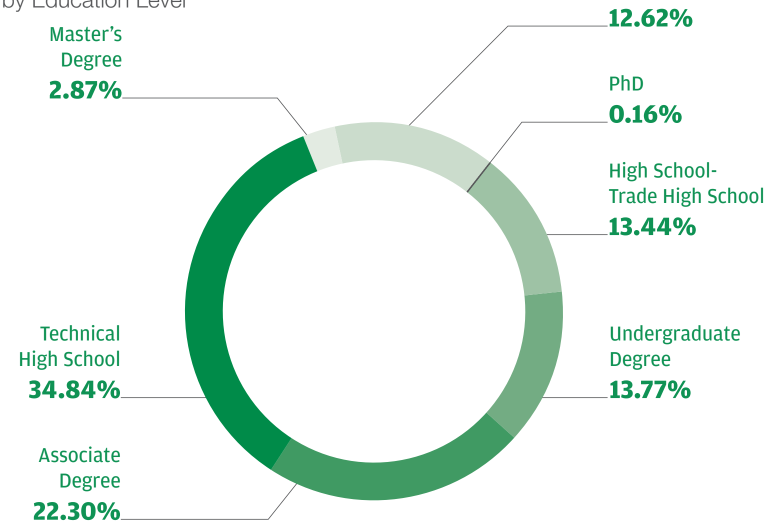
Placing great importance on personnel loyalty, Aksa closely evaluated the results of the Employee Loyalty Survey conducted in 2012 and discovered that career development is a major factor affecting the loyalty of the workforce. Therefore, the Company began to focus on the "Dual Career Ladder" concept and initiated a career development model to support employees as well as strategic goals in collaboration with Hay Group consulting firm. The "Aksa Career Development Model" was completed at the end of 2013, and will be integrated into all human resources systems in 2014.

In 2013, 18 new specialists and engineers, and 162 operations personnel joined the Aksa family. After the merger with Ak-Tops, the Company employed a total of 1,220 staff members at year-end.

Aksa believes that leaders, who will serve as the levers of sustainable success, should be cultivated from among the ranks of the Company, in accordance with its approach of accumulating know-how within the organization.

In 2013, Aksa successfully reached its target of providing 42 hours of training per employee. Besides the mandatory 16 hours of Occupational Health and Safety Training per staff member, Aksa administered several training and application programs on main areas of the business.

Distribution of Employees by Education Level



SUSTAINABILITY
THE SOCIETY

"Having operated as a 'sustainable, productive and environmentally friendly' manufacturer since its founding, Aksa implements efficiency initiatives one after the other and continuously works to improve the Company's performance in this area."

Sinan Uğurlu
Energy Director

Aksa conducts all of its business processes with a strong sense of responsibility toward society as a whole and the environment at large. The Company maintains regular communications with local residents in its operating regions, and adds value to these locales with corporate social responsibility projects that are designed to meet their specific regional needs. Aksa employees and stakeholders regularly participate in these social responsibility initiatives on a voluntary basis.

Transparent Communications Through Open Door Days

In line with the Company's transparency principle, Aksa continued to organize "Open Door Days" in 2013. On Open Door Days, civil society organizations, local residents, schools, employees' families, customers, benchmarking teams, domestic and foreign visitors all get the opportunity to see Aksa's production facility and receive first-hand information on any aspect of the business they are curious about. The Company evaluates the results of visitor surveys as part of its improvement strategies.

Effective Communications via "Aksa Haber"

Always aiming to create an effective, open and transparent communications friendly environment with stakeholders, Aksa launched the first issue of its corporate publication "Aksa Haber" (Aksa News) in November 2013. "Aksa Haber," which will be published quarterly and sent to all stakeholders, will serve as a platform for sharing about all Company related developments.

Blood Donations Continue

Committed to making social responsibility an integral part of its corporate culture, Aksa organizes a "Blood Donation Campaign" twice a year in collaboration with the Kızılay branch in Yalova. Aksa employees voluntarily participated in the Blood Donation Campaigns held in 2013.


We
'naturally'
produce.

Environmental Management and Projects

Aksa has been operating as a 'sustainable, productive and environmentally friendly' manufacturer since its establishment. The Company has integrated this approach into its mission and vision as well, making it an inseparable part of its business processes. With a strong sense of responsibility toward the natural environment and stakeholders, Aksa implements efficiency initiatives and climate-friendly production technologies one after the other. Aksa's environmental policy and the sustainability efforts it undertakes in accordance with the Company's operational excellence strategy have an enormous positive impact on its corporate performance.

The Environmental Management Department, which operates under the Department of Health, Safety and the Environment (HSE), is responsible for ensuring the efficient use and protection of natural resources in all business processes, and controlling potential negative environmental impacts. As such, the Department regularly monitors all environmental activities, those both legally required and voluntary. Environmental practices are effectively implemented under the supervision and support of senior management, and reviewed at weekly meetings attended by directors and managers as well as at quarterly "Management Review" meetings. Additionally, environmental compliance is regularly monitored via internal and external audits conducted as part of both the Integrated Management Systems as well as the Internal Environmental Audits carried out once a year by the Environmental Management Department as prescribed by the Environmental Control Regulation.

On March 1, 2013, Aksa obtained an Environmental Permit related to emissions, wastewater discharge and waste acceptance facility approval as required by the Regulation on Environmental Permits and Licenses. In June 2013, Aksa once again achieved zero non-compliance at the external inspection of ISO 14001, conducted by the Turkish Standards Institution since 2002.

Aksa's production plant in Yalova was selected as a pilot region, together with Akkim and İpek Kâğıt facilities, for the KIYITEMA project, carried out by the Turkish Ministry of Forest and Water Management in collaboration with TÜBİTAK (Scientific and Technological Research Council of Turkey). Under this initiative, samples are collected periodically at the entry and exit points of the wastewater treatment facility. The purpose of this project, which is expected to last five years, is to determine new environmental quality standards related to wastewater discharge.

The purpose of the "Green Port" project, initiated in 2013 by the Ministry of Transport, Maritime Affairs and Communications, Directorate General of Merchant Marine, is to identify and eliminate potential environmental impacts at port facilities, and to raise environmental awareness. In September 2013, Aksa filed an application for the certificate granted to environmentally sensitive facilities. After reviewing the Company's application, the Ministry will conduct a field visit and grant permission to use the Green Port certificate and logo.

Greenhouse Gas Emissions are Under Control

Aksa supports its climate-friendly policy through active voluntary efforts, and closely monitors and controls greenhouse gas emissions from electricity generation. The Company obtained a "Reasonable Assurance" designation from the British Standards Institute (BSI); BSI has been calculating greenhouse gas emissions according to ISO 14064-1 standards since 2010. Although this certification is not a legal requirement in Turkey, Aksa has voluntarily taken the initiative to fulfill its environmental responsibilities. As a result of the audit conducted in April 2013, the Company maintained this important international certification. Aksa sets goals to reduce its greenhouse gas emissions and includes these in the Company's performance objectives. To that end, the Company designs and implements projects to achieve these goals.

Thousands of Trees, from Aksa to Nature

In addition to efforts to reduce greenhouse gas emissions from production related activities, Aksa has planted tens of thousands of trees throughout the Company's history, spanning some 45 years. To date, plants and tree seedlings grown in Aksa greenhouses have been used for recovering destroyed forests and fighting soil erosion. The Company is well aware that forests play an important role in eliminating greenhouse gases. In order to spread this awareness, Aksa distributes free plants and tree seedlings grown in Company greenhouses to participants during Community School and Open Door events.

As part of the Power Plant Project, Aksa employees planted 5,000 seedlings in the Çınarcık Hasanbaba district in October 2013.

Occupational Health and Safety Management System and Projects

Under the Control of Major Industrial Accidents Directive issued by the Turkish Ministry of the Environment and Urban Planning, in line with the European Union SEVESO II Directive, Aksa was designated as a "Higher Level Establishment." The Company initiated efforts in 2011 to fulfill its obligations with regard to this directive.

Setting a good example for other companies with its pioneering role in SEVESO practices, Aksa actively participated in and delivered a presentation at the ATEX National Symposium in 2013. The Company's presentation on the efforts undertaken by the ATEX Directives Compliance team drew great interest from symposium participants.

Aksa renewed fire detection and fire extinguishing systems throughout the factory facility in line with Occupational Health and Safety initiatives. Further, in 2013, members of the Fire Response Team received intervention training at Kocaeli Metropolitan Municipality's Fire Training Center.

In addition to the above-mentioned developments, Aksa once again achieved zero non-compliance at the OHSAS 18001 external audit conducted by the Turkish Standards Institution (TSI) in June 2013.

Corporate Governance

BOARD OF DIRECTORS

Mehmet Ali Berkman
Chairman of the Board of Directors
Born in Malatya in 1943, Mehmet Ali Berkman graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Industrial Management. Afterwards, he obtained an MBA in Operations Research from Syracuse University (USA). Mr. Berkman joined Koç Group in 1972 and retired in 2004. In September 2005, he assumed the position of Member of the Board of Directors and Chairman of the Executive Board of Akkök Sanayi Yatırım ve Geliştirme A.Ş. He also served as Member and Chairman of the Boards of Directors of other Group companies. On January 1, 2013, Mr. Berkman stepped down from his position as Chairman of the Executive Board, and he continues to serve as Advisor to the Executive Board of Akkök Group. Mr. Berkman is also Member and Chairman of the Boards of Directors of other Group companies.

Raif Ali Dinçkök
Deputy Chairman of the Board of Directors - Member of Corporate Governance Committee and Early Detection of Risk Committee
Born in Istanbul in 1971, Raif Ali Dinçkök graduated from Boston University (USA), Department of Business Administration in 1993, and subsequently started working at Akkök Group. He worked in the Purchasing Department of Ak-Al Tekstil San. A.Ş. between 1994 and 2000, and later served as Coordinator at Akenerji Elektrik Üretim A.Ş. from 2000 to 2003. Mr. Dinçkök currently is a Member on both the Board of Directors and the Executive Board of Akkök Sanayi Yatırım ve Geliştirme A.Ş. He also serves on the Boards of Directors at various Akkök Group companies.

Ali Raif Dinçkök
Member of the Board of Directors
Born in Istanbul in 1944, Ali Raif Dinçkök completed his high school studies at the Österreichisches Sankt Georgs-Kolleg in Istanbul and received his undergraduate degree from the Department of Textile Engineering at Aachen University (Germany) in 1969. His business career started at the Akkök Group.The Chairman of the Board of Directors at Akkök Sanayi Yatırım ve Geliştirme A.Ş., Dinçkökalso serves on the Boards of Directors of other Group companies.

Nilüfer Dinçkök Çiftçi
Member of the Board of Directors
Born in Istanbul in 1956, Nilüfer Dinçkök Çiftçi graduated from Lycée Français Sainte Pulchérie in Istanbul in 1970. She continued her education in Switzerland, where she later graduated from St. Georges School in 1976. Dinçkök Çiftçi currently serves on the Board of Directors of Akkök Sanayi Yatırım ve Geliştirme A.Ş., and on the Boards of Directors of other Group companies.

Ahmet Cemal Dördüncü
Member of the Board of Directors
Born in Istanbul in 1953, Ahmet Cemal Dördüncü, graduated from Çukurova University, Department of Business Administration. Later, he pursued postgraduate studies at Mannheim and Hannover Universities. Mr. Dördüncü began his professional career at Claas OHG company in Germany, and after returning to Turkey, he worked at Mercedes Benz A.Ş. between 1984 and 1987. He joined Sabancı Group in 1987 and assumed several positions at Kordsa A.Ş. until 1998. Mr. Dördüncü served as General Manager/President at DUSA South America and later at DUSA North America in 1998. After working as Group President of Strategic Planning and Business Development at H.Ö. Sabancı Holding A.Ş. in 2004, he assumed the position of Chairman of the Executive Board of Sabancı Holding from 2005 to 2010.

Mr. Dördüncü has served as Chairman of the Executive Board of Akkök Group since January 2013; he also serves on the Boards of Directors at various Group companies.

Erol Lodrik
Member of the Board of Directors
Born in Istanbul in 1944, Erol Lodrik completed his secondary education at Lycée Français Saint Benoit in Istanbul, and continued his studies in Great Britain. After undertaking several positions at Emboy ve Emniyet Ticaret A.Ş., Lodrik joined the Akkök Group. He served until his passing on October 24, 2013 on the Board of Directors of Aksa, as well as on the Boards of Directors of other Group companies.

İzer Lodrik
Member of the Board of Directors

Born in Istanbul in 1971, İzer Lodrik graduated from Northeastern University (USA), Department of Economics. Subsequently, he started working at Emboy Yüntaş Tekstil Sanayi ve Ticaret A.Ş. Mr. Lodrik currently serves as the Chairman of the Board of Directors of Emniyet Ticaret ve Sanayi A.Ş., Emboy Yüntaş Tekstil Sanayi ve Ticaret A.Ş., Eryapı Gayrimenkul A.Ş. and Embul Investment A.D. Additionally, he is a Member of the Board of Directors of Akarsu Enerji Yatırımları Sanayi ve Ticaret A.Ş., Aktops Tekstil Sanayi A.Ş. and Ak-kim Kimya Sanayi ve Ticaret A.Ş.

On November 21, 2013, Mr. Lodrik was appointed as Board Member to replace Mr. Erol Lodrik, who passed away on October 24, 2013. As per Article 363 of the Turkish Commercial Code, he will serve as Board Member until the first General Assembly Meeting after his appointment.

Mustafa Yılmaz
Member of the Board of Directors

Born in Tekirdağ in 1949, Mustafa Yılmaz graduated from the Department of Chemical Engineering at the Faculty of Science at Ankara University. He completed his MA in the same faculty and began his business career at Etibank Ergani Copper Operations. He has held positions in the departments of research, production and quality management at Aksa Akrilik Kimya Sanayii A.Ş., where he was first employed as Operations Engineer. Serving as General Manager between the years 2002 and 2011, Yılmaz has been a Member of the Board of Directors since 2002.

Cengiz Taş
Member of the Board of Directors / General Manager

Born in Bursa in 1966, Cengiz Taş graduated from the Department of Industrial Engineering at Boğaziçi University. Following his BSc degree, he started working at Kordsa as an Investment Planning Engineer in 1989. He joined Ak-Al Tekstil Sanayii A.Ş. in 1991 as a Budget Specialist, and held positions as Budget Chief, Budget Manager, Production Coordinator and Assistant General Manager for Planning, respectively. Between 2004 and 2011, Taş worked as General Manager at Ak-Al Tekstil, and since February 2011 has been working as General Manager and Member of the Board of Diretors at Aksa Akrilik Kimya Sanayii A.Ş.

Dr. Ant Bozkaya
Independent Member of the Board of Directors – Chairman of the Corporate Governance Committee – Member of the Audit Committee – Early Risk Detection Commmittee

Born in 1963, Dr. Ant Bozkaya graduated from the Department of Industrial Management at the University of Petroleum and Minerals (Saudi Arabia), and received his MBA from the University of Libre de Bruxelles (Belgium), as well as a second master's degree from the same university from the Department of Management Science and Finance. Bozkaya completed his doctoral studies in the field of economics at the same university, and later did post-doctoral research at Harvard University (USA). At Bilkent Holding as the Head and CEO at the Technology, Healthcare, and Energy Enterprise Group between the years 1992-1999, Bozkaya has been working as Member of the Board of Directors of Eczacıbaşı Holding, as well as lecturing at various universities since 2003. Holding no executive position, Bozkaya is qualified as an independent member in accordance with the Principles of Corporate Governance of the Capital Markets Board. He has held no association with Aksa Akrilik Kimya Sanayii A.Ş. or its related parties during the past five years.

Timur Erk
Independent Member of the Board of Directors – Chairman of the Audit Committee

Born in Istanbul in 1944, Timur Erk graduated from Deutsche Schule Istanbul and studied Chemical Engineering in Germany. Working as an industrialist in the chemicals industry since 1971, Erk is among the founders of the Association of Turkish Chemical Industrialists. He is currently the Chairman of the Association of Turkish Chemical Industrialists, as well as the Chairman of the Chemical Industry Assembly of the Union of Chamber and Commodity Exchanges and Chairman of the Turkish Chemical Industry Platform. Acting in different capacities in various associations, foundations and committees, Erk currently plays two major international roles as Chairman of the European Council of Chemical Industry (CEFIC) and Chairman of the International Federation of Kidney Foundations (IFKF) for the period of 2011-2013. Holding no executive position, Erk is qualified as an independent member in accordance with the Principles of Corporate Governance of the Capital Markets Board. He has held the abovementioned positions during the past 10 years, and has held no association with Aksa Akrilik Kimya Sanayii A.Ş. or its related parties during the past five years.

EXECUTIVE MANAGEMENT

Aydın Fethi Baytan
Director of Human Resources Management Systems and Purchasing
Born in 1965, Aydın Fethi Baytan graduated from Boğaziçi University, Department of Computer Engineering in 1988. Afterwards, he began working at Bios Bilgisayar as a Software Development Specialist and continued his career there as Project Manager. Between 1994 and 2000, he served as Information Technology Manager at Continent and subsequently, post-merger, at Carrefour. Joining Ak-Al Tekstil A.Ş. in 2000 as Information Technology Manager, Mr. Baytan assumed the position of Assistant General Manager of Purchasing, Logistics and System Development in 2007. In December 2011, he joined Aksa as Purchasing Director; currently, he serves as Director of Human Resources Management Systems and Purchasing.

Eren Ziya Dik
Director of Financial Affairs
Born in Adana in 1980, Eren Ziya Dik graduated from the Faculty of Business Administration at İstanbul University. He started his business career at PricewaterhouseCoopers Turkey in 2002. He held positions related to financial controlling, independent auditing, International Financial Reporting Standards (IFRS) and financial statements analysis at PricewaterhouseCoopers, as well as being part of the PwC London Audit team. Most recently, in 2010, he was appointed Senior Manager. Joining Aksa Akrilik Kimya Sanayii A.Ş. as Budget and Accounting Manager the same year, Dik has been working as Director of Financial Affairs since July 2012.

İsmail Murat İnceoğlu
Plant Director
Born in Istanbul in 1951, İsmail Murat İnceoğlu received his BSc in Textile Process Engineering from the Department of Textile at the University of Leeds (United Kingdom), where he also completed his master’s studies. Mr. İnceoğlu began his professional career at the Royal Mail UK and Braims Steel UK-Textile Testing Laboratory. In 1981, he started working at Ak-Al Tekstil as Production Operating Engineer, and later assumed the position of Production Manager at the Semi Worsted Hand-Knitting Plant. Mr. İnceoğlu was involved in various high-level projects, primarily the merger of Ak-Al and Aksu, and he recently worked as Assistant General Manager for Technique and Quality. In March 2011, Mr. İnceoğlu started working as Director of Technical and Administrative Services at Aksa, and he was appointed Factory Director in July 2011.

Sabri Arca
Marketing, Sales and New Business Development Director
Born in 1960, Sabri Arca graduated from the Department of Business Administration at the University of Southern California (USA). He worked at Dinarsu T.A.Ş. between 1985 and 1989 and at Ak-Al between 1990 and 1994. Mr. Arca was promoted to Assistant General Manager at Aksa in 1994, and since then he has held the positions of Administrative Assistant General Manager, Assistant General Manager of Purchasing, Assistant General Manager of New Business Development and Purchasing, and Director of New Business Development and Purchasing, respectively. In December 2011, Mr. Arca was appointed Director of Marketing, Sales and New Business Development.

Sinan Uğurlu
Energy Director
Born in Ankara in 1972, Sinan Uğurlu graduated from the Department of Electrical Engineering at İstanbul Technical University in 1995. He started his business career at Ereğli Demir ve Çelik Fabrikaları T.A.Ş. in 1998 as Test Engineer, and later assumed the position of Maintenance Engineer at the same Company. He worked as Maintenance and Investments Manager at Mitaş Enerji ve Madeni İnşaat İşleri T.A.Ş. between 2005 and 2006, and as Operations Manager at Bilkent Holding Bilkent Enerji Üretim San. Tic. A.Ş. between 2006 and 2009. Uğurlu has been working as Energy Director at Aksa Akrilik Kimya Sanayii A.Ş. since 2012 where he started his career as Energy Manager in 2009.

Declaration of Independent Membership of the Board of Directors

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

Pursuant to the Communiqué Regarding the Determination and Implementation of Corporate Governance Principles (Serial: IV, No: 56) issued by the Capital Market Board, Articles of Association, and the criteria set forth in related legislation, as a candidate for independent membership of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi, I hereby declare that:

- Neither I, my spouse, nor anyone among my relatives to the third degree, by blood or by marriage, has established any relations, directly or indirectly, with Aksa Akrilik Kimya Sanayii A.Ş. or its subsidiaries, or its affiliates, or the companies within the Group during the past five years in the form of employment or by means of capital or commerce;
- I have not been elected to represent a certain share group on the Board of Directors;
- I have not worked for companies that audit, provide consulting services to, or managed activities or organizations, in part or in full, for Aksa Akrilik Kimya Sanayii A.Ş., or assumed any executive position at these companies within the past five years;
- I have not been employed by companies that perform independent auditing of Aksa Akrilik Kimya Sanayii A.Ş., or been part of the independent audit process within the past five years;
- I have not worked for companies that supply a significant amount of products and services to Aksa Akrilik Kimya Sanayii A.Ş., or assumed any executive position at these companies within the past five years;
- Neither my spouse nor anyone among my relatives to the third degree, by blood or by marriage, is either an executive at Aksa Akrilik Kimya Sanayii A.Ş., a shareholder, in an executive position, holds more than 5% of the total capital, has control over management by any means, or has any influence in the control of Aksa Akrilik Kimya Sanayii A.Ş.;
- I do not earn any income from Aksa Akrilik Kimya Sanayii A.Ş. other than the fee for membership of the Board of Directors and the benefits that are provided in accordance with the Articles of Association, and declare that if I am a shareholder as a result of my membership of the Board of Directors, I do not own more than 1% of the shares, and that these shares are not privileged;
- I am considered a resident in Turkey according to the Income Tax Law;
- I do not work full time for any public institution or organization at the time of my candidature, and in the case of my election, I would not work for said institutions for the duration of my duty;
- I have strong ethical standards, as well as an occupational reputation and experience that will enable me to make positive contributions to the operations of the Company, to keep my impartiality in conflicts of interests among the company partners, and to decide independently by taking the rights of the stakeholders into consideration.

I will therefore act as an independent member of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi.

Pursuant to the related legislation, I also declare that should a situation arise that removes my independence, I would communicate this to the Board of Directors in order for it to be announced to the public, and that I would resign on principle.

Sincerely,

Name and Surname : Timur ERK
Signature :

Date : 25.03.2013
Appendix : CV.

Declaration of Independent Membership of the Board of Directors

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

Pursuant to the Communiqué Regarding the Determination and Implementation of Corporate Governance Principles (Serial: IV, No: 56) issued by the Capital Market Board, Articles of Association, and the criteria set forth in related legislation, as a candidate for independent membership of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi, I hereby declare that:

- Neither I, my spouse, nor anyone among my relatives to the third degree, by blood or by marriage, has established any relations, directly or indirectly, with Aksa Akrilik Kimya Sanayii A.Ş. or its subsidiaries, or its affiliates, or the companies within the Group during the past five years in the form of employment or by means of capital or commerce;
- I have not been elected to represent a certain share group on the Board of Directors;
- I have not worked for companies that audit, provide consulting services to, or managed activities or organizations, in part or in full, for Aksa Akrilik Kimya Sanayii A.Ş., or assumed any executive position at these companies within the past five years;
- I have not been employed by companies that perform independent auditing of Aksa Akrilik Kimya Sanayii A.Ş., or been part of the independent audit process within the past five years;
- I have not worked for companies that supply a significant amount of products and services to Aksa Akrilik Kimya Sanayii A.Ş., or assumed any executive position at these companies within the past five years;
- Neither my spouse nor anyone among my relatives to the third degree, by blood or by marriage, is either an executive at Aksa Akrilik Kimya Sanayii A.Ş., a shareholder, in an executive position, holds more than 5% of the total capital, has control over management by any means, or has any influence in the control of Aksa Akrilik Kimya Sanayii A.Ş.;
- I do not earn any income from Aksa Akrilik Kimya Sanayii A.Ş. other than the fee for membership of the Board of Directors and the benefits that are provided in accordance with the Articles of Association, and declare that if I am a shareholder as a result of my membership of the Board of Directors, I do not own more than 1% of the shares, and that these shares are not privileged;
- I am considered a resident in Turkey according to the Income Tax Law;
- I do not work full time for any public institution or organization at the time of my candidature, and in the case of my election, I would not work for said institutions for the duration of my duty;
- I have strong ethical standards, as well as an occupational reputation and experience that will enable me to make positive contributions to the operations of the Company, to keep my impartiality in conflicts of interests among the company partners, and to decide independently by taking the rights of the stakeholders into consideration.

I will therefore act as an independent member of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi.

Pursuant to the related legislation, I also declare that should a situation arise that removes my independence, I would communicate this to the Board of Directors in order for it to be announced to the public, and that I would resign on principle.

Sincerely,

Name and Surname : ANT BOZKAYA
Signature :

Date : 25.03.2013
Appendix : CV

Declaration of Compliance with the Principles of Corporate Governance

In this era of global competition and change, the goal of Aksa Akrilik Kimya Sanayii A.Ş. ("Aksa", or "the Company") is to achieve change in corporate management practices alongside financial achievements, thereby remaining a company based on fair business practice. With this awareness, Aksa considers the creation of sustainable value for its stakeholders to be among its primary objectives. Aksa maintains its position as a reputable, innovative, hardworking, creative and equitable company, and its corporate and reliable stance, primarily in the eyes of its shareholders and investors, and also in those of its customers, employees and society at large by adhering to its long adopted Principles of Corporate Governance.

The reason behind determining and applying these Principles is to strengthen the trust of all Company stakeholders. In this regard, Aksa Akrilik Kimya Sanayii A.Ş. declares that it has committed itself to the application of Corporate Governance Principles, and that it will adopt the practices required by these Principles within the framework of current practices.

SECTION I – SHAREHOLDERS

2. Shareholder Relations Unit

2.1 All shareholders are treated equally.

2.2 The "Shareholder Relations Unit", which was established alongside the Company's departments pursuant to legislation, operates under the Director of Financial Affairs and plays an effective role in protecting shareholder rights, primarily the right to information, and the facilitating of its usage.

The questions addressed to the Unit within this scope, with the exception of confidential information and trade secrets, are answered either by phone, or else in writing after consulting the highest authority in relation to the topic.

Contacts for Investor Relations at the Company:

Eren Ziya DİK
Director of Financial Affairs
+90 212 251 45 00/46101
eren.dik@aksa.com

Cemal AŞULA
Accounting and Reporting Manager
+90 212 251 45 00/46090
cemal.asula@aksa.com

Erdem TATBUL
Investor Relations and Reporting Manager
+90 212 251 45 00/46121
erdem.tatbul@aksa.com

The Department:
Fax: +90 212 251 45 07
E-mail: yatirimciiliskileri@aksa.com

In addition, in order to exhibit an effective approach in relations with shareholders, the Investor Relations Unit conveys the messages of the management, and the governance strategies concerning the Company to the shareholders through meetings held with mediating bodies in parallel to public and material disclosures. In this context, meetings with various mediating bodies are held at the Aksa Headquarters.

During 2013, visits to London and Frankfurt were made to inform institutional investors established abroad. The Unit also attended meetings organized in international investment firms in Istanbul, which provided investors established abroad the opportunity of face to face interviews with Company executives.

2.3 Any information that will affect the use of shareholders' rights is presented up to date on the Company's website for the use of shareholders. In this context, nine press release and 38 material disclosures were published on the website in 2013.

3. The Use of Right to Information by Shareholders

3.1 All shareholders have the right to obtain and examine any and all information that is not considered a trade secret within the framework of current regulations. The right to information has neither been removed, nor limited by the Articles of Association, nor by the decision of any one of the Company organs.

3.2 There is no provision in the Articles of Association that asserts that each shareholder may individually request the appointment of a special auditor for the investigation of a specific event, even if it is not included in the agenda. There was no request for the appointment of a special auditor during the present period.

3.3 The management of the Company avoids any activity that would obstruct conducting a special audit.

Declaration of Compliance with the Principles of Corporate Governance

4. General Assembly Meetings

4.1 In addition to complying with the methods outlined by legislation, in order to reach the maximum number of shareholders, the General Assembly meeting is announced on www.aksa.com and via the Public Disclosure Platform a minimum of three weeks prior to the date of the General Assembly; the announcement is also printed both in the Turkish Trade Registry Gazette and in the national edition of another daily newspaper.

4.2 In addition to the announcement for the General Assembly meeting, the "General Assembly Information Document", prepared so as to include the items in Article 1.3.2 of the Communiqué Regarding the Determination and Application of Corporate Governance Principles issued by the Capital Markets Board, as well as the announcements and explanations the Company is required to make in line with legislation, were also published on the Company's website.

4.3 Each proposal was presented explicitly and under a separate title on the General Assembly agenda.

4.4 With regard to the agenda of the Ordinary General Assembly meeting in 2012, no request for any items to be included in the agenda was sent in writing to the Company's Shareholder Relations Unit by the shareholders.

4.5 The Ordinary General Assembly meeting for 2012 was held in İstanbul on March 26, 2013 in accordance with the related article in the Articles of Association, in order to increase the number of shareholders that attend the meeting in a manner which would not create any inequality among the shareholders, and which would facilitate the participation of the shareholders with minimum expense, and was realized with a 67.74% participation rate.

4.6 During the general assembly, the chairman of the assembly ensured all topics on the agenda were conveyed in an impartial, detailed, and understandable manner, while questions not considered as trade secrets from general assembly attendees were answered.

4.7 During the 2012 Ordinary General Assembly, shareholders who control the management, the members of the Board of Directors, the executive managers and their first and second degree relatives by blood or by marriage who have carried out transactions that may result with conflict of interest either with the Company or its subsidiaries, and/or have carried out transactions in the same line of business with the Company or its subsidiaries by themselves or on behalf of others or have become partners without limits of liability in a company that is engaged in the same line of business were granted the necessary permissions for the 2013 accounting period as per the Corporate Governance Code of the Capital Markets Board and Article 395 and Article 396 of the Turkish Code of Commerce, granting permission to the members of the Board of Directors. No issues have arose resulting from the permissions granted during this period.

4.8 No privileges were granted to any person or organization to receive information about the Company.

4.9 Members of the Board of Directors who were in charge of the agenda items, other related persons, executives who were responsible for preparing the financial statements and auditors were present at the Ordinary General Assembly meeting for 2012 in order to provide information and to answer questions.

4.10 Details in relation to procedures that are important in the application of Corporate Governance Principles were included following the amendments made to the Articles of Association in 2013; there were no procedures in this regard during 2013.

4.11 During the Ordinary General Assembly meeting, the donations and charities made by the Company in 2012 were briefed to the shareholders as a separate agenda item, and information regarding the donations and charities made during the year was included in the annual report. The Company has established a policy regarding donations and charities, which has been submitted to the shareholders during the General Assembly.

4.12 Although there are no provisions relating to this matter in the Articles of Association, General Assembly meetings are held open to the public, including the stakeholders and the media, without the right to speak.

5. Right to Vote and Minority Rights

5.1 The Company avoids any activity that would obstruct using the right to vote and provides each shareholder the opportunity to vote in the easiest and the most appropriate way possible, including cross border voting.

5.2 There is no privilege with regard to voting rights.

5.3 There are no mutual affiliate companies of the Company.

5.4 Maximum attention is given to making minority rights available.

5.5 The Company acts in accordance with current legislation with regard to minority rights.

6. Dividend Rights

6.1 Pursuant to the Capital Markets Board's decision 4/67 dated January 27, 2006, the Dividend Distribution Policy of the Company was announced to the public, published on the Company's website and included in the annual report.

6.2 The dividend distribution policy of the company includes minimum information that would enable investors to foresee the methods and principles of the Company in distributing profit for the coming periods.

6.3 During the Ordinary General Assembly meeting for 2013 which held in 2012, a dividend distribution was decided upon, with the amount of TL 89,550,000 being distributed in cash to shareholders at March and April.

6.4 A policy balanced between the benefits of shareholders and the benefit of the Company is being followed in the Dividend Distribution Policy.

7. Transfer of Shares

7.1 All of the Company's shares are registered and traded on the BIST, and there are no restrictive provisions with regard to the transfer of shares in the Articles of Association.

SECTION II. PUBLIC DISCLOSURE AND TRANSPARENCY

8. Public Disclosure Policy

8.1 The Company Public Disclosure Policy includes the personnel in charge, which information shall be disclosed to the public apart from that determined by legislation, how this information shall be conveyed, how often and through which channels, how often the Board of Directors or the executives shall meet with the press, and how often public disclosure meetings shall be held, as well as what method shall be followed when answering questions posed to the Company, and the like.

8.2 The information that shall be disclosed to the public is presented for public use through the Public Disclosure Platform (www.kap.gov.tr) and the Company's website in a timely, accurate, complete, understandable and easily accessible manner and in a cost effective way, in order to help those persons and organizations, who may benefit from the information, to make informed decisions. Furthermore, the portal "e-Governance: Corporate Governance and Investor Relations" of the Central Securities Depository of Turkey is utilized for direct and efficient informing of Company partners.

8.3 Information regarding the future, assumptions, and data that these assumptions are based on are also disclosed, and particular attention is paid such that these statements do not include baseless, exaggerated forecasts, and that they are not misleading. Attention is also shown such that these assumptions are in harmony with the Company's financial status and the outcomes of its operations.

8.4 In the event that estimations disclosed to the public are not realized, or when it is understood that they shall not be realized, the information is updated.

8.5 Principles regarding the disclosure of information regarding the future to the public are covered under the public disclosure policy.

9. Corporate Website and Its Contents

9.1 The corporate website of the Company, www.aksa.com, is actively used in the public disclosure process. The address of the website is included in the letterhead of the Company.

9.2 The content of the Company website is prepared in line with Article 2.2.2 of the Communiqué Regarding the Determination and Application of Corporate Governance Principles issued by the Capital Market Board as well as Article 1524 of the Turkish Commercial Code. In addition, stakeholders may reach the authorities for further information through the electronic mail address yatirimciiliskileri@aksa.com.

9.3 The partnership structure of the Company is presented on the Company website, including the names of shareholders, and the amount and percentage of their shares.

9.4 The basic information on the website is also made available in English for the use of international investors. In addition, international investors may reach the relevant authorities for further information about the Company through the electronic mail address yatirimciiliskileri@aksa.com.

10. Annual Report

10.1 The Board of Directors of the Company prepares the Annual Report based on the regulations set forth by the Turkish Commercial Code and the Capital Markets Board in such a way that the public will have complete and accurate information regarding Company operations.

Declaration of Compliance with the Principles of Corporate Governance

10.2 In addition to the topics mentioned in the legislation and other sections of the Corporate Governance Principles,

a) Information on the positions Board of Directors members and executive managers hold outside the company and the declarations of independence of the members of the Board of Directors are provided to the public in the annual report as well as the company's website.
b) The Audit Committee convened quarterly and the Corporate Governance Committee met three times and the Early Risk Identification Committee met six times during 2013. The working principles and activities of the committees have been provided in detail in Section IV.
c) The Board of Directors convened 31 times during 2013. The majority of the members attended all meetings, and attention was paid to maintain the majority of the members during the meetings.
d) The members of the Board of Directors did not act against the provisions of legislation during 2013.
e) The Company has formed working teams in line with the changes introduced to the Turkish Commercial Code and Capital Market Law in 2013, and conducts periodic in-house briefings.
f) No significant law suits were filed against the Company during 2012.
g) No investment consultancy or crediting services that would create a conflict of interest were used by the Company in 2013.
h) There are no companies that the Company is mutually affiliated with.
i) Corporate social responsibility projects are included in section 14.2 of the report.
j) During the Ordinary General Assembly meeting for 2012, for 2013, pursuant to the Corporate Governance Principles of the Capital Markets Board, the shareholders who control the management, the members of the Board of Directors, the executive managers and their first and second degree relatives by blood, or by marriage were granted permission to carry out transactions that may result in conflict of interest either with the Company or its subsidiaries, to compete, to be engaged in the same line of business with the Company by themselves, or on behalf of others, and to become partners in such companies and carry out other transactions and, pursuant to articles 395 and 396 of the Turkish Commercial Code, the members of the Board of Directors were also granted related permissions; no problems arose in relation to these permissions during the present period.

SECTION III. STAKEHOLDERS

11. Disclosure to the Stakeholders

11.1 The stakeholders of the Company are employees, creditors, customers, suppliers, and various persons, organizations and interest groups such as non-governmental organizations, who are related to the operations, or the achievement of Company goals. In such cases where the rights of the Company's stakeholders are not protected by legislation and mutual contracts, the benefits of stakeholders are protected within the framework of goodwill rules and within the scope of the means of the Company.

11.2 In such cases where the rights of the stakeholders, which are protected by legislation and mutual contracts, are violated, effective and swift restitution is provided. The Company makes every effort towards the ease of use of mechanisms such as restitution provided to stakeholders in line with legislation. There is no special compensation policy for the employees of the Company, and their compensation rights are considered in relation to related legislation.

11.3 Company policy with regard to the protection of the rights of stakeholders is published on the Company's website.

11.4 The Company may execute those operations by the stakeholders that are contradictory to legislation, or that are ethically inappropriate to the Corporate Governance Committee, or the Audit Committee. There have not been any applications or complaints in 2013.

11.5 In such cases where there are conflicts of interests among stakeholders, or when a stakeholder is involved in two interest groups, the Company pays attention to following as balanced a policy as possible to preserve rights, and aims at preserving these rights independently from one another.

The Company place importance on customer satisfaction in the sales and marketing of goods and services, and therefore takes measures within this scope.

The Company takes the necessary measures, and reviews and renews its processes in order to maintain relationships that are in accordance with the law and with the provisions of the establishment contract with its customers and suppliers to whom it provides products and services, and to follow international and industrial standards in providing goods and services.

Information regarding customers and suppliers constitutes trade secrets, and strict attention is shown to the confidentiality of such information.

The demands of customers with regard to purchased goods and services are met swiftly, with customers notified of any delays ahead of deadlines.

The Company applies the supplier performance system on an annual basis, which enables it to determine and develop the primary areas of competence, to support mutual development and to evaluate the annual performance of suppliers. The outcomes of the performance system, as well as the fields that require improvement are shared with the suppliers together with regular updates on the system. In addition, Company policy, specifications and contracts are also among the information shared with suppliers.

Aksa also provides customers with product specs on which the product specifications are stated. The analyses requested by customers and the outcomes of complaints made to the Company are also shared with customers following technical investigations. Furthermore, Aksa sends customers the “Product Responsibility and Product Manual Safety Guide”, which informs them both in Turkish and in English that Aksa’s products are environmentally friendly.

12. Stakeholder Participation in Management

12.1 Although supportive models for the participation of stakeholders, primarily employees, in the Company’s management are not included in the Articles of Association, these are being developed in a manner that would not hinder Company operations.

In this context, there has been a Representative Council in Aksa that consists of 24 people, selected by Aksa employees according to secret ballot open counting since 1996. The Council is made up of representatives from each shift, 23 members from the Yalova Factory and one members from the Istanbul Headquarters. Meeting monthly, the Representative Council is responsible for determining the problems that employees face, suggesting and working towards solutions, and notifying the senior management about the expectations of employees.
The participation of employees is ensured through annual performance evaluation meetings, suggestion systems and annual meetings held at the Company.

12.2 The Company also takes opinions and suggestions conveyed by other stakeholders into consideration if necessary.

13. Human Resources Policy

The Company adopts a management system that values people and encourages creativity, communication and employee participation. The Company acknowledges that creating an open, close and continuous communication environment is vital in maintaining the motivation and productivity of its employees.

The Company intends to utilize human resources applications that use internationally-accepted models and internally integrated systems. It aims at using modern, integrated and results-oriented systems in all human resources processes, from recruitment to performance management, from development to remuneration and severance.

The objective of Aksa’s human resources policy is to recruit candidates who are suitable for the corporate culture and values, who have the knowledge, skills, experience and abilities the position requires, and who will move the Company forward, and therefore serve the strategies and goals of the Company. In adopting the “right person for the right job” principle, modern evaluation systems are being used to support the most objective decision in the recruitment and appointment processes.

In line with the Company’s continuous learning, development and results-orientation approach, while it is aimed for developmental programs to be organized for employees in relation to Company goals, knowledge, skills, fields of expertise and competencies, the Company also makes an effort to direct resources to programs that support social and cultural development. Development planning offers training and development solutions that are suitable for the current needs of both the Company and its employees.

The Performance Management System is a structure that aims at individuals’ adoption of the corporate goals, and which reinforces common corporate culture. Employees are able to see their own contribution transparently, as well as the influence of this contribution at the corporate level within the system. The output of the Performance Management System is used in the development planning, talent management, career planning, remuneration and awarding processes of Human Resources, thereby introducing an integrated system where all processes support each other. The Company supports employees towards a common goal through incentives that serve to strengthen the high performance culture. The leadership and functional competencies of the Company are measured with a 360 degrees approach, and the ways that employees achieve results are evaluated. In this manner, the same system also ensures the reinforcement and implementation of those competencies that will take the Company into the future and serve its corporate reputation and sustainability.

The Company prioritizes customer satisfaction in the marketing and sales of goods or services and places utmost importance on quality standards, issuing necessary information on time, and the confidentiality of the information of its customers.

The Company uses a job evaluation and salary model with worldwide validity and established reliability. This is a salary and vested benefits model which is objective and transparent, which reflects the core principles of both the domestic and international business environment, which is based on the principle of equality and fairness, and which ensures fair salaries for all employees.

14. Ethical Rules and Social Responsibility

14.1. The operations of the Company are carried out within the framework of the ethical rules that are disclosed to the public through the website.

14.2. The Company strives to have, develop, adopt and implement innovative and environmentally friendly technologies within the scope of both its environmental and quality policy. The Environmental Impact Assessment is taken into consideration in all kinds of innovative projects that are implemented by Aksa. Developed with an environmental and quality awareness, Company projects that decrease waste and enable the efficient use of energy and resources have been awarded various prizes.
Aksa became a signatory of the United Nations Global Compact in 2006 and was one of the 44 companies worldwide featured in the Global Compact Yearbook 2011, which includes best practices examples that illustrate how to implement the Global Compact's Ten Principles. The Global Compact Yearbook aims to set an example for, and encourage, other companies.

One of Aksa's projects aimed at raising public awareness is the Aksa Community School, on which its places great importance. Within the scope of the project, every year, a team of Aksa managers, volunteers and specialists visits a different village in close proximity to the production facilities. The team includes experts in their respective fields, who provide training to the village community in topics such as nutrition, protection against harmful pests, prevention of domestic accidents, mother and child healthcare, environmental protection, social rights, and best practices in agriculture in order to support rural development.

SECTION IV. THE BOARD OF DIRECTORS

15. The Structure and Formation of the Board of Directors

The Board of Directors is composed of a total of 10 members, two of whom are independent and two of whom is an executive:

Board of Directors

Name and Surname	Title	Executive Non-Executive	Commencement of Term	Term of Office
Mehmet Ali BERKMAN	Chairman of the Board of Directors	Non-Executive	26.03.2013	3 Years
Raif Ali DİNÇKÖK	Deputy Chairman of the Board of Directors	Non-Executive	26.03.2013	3 Years
Ali Raif DİNÇKÖK	Member of the Board of Directors	Non-Executive	26.03.2013	3 Years
Ahmet Cemal DÖRDÜNCÜ	Member of the Board of Directors	Non-Executive	26.03.2013	3 Years
Nilüfer DİNÇKÖK ÇİFTÇİ	Member of the Board of Directors	Non-Executive	26.03.2013	3 Years
Erol LODRİK (*)	Member of the Board of Directors	Non-Executive	26.03.2013	3 Years
İzer LODRİK (*)	Member of Board of Directors	Non-executive	21.11.2013	3 Years
Mustafa YILMAZ	Member of the Board of Directors	Non-Executive	26.03.2013	3 Years
Cengiz TAŞ	Member of the Board of Directors/General Manager	Executive	26.03.2013	3 Years
Timur ERK	Independent Member of the Board of Directors	Non-Executive	26.03.2013	3 Years
Ant BOZKAYA	Independent Member of the Board of Directors	Non-Executive	26.03.2013	3 Years

(*)Erol Lodrik has passed away on October 24, 2013. On November 21, 2013, İzer Lodrik was appointed for the Board of Directors membership position vacated from this passing away until the first General Assembly.

Audit Committee

Name and Surname	Title
Timur ERK	Chairman
Ant BOZKAYA	Member

Corporate Governance Committee

Name and Surname	Title
Ant BOZKAYA	Chairman
Raif Ali DİNÇKÖK	Member

Early Risk Identification Committee

Name and Surname	Title
Ant BOZKAYA	Chairman
Raif Ali DİNÇKÖK	Member

The Board of Directors includes both executive and non-executive members. A non-executive member of the Board of Directors is a person who has no administrative duty in the Company apart from being a member of the Board of Directors, and who does not interfere in the daily business and regular activities of the Company. The majority of the members of the Board of Directors are non-executive.

Among the non-executive members of the Board of Directors are independent members qualified to accomplish their duties without prejudice.

The term of office for independent members of the Board of Directors is up to three years, although it is possible for them to be nominated and reelected.

There were no incidents that removed the impartiality of the independent members in 2013.

There is one female member of the Board of Directors of the Company.

16. Principles of the Activities of the Board of Directors

16.1 The Board of Directors meets at intervals that allow for the members to perform their duties in an effective manner.

The Chairman of the Board of Directors determines the agenda of the meetings by consulting other members of the Board of Directors and the Chief Executive Officer/ General Manager. Members pay attention to examining the information and documents related to the agenda items of each meeting, to attend meetings arranged, and to present their opinions during these meetings.

16.2 In order to provide equal information flow, all information and documentation regarding the items on the agenda of the Board of Directors meeting are submitted to the review of the members of the Board of Directors sufficiently prior to the meeting.

16.3 Before the meeting, Board of Directors members may request for a change in the agenda from the chairman of the Board of Directors. Opinions of members who could not attend the meeting but submitted to the Board of Directors in writing are shared with other members.

16.4 Each member of the Board of Directors is entitled to one vote.

16.5 Each member has one voting right on the Board of Directors. The provisions of the Turkish Commercial Code apply at the meeting and decision quorums as indicated in the Articles of Association. There are no intercorporate regulations in relation to how Board of Directors meetings shall be held; the provisions of current legislation apply.

16.6 The items on the agenda of the Board of Directors are discussed openly in all their aspects. The Chairman of the Board of Directors makes his best effort to ensure the effective participation of non-executive members in the meetings of the Board of Directors. None of the members of the Board of Directors cast a counter vote regarding any decision during the meetings held in 2013.

16.7 The Company's material associated party transactions were unanimously approved by all the Board of Directors Independent members and participants while the members of the Board of Directors involved in the said transactions did not participate in the voting. The Company did not issue any sureties, pledges, mortgages or guarantees in 2013, while the sureties rolled over from the previous year were annulled in 2013.

16.8 The Company had no related party transactions that required a decision by the Board of Directors.

16.9 The quorum for Board of Directors meetings and decisions are discussed in the Articles of Association.

16.10 The members of the Board of Directors allocate sufficient time for the execution of Company affairs. Positions held outside the Company by the members of the Board of Directors is published on the "Company General Information Form" via the Public Disclosure Platform.

17. The Number, Structure and the Independence of the Committees Formed within the Board of Directors

17.1 The Board of Directors has formed an Audit Committee, Early Risk Identification Committee and a Corporate Governance Committee. The duties and responsibilities of the Nomination Committee, and Compensation Committee are overseen by the Corporate Governance Committee.

Declaration of Compliance with the Principles of Corporate Governance

17.2 The scope of duties, working principles and members of committees have been determined by the Board of Directors, and this information has been disclosed to the public through the Public Disclosure Platform and the Company website.

17.3 All members of the Audit Committee and the Chairman of the Early Risk Identification Committee and Corporate Governance Committee are elected from among the independent members of the Board of Directors.

17.4 The General Manager does not hold any duties in any of the committees.

17.5 Attention is paid such that no one member of the Board of Directors holds more than one committee membership. However, the Audit Committee is composed of a chairman and a member, and a member of the Audit Committee is also the Chairman of the Corporate Governance Committee. Corporate Governance Committee and Early Risk Detection Committee consist of the same members.

17.6 The Board of Directors provides all kinds of resources and support in order for the committees to perform their duties. The committees may invite executives to their meetings when they consider it necessary, and seek their opinions.

17.7 When required, the Committees also make use of the opinions of independent experts in relation to their operations. The cost of consulting services the committees may require is paid by the Company.

17.8 The committees record all their work in writing. The committees meet at intervals that are required for the efficiency of their work, which are explained in the principles of working. They present reports that include information on the work they carry out and the outcomes of their meetings to the Board of Directors.

17.9 Established in order to monitor the Company's compliance with Corporate Governance Principles, to effect improvements and to present suggestions to the Board of Directors, the Corporate Governance Committee has two members, both of whom are non-executive members of the Board of Directors.

17.10 Apart from its duties set forth in legislation, the Corporate Governance Committee also carries out the duties and responsibilities of the Nomination Committee, Early Risk Identification Committee and Compensation Committee.

18. Risk Management and Internal Control Mechanism

18.1 The Board of Directors carries out its activities in a transparent, accountable, just and responsible manner.

18.2 The roles were distributed among the members of the Board of Directors by assigning a Chairman and a Deputy Chairman.

18.3 The Board of Directors establishes internal control systems including risk management and information systems and processes that aim at minimizing the effects of risks that would affect stakeholders, and particularly Company shareholders, by taking the suggestions of the related committees of the Board of Directors. Within this scope, an Early Risk Identification Committee has been formed within the Audit Committee Early Risk Identification Committee and the Corporate Governance Committee.

18.4 The Board of Directors reviews the efficiency of the risk management and internal control systems at least once a year. Information regarding the presence, operation and efficiency of the internal controls and internal audit may be found in the annual report.

The current internal control system, particularly increasing the efficiency and productivity of Company operations, maintaining reliability in financial reporting and compliance with applicable law and legislation, is being audited by the Audit Group established within the main partnership of the Company, Akkök Sanayi ve Yatırım Geliştirme A.Ş., in accordance with the annual internal audit plan; and the outcome of the audit is reported to the Audit Committee. Those risks that prove to be critical within the framework of corporate risk management in the aforementioned annual internal audit plan are prioritized. The efficiency of internal audit operations has been reviewed by the Audit Committee at four(4) meetings held throughout the year. Opinions of the internal auditor, external auditor, or other Company executives have also been received as required at these meetings.

18.5 Although not included in the Articles of Association, the authorities of the Chairman of the Board of Directors and the Chief Executive Officer/General Manager are clearly defined and separated. The General Manager and the Chairman of the Board of Directors are different persons, and their duties and authorities are defined by the organizational chart. The Company's General Manager is also a member of its Board of Directors.

18.6 The Board of Directors plays a part in maintaining effective communications among shareholders, and in solving any disputes that may arise. In this respect, the Board of Directors works together with the Corporate Governance Committee and the Shareholder Relations Unit.

19. The Strategic Goals of the Company

19.1 The Board of Directors keeps the balance between risk, growth and return at an ideal level through the strategic decisions it makes, and manages and represents the Company by primarily looking after its long term interests through rational and cautious risk management.

19.2 The Board of Directors defines the strategic goals of the Company, determines the human and financial resources it shall need, and inspects management performance.

19.3 The Board of Directors oversees that the Company's operations are in line with legislation, the Articles of Association, internal regulations and policies.

19.4 During the Finance Board meetings that take place on a monthly basis under the chairmanship of the Executive Member of the Board of Directors/General Manager, the short- and long-term performance and strategic goals of the Company are reviewed, and necessary action plans implemented depending on the outcome.

20. Financial Rights

20.1 The Board of Directors is responsible for ensuring that the Company reaches its determined operational and financial performance goals, which are disclosed to the public. Financial and operational targets were attained in 2013.

20.2 Principles for financial compensation for the Board of Directors have been put in writing, and were presented to the shareholders as a separate item in the 2012 agenda, allowing them to input their opinions. In this respect, the compensation policy is also published on the Company's website.

20.3 The Company has authorized the Corporate Governance Committee to fulfill the duties of the Compensation Committee set out in legislation.

20.4 Stock options or payment schedules based on Company performance are not utilized in the financial compensation of independent members of the Board of Directors. Efforts are made to set the compensation for independent members of the Board of Directors at such a level as to ensure that they remain independent; compensation is determined during the General Assembly meeting.

20.5 The Company does not provide loans, credits or warranties such as sureties for the benefit of any of the members of the Board of Directors, or its executives.

20.6 The fees and all other benefits provided to the members of the Board of Directors are collectively disclosed to the public through the annual report and the footnotes in the financial statements.

Major Developments in the Past Year

General Assembly

The Ordinary General Assembly Meeting of the Company for the year 2011 was held on March 26, 2013. Shareholders representing 67.74% of the Company's shares attended the meeting. No suggestions were made during the General Assembly apart from the agenda items, where shareholders used their right to ask questions.

Dividend Distribution

It was decided during the Ordinary General Assembly on March 26, 2013 that TL 13,463,540 of the distributable profit shall be set aside as Series I Legal Reserves, and TL 8,030,000 shall be set aside as Series II Legal Reserves, TL 89,550,000 shall be paid out to shareholders shall be paid out to the Members of the Board of Directors, and the remaining amount set aside as a Contingent Reserve within the framework of the Turkish Commercial Code and the Articles of Association of the Company. The distribution of dividend amounts was completed within April.

Dividend Distribution Policy

Factors such as the financial performance of the Company, its position in the industry, and the economic conditions of the country during the period in question are taken into consideration in determining the Dividend Distribution Policy of Aksa Akrilik Kimya Sanayii A.Ş. In line with the goals of the Company set down in its mission and vision, the Dividend Distribution Policy of the Company foresees that the stakeholders receive regular income earnings from their dividends in addition to stock yields. Provided that it does not conflict with current Capital Markets Board regulations, and that there is no negativity in national and economic conditions, by taking future investment expenses and other funding needs into consideration, Aksa Akrilik Kimya Sanayii A.Ş. distributes at least 20% of its distributable profit to its stakeholders every year. In accordance with the legislation issued by the Capital Markets Board, the said dividends are distributed in cash or as bonus shares. By reviewing the investment projects that would increase the efficiency and the financial performance of the Company as well as the industrial and economic conditions, the Board of Directors at Aksa Akrilik Kimya Sanayii A.Ş. revises the Dividend Distribution Policy and presents the anticipated amendments to the approval of the General Assembly.

Risk Management

In accordance with a decision made during the General Assembly Meeting held in May 2013, Ant Bozkaya and Raif Ali Dinçkök, both members of the Board of Directors at Aksa, are assigned to work on the Early Risk Early Risk Identification Committee.

Within the scope of the duty “Early Risk Identification” is among the fundamental duties of the Corporate Governance Committee. Within the scope of this duty, the Committee is responsible for the early identification of such risks that would endanger the existence, development and continuation of the Company. In the event of any such identification, the Committee works in order to take necessary precautions, and puts the risk management plan into action. The Committee is also responsible for reviewing risk management systems at least on an annual basis.

The Company’s risk register is one of the most important tools used at Aksa in risk management. The 10 most important operational, financial, reputational and strategic risks are included in the Company’s Risk Register. Monitored by the Board of Directors, action plans are prepared for these ten risks, with a lead person being assigned to each risk. The lead person is responsible for managing the related risk within the framework of the action plan decided upon. Therefore, risk management has become a part of the daily agendas of the executives at Aksa. Updated according to industrial and corporation developments, risk management has also become an integral part of Company practice.

Summary of the Commitment Report

Together with this report prepared in accordance with Article 199 of the Turkish Commercial Code, no transactions that damage the Company have taken place where a legal action was taken, or a provision was made or was avoided by the main company or the subsidiaries of Aksa Akrilik Kimya Sanayii A.Ş. during the period between January 1 and December 31, 2013 according to circumstances and conditions known to us.

Dividend Distribution Proposal

Dear Shareholders,

We have presented you information regarding the Company's activities in the financial year 2013, along with our balance sheet and income statement for the same period. We hope you find the results of our operations satisfactory.

In accordance with the terms of the dividend distribution policy that we have previously shared with our shareholders, the Company has drawn up its proposal for the distribution of dividends concerning the profits of 2013 as follows, subject to ratification by the General Assembly.

The net period profit appearing on the consolidated financial statements drawn up within the framework of the provisions of Communiqué No. 14.1, Series II, of the Capital Markets Board is TL 140,684,846.10. The net profit for the period, based on the financial statements prepared in accordance with the provisions of Tax Procedure Law, stands at TL 160,831,230.11.

Out of the TL 140,684,840.10 net profit for the period included in the consolidated financial statements established within the framework of the provisions of the Capital Market Board's Communiqué Serial: II, No: 14;

- Only TL 2,963,714.62 be set aside as Primary Legal Reserves since the net period profit of TL 160,831,230.11 in the legal records exceeds the upper limit defined in provisions of both Article 519 Paragraph 1 of the Turkish Commercial Code as well as Article 25 Clause (a) of the Company's Articles of Association,

- The first dividend of TL 9,250,000.00 (the gross dividend amount corresponding to a nominal share of TL 1.00 is TL 0.05 and the gross rate of dividend is 5%), which corresponds to 5% of the Company's total paid capital of TL 185,000,000.00, be distributed to our shareholders in cash within the framework of Article 25 of the Company's Articles of Association,

- Gross dividend of TL 2,569,422.63, which corresponds to 2% of TL 128,471,131.48 that is left over after the distribution of first dividends to shareholders, be issued to the members of the Board of Directors within the framework of Wage Policy for the Company's Board of Directors members and Executive Managers as per Article 25 of the Company's Articles of Association,

- Of the remaining TL 125,901,708.85, TL 99,225,577.37 (the gross dividend amount corresponding to a nominal share of TL 1.00 is TL 0.53635447 and the gross rate of dividend is 53,635447%) be distributed to shareholders as second dividend in accordance with Article 25 of the Company's Articles of Association,

- Setting the total of first and second dividends to be distributed to shareholders as TL 108,475,577.37 (the gross dividend amount corresponding to a nominal share of TL 1.00 is TL 0.58635447 and the gross rate of dividend is 58.635447%),

- TL 10,179,500.00 shall be set aside as Series II Legal Reserves,

- The remaining amount shall be set aside as Contingent Reserve,

- Distribution of dividend amounts in cash shall take place on April 1, 2014.

- TL 0.58635447 gross=net cash dividend per nominal share of TL 1 with a rate of 0.58635447% shall be paid to legally obligated corporations and corporate partners which acquire dividends by the mediation of a business domicile in Turkey or its resident representative,

- TL 0.58635447 gross and TL 0.49840130 net cash dividend per nominal share of TL 1 with a rate of 49.840130% shall be paid to the rest of the shareholders.

We submit the aforesaid to the approval of our General Assembly.

Dear Partners, we pay our respects to you and wish that the coming years may bring happy and successful days for our country, Company and us all.

The Board of Directors

Auditors' Report

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT

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

Auditor's Report on the Board of Directors' Annual Report

1. We have audited the annual report of Aksa Akrilik Kimya Sanayii A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the ''Group") for the period ended 31 December 2013.

Board of Directors' responsibility for the Annual Report

2. The Group's management is responsible for the fair preparation of the annual report and its consistency with the consolidated financial statements in accordance with Article 514 of Turkish Commercial Code ("TCC") No. 6102 and for such internal controls as management determines is necessary to enable the preparation of the annual report.

Independent Auditor's responsibility

3. Our responsibility is to express an opinion the Group's annual report based on the independent audit conducted pursuant to Article 397 of TCC, whether or not the financial information included in this annual report is consistent with the Group's consolidated financial statements and presented fairly.

4. Our independent audit was conducted in accordance with Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the consolidated financial statements.

5. An independent audit requires applying audit procedures to obtain independent audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

6. We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

Opinion

7. Based on our opinion, the financial information in the annual report of Board of Directors of Aksa Akrilik Kimya Sanayii A.Ş. is consistent with the audited consolidated financial statements as at 31 December 2013 and presented fairly, in all material respects.

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

Baki Erdal, SMMM
Partner

Istanbul, 14 April 2014

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

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

INDEPENDENT AUDITOR'S REPORT

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

Introduction

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

Management's responsibility for the financial statements

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

Independent auditor's responsibility

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

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

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

Opinion

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

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

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

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

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

Baki Erdal, SMMM
Partner

Istanbul, 18 March 2014

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2013 AND 2012

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

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

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

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2013 AND 2012

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

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

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

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

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

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

	Notes	2013 USD (*)	2013 TL	2012 TL
Revenue	19	923,402	1,756,402	1,625,463
Cost of sales (-)	19	(772,001)	(1,468,423)	(1,391,503)
Gross profit		**151,401**	**287,979**	**233,960**
General administrative expenses (-)	20	(23,733)	(45,142)	(52,325)
Marketing, selling and distribution expenses (-)	20	(19,505)	(37,101)	(34,703)
Research and development expenses (-)	20	(3,212)	(6,109)	(2,074)
Other operating income	21	24,186	46,004	35,100
Other operating expenses (-)	21	(30,437)	(57,894)	(34,223)
Operating profit		**98,700**	**187,737**	**145,735**
Income from investment activities		-	-	88,169
Share of loss of investment in Joint Venture	6	(13,419)	(25,525)	(8,367)
Operating profit before financial income/(expense)		**85,281**	**162,212**	**255,537**
Financial income	22	59,037	112,295	64,848
Financial expenses (-)	23	(47,401)	(90,161)	(53,340)
Profit before tax from continuing operations		**96,917**	**184,346**	**237,045**
Taxation expense on income:				
-Current period tax expense (-)	24	(22,841)	(43,445)	(68,004)
-Deferred tax income	24	867	1,649	2,116
Net income for the year from continuing operations		**74,943**	**142,550**	**171,157**

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

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

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

	Notes	2013 USD (*)	2013 TL	2012 TL
Other comprehensive income/(expense):				
Items not to be classified to profit and loss				
Remeasurement gain/loss arising from definied benefit plan		717	1,364	(3,145)
Taxation on other comprehensive income not to be classified to profit and loss		(144)	(273)	629
Items to be classified to profit and loss				
Fair value changes on derivative financial instruments		781	1,485	558
Currency translation diferences		23,437	44,579	(8,723)
Currency translation differences and fair value changes on derivative financial instrument due to sale of subsidiary shares		-	-	8,341
Taxation on other comprehensive income		(156)	(297)	(112)
Total comprehensive income		99,578	189,408	168,705
Net income for the period attributable to:				
Equity holders of the parent		73,963	140,685	168,509
Non-controlling interests		980	1,865	2,648
		74,943	142,550	171,157
Total comprehensive income attributable to:				
Equity holders of the parent		98,598	187,543	166,057
Non-controlling interests		980	1,865	2,648
		99,578	189,408	168,705
Earnings per share for equity holders of the parent (Kr)	21	0.40	0.76	0.91

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

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

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

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

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

[1] Items to be classified to profit and loss
[2] Items not to be classified to profit and loss

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

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

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

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

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

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

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

NOTE 1-ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

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

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

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

- Fibers
- Energy
- Other

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

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

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

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

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

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

NOTE 2-BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

2.1.1 Financial Reporting Standards Applied

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

The consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's consolidated financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the consolidated financial statements of the Group have been prepared accordingly.

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

Amendments in International Financial Reporting Standards

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

Amendments and Interpretations in Standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- IFRS 10 (amendment), 12 and IAS 27 on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

- IAS 36 (amendment), 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement'-'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- IFRIC 21, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IFRS 9 'Financial instruments' – classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.

- IFRS 9 (amendment),'Financial instruments', regarding general hedge. These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

- IAS 19 (amendment) regarding defined benefit plans; ; is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

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

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

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

2.1.2 Basis of Consolidation

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

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

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

The table below sets out all subsidiaries and demonstrates their shareholding structure as of 31 December 2013 and 2012:

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

[1] The financial statements of subsidiaries are consolidated on a line-by-line basis.
[2] The company has merged with Ak-Tops which was reported under the subsidiary category until the registration of the merger at 31 December 2013. The company's share of Ak-Tops capital is 100%.

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

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

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

c) Joint ventures

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

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

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

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

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

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

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

(d) Investment in Associates

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

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

2.2 Changes in Accounting Policies, Accounting Estimates and Errors

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

2.3 Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term highly liquid investments whose risk of value change is not material including time deposits generally having original maturities of three months or less (Note 4).

Financial Assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

Loans and Receivables

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

Available-for-sale financial assets

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

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

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value (Note 5).

Trade receivables

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

Trade payables

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

Inventories

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

Tangible assets

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

The initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use, Depreciation is provided for property, plant and equipment on a straight-line basis (Note 11). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. As of 31 December 2013, the depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

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

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

Intangible assets

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

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

Research and development costs

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

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

Revenue recognition

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

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

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

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

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

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

Bank borrowings

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

Borrowing costs

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

Fair value of financial instruments

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

Financial assets

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

Financial liabilities

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

Employee termination benefits

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

Under the Turkish Labour Law, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees (Note 15).

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

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

Current and deferred income tax

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

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

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

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

Earnings per share

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

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

Events after the balance sheet date

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

Provisions

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

Contingent assets and liabilities

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

Offsetting

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

Foreign currency transactions

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

Goodwill

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

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

Segment reporting

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

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

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

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

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

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

Derivative financial instruments

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

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

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 17).

Related parties

Parties are considered related to the Group if;

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

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

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

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the normal course of business (Note 26).

Reporting of cash flow

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

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

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

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

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

Government grants

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

Comparative information and adjustments of prior year financial statements

Additionally, recommended financial statements formats and guidelines which are applicable in financial statements after 31 March 2013 for capital market institutions announced in Capital Markets Financial Reporting in the Communiqué by dated 7 June 2013 and numbered 20/670 bulletins.

In accordance with announced recommended formats, various classifications are applied to the Group's consolidated financial statements. Classifications made to the Group's consolidated financial statements as of 31 December 2013 as follows;

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

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

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

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

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

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

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

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

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

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

2.4 Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them.

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

a) Goodwill impairment tests

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

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

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

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

b) Provisions

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

c) Deferred Tax

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

2.5 Convenience Translation into English of Consolidated Financial Statements

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

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

NOTE 3-SEGMENT REPORTING

Segmental information of the Group is as follows:

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

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

	1 January-31 December 2013				
	Fibers	Energy	Other	Unallocated	Total
Capital expenditure	83,425	26,924	19,240	-	129,589
					31 December 2013
Total segment assets	836,115	373,055	34,038	-	1,243,208
Investment in joint venture	245,108	-	-	-	245,108
Inter-segment adjustment and classification	-	(825)	(9,022)	-	(9,847)
Unallocated corporate assets	-	-	-	333,136	333,136
Total assets	**1,081,223**	**372,230**	**25,016**	**333,136**	**1,811,605**
Total segment liabilities	379,111	2,547	5,770	-	387,428
Inter-seagment adjustments and classification	(9,022)	-	(825)	-	(9,847)
Unallocated corporate liabilities	-	-	-	386,538	386,538
Total liabilities	**370,089**	**2,547**	**4,945**	**386,538**	**764,119**

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

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

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

	1 January-31 December 2012				
	Fibers	Energy	Other	Unallocated	Total
Capital expenditure	84,897	39,501	13,752	-	138,150
					31 December2012
Total segment assets	719,579	347,236	48,713	-	1,115,528
Investment in joint venture	227,742	-	-	-	227,742
Inter-segment adjustment and classification	-	(770)	(6,605)	-	(7,375)
Unallocated corporate assets	-	-	-	221,061	221,061
Total assets	947,321	346,466	42,108	221,061	1,556,956
Total segment liabilities	258,972	659	6,325	-	265,956
Inter-segment adjustments and classification	(6,605)	-	(770)	-	(7,375)
Unallocated corporate liabilities	-	-	-	327,455	327,455
Total liabilities	252,367	659	5,555	327,455	586,036

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

Segment Assets

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

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

Segment Liabilities

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

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

(*) As of 31 December 2013, TL42,686 (31 December 2012: TL 72,099) of the borrowings issued for energy unit investment and TL147,484(31 December 2012: TL 214,155) is secured for fiber investments and TL160,307 (31 December 2012: TL139,405) is issued for working capital.
(**) As of 31 December 2013, the swap agreement liability, amounting to TL733 (31 December 2012: TL1,181) of the derivative financial instruments is related to borrowings for fiber investment and amounting to TL209 (31 December 2012: TL 542) of the derivative financial instruments is related to borrowings for energy investment.

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

NOTE 4-CASH AND CASH EQUIVALENTS

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

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

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

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

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

NOTE 5-FINANCIAL INVESTMENTS

Details of financial assets of the Group are as follows:

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

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

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

NOTE 6-INVESTMENT IN JOINT VENTURES

Joint Ventures

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

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

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

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

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

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

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

NOTE 7-FINANCIAL LIABILITIES

Group's financial liabilities are as follows:

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

Bank Loans

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

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

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

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

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

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

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

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

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

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

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

NOTE 8-TRADE RECEIVABLES AND PAYABLES

Details of trade receivables of the Group are as follows:

Short-term Trade Receivables:

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

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

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

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

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

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

Long term trade receivables:

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

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

Short term trade payables:

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

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

NOTE 9-OTHER RECEIVABLES AND PAYABLES

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

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

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

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

NOTE 10-INVENTORIES

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

The inventory impairment provision is related with the finished goods.

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

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

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

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

NOTE 11-PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 12-INTANGIBLE ASSETS

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

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

[1] Consists of the capitalized cost of development projects.

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

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

NOTE 13-GOODWILL

The goodwill balance with the carrying amount of TL 5,989 (2012: TL 5,989) as of 31 December 2013 resulted from the acquisition of 50% of shares Ak-Tops Tekstil Sanayi A.Ş. during 2007.

In Note 2.4 details of assessment for the impairment of Goodwill is defined. There is no change in the book value of the goodwill, which is TL 5,989 for the period ended as of 31 December 2013
(31 December 2012: TL 5,989).

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

NOTE 14-PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

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

Contingent assets and liabilities are as follows:

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

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

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

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

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

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

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

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

NOTE 15-EMPLOYEE BENEFITS

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

Provision for employee termination benefits

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

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

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

The liability of employee termination benefit is not funded as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

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

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

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

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

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

NOTE 16-OTHER ASSETS AND LIABILITIES

Other current assets:

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

Prepaid Expenses-Short Term

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

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

Prepaid Expenses-Long Term

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

Other short term current liabilities:

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

Deferred Income

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

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

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

NOTE 17-DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative instruments held for hedging:

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

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

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

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

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

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

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

NOTE 18-EQUITY

Aksa has adopted the registered share capital system applicable to companies registered on the CMB and set a limit on its registered share capital representing type of registered shares with a nominal value of TL1. Historical, authorized and issued capital of Aksa as of 31 December 2013 and 2012 is presented below:

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

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

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

The approved and paid-in share capital of the Company consists of 18,500,000,000(31 December 2012: 8.500.000.000) shares issued on bearer with a nominal value of Kr 1 (31 December 2012: Kr 1) each. All shareholders have same rights and there are not issued different type of shares such as privilege and common shares.

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

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital

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

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

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

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

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

- The difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

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

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

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

Dividend Distribution

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

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

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

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

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

NOTE 19-REVENUE AND COST OF SALES

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

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

NOTE 20-EXPENSES BY NATURE

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

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

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

NOTE 21-OTHER OPERATING INCOME / EXPENSE

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

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

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

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

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

NOTE 22-FINANCIAL INCOME

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

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

NOTE 23-FINANCIAL EXPENSES

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

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

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

NOTE 24-TAX ASSETS AND LIABILITIES

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

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

Deferred Income Tax Assets and Liabilities

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2013 and 31 December 2012 are as follows:

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

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

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

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

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

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

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

NOTE 25-EARNINGS PER SHARE

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

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

(*) Amounts expressed in Turkish Lira.

NOTE 26-TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial risk factors

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

Credit risk

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

Trade Receivable Aging Analysis

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

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

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

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

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

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

[*] Guarantees taken from the related parties consist of Ak-Pa's guarantees received from foreign customers. Therefore export sales that are made through Ak-Pa are secured by these guarantees.
[**] As of 31 December 2013, re-structured receivables amount of TL 4,616 has been collected in subsequent period and given receivables secured with guarantees.

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

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

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

Foreign Exchange Risk

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

Foreign currency position presented in TL is as follows:

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

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

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

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

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

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

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

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

Interest Risk

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

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

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

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

Liquidity risk

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

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

31 December 2013:

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

31 December 2012:

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

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

Import export information:

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

Export

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

Import

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

Capital risk management

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

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

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

The ratio of net debt to equity is as follows:

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

NOTE 28-FINANCIAL INSTRUMENTS

Fair value estimation

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

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

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

Financial assets

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

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

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

Financial liabilities

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

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

Fair Value Estimation:

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

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

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

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

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

31 December 2013

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

31 December 2012

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

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

NOTE 29- EVENTS AFTER THE BALANCE SHEET DATE

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

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WWW.FINARKURUMSAL.COM • TEL +90 212 269 37 20

Aksa Akrilik Kimya Sanayii A.Ş.
Miralay Şefik Bey Sokak No: 15 Ak Han
Gümüşsuyu 34437 Istanbul/Turkey
Tel: +90 212 251 45 00 Fax: +90 212 251 45 07
www.aksa.com