



# 2019 Annual Report



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“the largest acrylic fiber producer in *the world*, the foremost brand in

**Turkey and a leader in innovation”**



acryluna



acrysole



acrylusion



acryterna



armora

# ordinary general assembly agenda

## Agenda for The 2019 Ordinary General Assembly Meeting of Aksa Akrilik Kimya Sanayii Anonim Şirketi

1. Opening of the meeting and election of the Presiding Board of the General Assembly,
2. Reading and discussing the 2019 Annual Report prepared by the Board of Directors,
3. Reading the Auditors' Report for the year 2019,
4. Reading, discussing and approval of the Financial Statements for the year 2019,
5. Releasing the members of the Board of Directors individually with regard to the Company's activities in 2019,
6. Determining the usage of profit, percentages of profit distribution and profit sharing,
7. Determination of the number of members and term of office of the Board of Directors; election of Board Members and Independent Board Members according to the number of members determined,
8. Determination of remuneration for the Board Members and Independent Directors,
9. Submitting the selection of the Independent Auditor for approval pursuant to the Turkish Commercial Code, the 'Communiqué on Independent Auditing Standards in Capital Markets' issued by the Capital Markets Board of Turkey, and the decision of the Board of Directors on the matter,
10. 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,
11. Pursuant to articles 395 and 396 of the Turkish Commercial Code, granting permission and authority to the members of the Board of Directors,
12. Informing the shareholders about the Company's share buyback transactions on the stock exchange in accordance with the permission given by the Capital Markets Board in its press releases dated 21 July and 25 July 2016 and based on the decision of the Board of Directors dated May 9, 2018 and its disclosure on the Public Disclosure Platform.
13. Pursuant to the Capital Markets Law, informing the shareholders about the donations and aid made by the Company in 2019,
14. 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 2019
15. Informing the shareholders about raising the issued capital of our company to TL 323,750,000 by increasing TL 138,750,000 within the registered capital ceiling,

## message from the chairman of the board of directors

Dear Shareholders,

We have completed another difficult year shaped by the economic fluctuations in the world and in our country, due to the geopolitical developments on a global scale. Trade wars, protectionism policies, Brexit uncertainty, interest rate cuts and sanctions expected to be applied to Iran were again some of the notable agenda items. The new expansionary steps coming from the central banks of developed countries have perhaps help prevent a major global crisis.

The Turkish economy picked up growth again as of the third quarter of 2019, following the negative impacts experienced in 2018. With falling interest rates and inflation, some stabilization in the markets and significant improvements in basic macroeconomic indicators were observed.

In the light of all these developments, Aksa Akrilik manifested a strong performance in 2019. Thanks to our investments in technology

for sustainable growth and profitability for many years, we have successfully overcome serious difficulties in supply and demand by keeping our costs under control. While the turnover of our Company reached TL 3.6 billion, EBITDA rose by 4% compared to the previous year and reached TL 574 million.

With a TL 2.5 billion market value, our Company continues to be one of Turkey's leading institutions. Sharing a significant portion of its profits with its shareholders, our Company has once again emerged among the listed companies with the highest dividend payout rate in 2019.

2019 was a year when we started to receive the feedback of our R&D studies, which we carried out with the aim of finding new areas of use, especially for acrylic fiber. Our first stage of investments in the field of acrylic filament, modacrylic and artificial hair are progressing in line with our expectations. In

**Exporting to more than 300 customers in more than 50 Countries in 5 continents, our company will continue to work with strong ethical values, social responsibility principles and a full transparency**

**Raif Ali Dinçök**  
Chairman of the Board of Directors




this context, in addition to capacity and new product investments, growing with strategic collaborations will be among our priorities in the upcoming periods.

Shaping its activities with a fair, transparent, responsible and accountable management approach, our Company's financial results have brought along rewards and successes. In 2019, we raised our score from 9.7 to 9.72 in the Borsa Istanbul (BIST) Corporate Governance Index among 49 listed companies and we added the "Corporate Governance Award" given by the "Corporate Governance Association of Turkey" to our awards and achievements over the past five years. In this way, we are proud to have once again registered the accuracy of our management approach.

On the other hand, being shown among the companies that have long been contributing to the development of the chemical industry in Turkey at the award ceremony of the Turkish Chemical Manufacturers Association, brought us pride and joy.

Our Company, which has been organizing all its production and activities on efficient use of resources and protecting the environment since the first day, brings a holistic perspective

to its processes by adding sustainability to the focus of all its strategies. Being included in the "BIST Sustainability Index", which includes 50 companies, for the second time this year, we have demonstrated our sensitivity in many areas from global warming to health, from water resources to employment and efficient use of resources.

In addition to all these data and progress in our business, one of our top priorities is occupational safety and employee health. By designing all our processes with this awareness, we are determined to raise the security culture at Aksa to a high level.

2019 was full of pride for Aksa. Just as for 51 years, creating sustainable value for our shareholders in the coming years will continue to be our main priority.

We realized all the developments in 2019 together with our valuable and devoted employees, loyal customers and business partners who have placed their trust in us. I wish to proceed together in many more successes, and I hope our successes will raise exponentially next year.

Sincerely,

## a message from the general manager

Dear Aksa Family,

The main economic issues on the agenda of the world in 2019 were listed as the interest rate cut decisions, the slow recovery of the US economy and a notable slowdown in economic growth in China. Geopolitical risks and tensions between the US and Iran also raised economic hardships.

From an economic standpoint, 2019 was a stagnant year for almost every sector. To make a comparison with 2018, it is possible to say that it was a year with more positive developments but was also full of difficulties. Despite this, our Company has achieved many successes without compromising on its management approach and strong stance in the past years.

Production and consumption problems in the acrylic fiber sector in 2018 caused a contraction in demand and raw material prices, especially in China. We entered 2019 with uncertainties due to similar problems. However, following a strong first quarter, the producers of acrylonitrile (ACN), the main raw material, suspended production by declaring a force majeure and one of our biggest suppliers ceased production. This caused a major setback in terms of supply. On the other hand, uncertainties regarding the future continued with the announcement by the US of the embargoes to be applied to the third largest acrylic fiber market, Iran.

**Our Company's market value has risen from TL 1.2 billion to TL 2.5 billion and our share value has increased by 100%. In addition, we raised our net profit by 24% with a turnover of TL 3.6 billion**

Despite these conditions, it should be noted that we completed 2019 with a strong performance. We achieved efficient results throughout the year thanks to our active marketing operations and competitive pricing strategies. By continuing to export to more than 300 customers in more than 50 countries on 5 continents, we managed to maintain our market share with the capacity utilization rate akin to market averages. By realizing 57% of our sales in the domestic market and 43% in the foreign market, we achieved a market share of 18% in the global market and 70% in the domestic market in 2019.

Our Company's share value rose from TL 1.2 billion to TL 2.5 billion with our corporate management approach, our transparent, sustainable and efficiency-oriented production model. Thus, our market value expanded by 100%. Our net profit grew by 24% on turnover of TL 3.6 billion. With the dividend distribution we completed in 2019, our dividend payment per share made us one of the companies with the highest dividend payout rates, as in previous years.

This year again we secured top places in the "ISO 500 List", where Turkey's Top 500 Industrial organizations are listed, "Fortune 500" and "Turkey's Top 500 Companies" as recognized by the Capital magazine. These are measured by

taking into account our turnover and asset size and we had the honor of adding value to Turkey's economy.

Our Company, which operates with the aim of creating new uses for acrylic fiber, participated in many international fairs in 2019 to introduce our new products. With these fairs in which we participate in the international arena, we will continue to compete with determination, in an environment where global competition is more intense than ever.

In addition, Aksa Akrilik, supporting young people and new projects, took its place in the start-up ecosystem for the first time this year with the "Value for Entrepreneurship" project launched in 2019. Within the scope of the project, cooperation with ITU Çekirdek, an early stage enterprise that brings together science, technology and design, started to provide entrepreneurs with both financial and mentoring support to carry out their current business.

In 2019, we continued to carry out corporate social responsibility activities. The belief that sustainability will be ensured through education and cultural development and raising environmentally conscious generations was our starting point in these activities. In this regard, we have carried out corporate social responsibility activities especially in fields such as education, culture, arts and sports. With the "Open Door Visits", where we have informed hundreds of students about our production processes, we have also hosted many visitors locally and from abroad such as non-governmental organizations, local people, customers and benchmarking teams.

**Cengiz Taş**  
General Manager



On the other hand, with its responsibility towards society and the environment, uninterrupted energy supply and management for operational sustainability has had a special importance for our company. Aksa Akrilik sells the excess energy it produces from its electrical energy and process steam production to the free market and has achieved European norms with its improvement works in 2019.

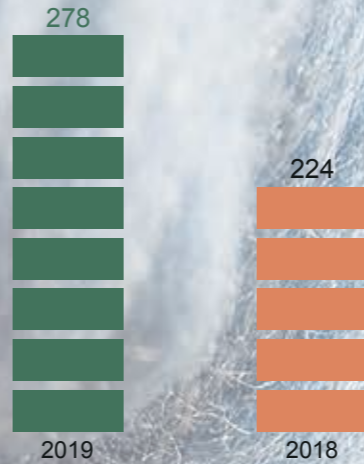
For us, human health, the environment, leaving a livable world for future generations have always been substantial issues requiring further action. Therefore, we aimed to minimize the effects of climate change and water resources on our production. In this context, we conducted the "Life Cycle Analysis" for all product groups in order to identify and reduce our negative effects on the environment and human health. From this perspective, we once again experienced in 2019, the importance and value of our environmental policy and our understanding of sustainability in raising productivity and maintaining an economic balance, not only in theory but also in practice.

We would like to thank our employees, customers, business partners and shareholders who have contributed to our Company, whose foundations were laid in Yalova 50 years ago, to undertake many successful works in line with its vision to direct the sector it leads and create sustainable value for its stakeholders, despite difficult conditions.

Sincerely,

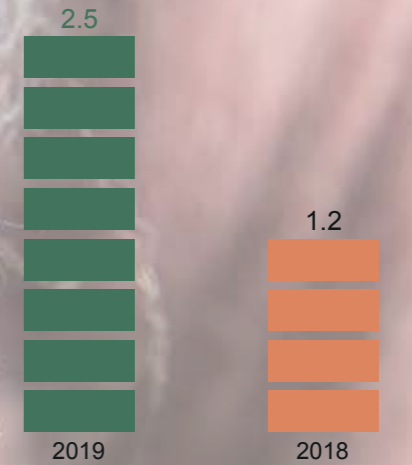
key indicators

Net Profit (Million TL)



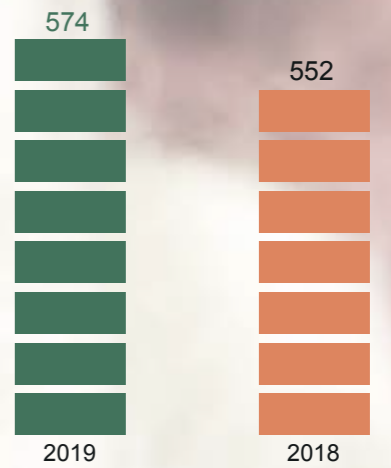
24% Net Profit has increased 24% in 2019.

Company Share Value (Billion TL)



100% Share Values reached to 2.5 Billion TL with a 100% increase as of 2019 end of year.

EBITDA(\*) (Million TL)



4% EBITDA(\*) reached to 574 Million TL with a 4% increase in 2019.

(\*) Before Interest, Taxes, Depreciation and Amortization

# Akxa in brief



Akxa Akrilik Kimya Sanayii A.Ş. affiliated to Akkök Holding, commenced operations in Yalova in 1971, with an annual capacity of 5,000 tons, to meet Turkey's acrylic fiber need. It became the world's largest acrylic fabric producer, through constant growth and by developing its own technology.

With a headcount of more than 1,200, Akxa is established on an area of 502,000 square meters. It is the world's largest and Turkey's only acrylic fiber producer, with an annual capacity of 330,000 tons. Focusing on active marketing activities in the domestic market throughout the year, Akxa Akrilik managed to maintain its market share and sales volume, owing to its 77% capacity utilization rate. As of 2019 year-end, the Company has a share of 19% in the global market, and 70% in the domestic market.

Akxa Akrilik manufactures 950,000 kilograms per day, producing enough fiber to provide knitwear for two million people. The company has an energy production license with a capacity of 145 MW, which is powerful enough to generate energy and steam for itself and for the group companies in Yalova.

Akxa exports to more than 300 customers in no less than 50 countries on 5 continents. 57% of 2019 sales were made to the domestic market, and 43% were made to foreign markets.

## Major Developments in 2019

### Fair, transparent and active management has made Aksa one of the top companies in corporate management for the past five years

In the study which is based on the Corporate Governance Principles of the Capital Markets Board involving 49 companies included in the Borsa Istanbul Corporate Governance Index, our Company ranked second by raising its score from 9.70 to 9.72 this year. Thus, our Company has achieved three firsts, once second and third place in the last five years.

This award recorded once again the success of the practices implemented in the areas of fairness, transparency, accountability and responsibility by Aksa Akrilik. The company demonstrated that it monitored the rights of the shareholders and stakeholders in the best way possible, carried out

the public disclosure and transparency activities at the highest level, maintained the structure and the functioning of the Board of Directors in the best practice category, formed effectively the management and internal control mechanisms, identified all the corporate governance risks and managed them actively.

You can access the Aksa Akrilik Corporate Governance Rating Report from the Saha corporate website, [www.saharating.com](http://www.saharating.com), the Aksa Akrilik corporate website ([www.aksa.com](http://www.aksa.com)), and from the Public Disclosure Platform website [www.kap.org.tr](http://www.kap.org.tr).

## Corporate Governance Rating: 9.72

Main parts: App. 97.22

Sub-Categories	Rating Obtained	Rating Allocated
Shareholders	0.25	9.76
Public Disclosure and Transparency	0.25	9.84
Stakeholders	0.15	9.85
Board of Directors	0.35	9.55

## Highlights

### ► Aksa Akrilik is once again in the “Giants League”

Being the world’s largest acrylic fiber producer, Aksa Akrilik, operating in Yalova and within Akkök Holding, this year also emerged in the upper rows of Turkey’s Top 500 Industrial Organizations list. Our Company, which held the 39th place in 2018 in the ISO 500 list, which is known as the Giants’ League, took the 41th place in 2019 with net sales of 3.7 billion TL from production.

### ► Aksa Akrilik continues its ascent in Fortune 500 and Capital 500

Aksa Akrilik which creates value-added products that add value to Turkey’s economy, once again succeeded to take part in the top spots in a research called Top 500 Private Companies of Turkey conducted by the Capital magazine. Aksa Akrilik entered the list where the largest companies of Turkey are present, as 103rd with a total turnover of TL 3.7 billion in 2018. In Fortune 500, Aksa Akrilik moved up 4 notches from 82th place in 2018 to 78th, thanks to the total turnover achieved in 2018.

### ► The 50th Anniversary Plaque to Aksa Akrilik from the Chemical Manufacturers Association of Turkey

The world’s largest acrylic fiber producer, Aksa Akrilik, was listed among companies providing services to the chemical industry for over 50 years by the Chemical Manufacturers Association of Turkey (TKSD) and was awarded with a “50th Year” plaque.

### ► Aksa Akrilik became the leading company of the “Textile and Raw Materials” category in the “Champions of Exports Awards Ceremony”

Ak-Pa, an Akkök Holding Company, won the “Sector Champion” award with its export figure of USD 334 million it realized on behalf of Aksa Akrilik, in the “Textile and Raw Materials” category at the 26th Ordinary General Assembly and Export Champions Award Ceremony organized by the Turkey’s Exporters Assembly.

### ► Aksa Akrilik took its place in the start-up ecosystem with its “Value for Entrepreneurship” project

To support young entrepreneurs and in order to invest in the future of Turkey, Aksa Akrilik launched its first start-up project support by collaborating with İTÜ Çekirdek, an early stage technology entrepreneurship platform.

Aksa Akrilik, the world’s largest acrylic fiber producer, aims to invest in both the industry and the future by supporting innovative and technology-developing start-up projects that contribute to sustainability. Aksa Akrilik cooperates with İTÜ Çekirdek, an early stage venture platform that combines science, technology and design, within the scope of the start-up support project called “Value for Entrepreneurship”. There is no financial expectation in the project, where entrepreneurs will be given financial support in realizing their projects and mentoring support to carry out their current business.

In the first year of the project, it is decided to invest in the start-up company called Porima that started the production of cartridge for three-dimensional printers, which is accepted as the technology of the future. Porima, established in 2017, which operates in Yalova, where Aksa Akrilik has production facilities, aims to reduce foreign dependency in the cartridge used in three-dimensional printers with domestic filament production.

### ► Aksa Akrilik in the BIST Sustainability Index

Since inception, Aksa Akrilik has put into practice all its activities with the principle of efficient use of resources and respect for the environment and took its place in the BIST Sustainability Index together with 56 other companies. As a company that builds its medium and long-term strategy within the framework of the world’s trends and sustainable growth principles, we will also put into place our approaches regarding the sustainability from global warming to health, employment and water resources through this index that is certainly crucial for Turkey and the world.



## Capital and Shareholding Structure

### Sustainable and strong performance

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, the Company adopted this system. The Company's registered capital is TL 425,000,000 (valid for 2016-2020), and its paid in capital stands at TL 185,000,000.

Company shareholders and their respective shareholding are as provided in the table:

### Capital and Shareholding Structure

Shareholder	Share (%)	Nominal Value (TL)
Akkök Holding A.Ş.	39.59	73,237,497
Emniyet Ticaret ve Sanayii A.Ş.	18.72	34,638,843
Other <sup>(*)</sup>	41.69	77,123,660
Total	100.00	185,000,000

<sup>(\*)</sup> 37.68% of Aksa's shares are traded on BİST, de facto, as of December 31, 2019, and 1.99% of the shares are owned by the Company.

### Shares that were bought back

The share buyback program was initiated with the decision of the Board of Directors dated 9 May 2018. Within the scope of the current program, a total of 3,675,059 shares, which corresponds to 1.99% of the Company's capital were bought for TL 38.027 thousand. The financing of the share buyback is obtained from the Company's internal resources. The sale of all repurchased shares was realized on 23 January 2020 at a price of 13.87 TL.

### Subsidiaries

Subsidiaries Title	Country	Operation	Subsidiary (%)
Aksa Egypt Acrylic Fiber Industry S.A.E. <sup>(**)</sup>	Egypt	Textile	99.84
Title of Partnership Subject to Joint Management	Country	Operation	Subsidiary (%)
DowAksa Advanced Composites Holding B.V. <sup>(**)</sup>	The Netherlands	Foreign Investment	50.00

<sup>(\*\*)</sup> No dividends were received from these companies in 2019.

### Companies, The Shares of Which Are Owned Indirectly

Trade Name	Country	Operation
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.	Turkey	Chemical
DowAksa Switzerland GmbH	Switzerland	Investment
DowAksa USA LLC	USA	Chemical
DowAksa Deutschland GmbH	Germany	Investment
Nanotechnology Centre of Composites c-m-p GmbH	Russia	R&D/Chemical
LLC NCC-EVOPRO	Germany	Chemical
LLC NCC-SIM-R	Russia	R&D/Chemical
LLC NCC-TVF	Russia	R&D/Chemical
LLC NCC-Alabuga	Russia	R&D/Chemical

### Stock Information

2019

Market Value	TL 2,535 million
BIST Trading Ratio	37.68%
Foreign Investor Shares <sup>(*)</sup>	47%

<sup>(\*)</sup> Foreign investor stake among shares traded on the BIST.



Aksa  
vision model

## our mission

WHAT WE ARE FOR?

*To direct the sector that we are leading and create sustainable value for our stakeholders*

## our higher goals

WHERE WE ARE HEADING?

In order to reach sustainable growth and profitability by;

- ▶ Investing in our technology to maximize operational excellence
- ▶ Discovering new usage areas for acrylic fiber
- ▶ Growing through new products or strategic collaborations

## our core values

WHAT DEFINES OUR STAND?

- ▶ HSE Awareness
- ▶ Compliance with ethical values
- ▶ Openness to cooperation
- ▶ Customer orientation

## our basic qualities

WHAT OUR BEST FEATURES ARE?

- ▶ Participatory management
- ▶ Innovativeness and openness to change
- ▶ Lean thinking
- ▶ Experience and knowledge accumulation
- ▶ Enthusiastic, loyal and result-oriented employees

## This is a never-ending success story...

### 1968

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

### 1969

A license agreement was signed and executed with the Italian acrylic producer company Chatillon (now Montefiber), and the Monsanto technology was acquired by Aksa. Construction of the Aksa plant commenced in Yalova.

### 1971

The plant founded in Yalova began to operate with an annual capacity of 5,000 tons to produce staple fiber and tops.

### 1974

Capacity was enhanced for the first time.

### 1976

Four new high capacity fiber spinning machines were added, raising the annual capacity to 35,000 tons, and two gas turbines were installed to meet the energy requirements of the plant.

### 1977

In addition to staple fiber and tops, tow was also offered to the market.

The Company opened up to foreign markets with AKSA® products, and first export was made to Italy.

### 1978

Technical assistance agreement with Chatillon ended. Aksa started to develop its own technology, supported by independent foreign consultants.

### 1982

Online Control System was established for the first time in Turkey, and the entire processing system monitored from a single centre.

### 1985

Gel dyeing technology was developed, and producer dyed tow production was initiated.

### 1986

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

### 1991

Conducted the first CCE steam generation in Turkey.

### 1992

The Fiber Pilot Plant and the R&D Lab were established to promote polymer research, and to develop new products.

### 1997

Microfiber production commenced. 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 service 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 alternatively to sell technological licenses.

**2008**

Began manufacturing carbon fiber at 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.

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. 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 TekstilSanayi 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, and ultra-high water resistance, as well as self-cleaning properties.

**2014**

Aksa's Corporate Governance Rating, which is calculated as a result of evaluating the company as per CMB Corporate Governance Principles, was determined at 9.22, and the Company was included in the Corporate Governance Index.

Aksa ranked second in Turkey, and FIRST among the Borsa Istanbul and Industry Sector, obtaining TS ISO 31000 "Risk Management System Verification Certification".

Working efficiently and in tune with the environment since its establishment, Aksa carried its implementation level to Level B, with its 9th Sustainability report published to date, as a model for the sector by means of practices based on a voluntary approach.

**2015**

Upon recent modernization and efficiency projects and investments, Aksa's annual production capacity of 308,000 tons reached 315,000. Aksa's Corporate Governance Rating, which is calculated in consequence of the assessment as per the CMB's Corporate Governance Principles, was updated to 9.5 and the Company took 3rd place in the BIST Corporate Governance Index as of year-end.

Yalova Composite and Chemical Expertize Improvement Organized Industrial Zone, the founders of which are the Acrylic Based Composite, Advanced Materials and Technology Producers Association, including Aksa, as well as Yalova Provincial Special Administration, Taşköprü Municipality and Yalova Chamber of Trade and Industry, was established in Yalova's Çiftlikköy district, within the boundaries of Taşköprü, on an area of 113 hectares, with registration number 308, by the Ministry of Science, Industry and Technology, on July 6, 2015.

**2016**

Aksa's CMB Corporate Governance Rating, which is calculated according to the assessment as per the CMB's Corporate Governance Principles, was updated to 9.6, and the Company won an award as the "Company with the Highest Rating" in the BIST Corporate Governance Index as of year-end.

A world-leading acrylic fiber producer, with nearly 50 years experience and a customer-focused approach, Aksa Akrilik introduced customers to four new brands that touch every aspect of life in the last activity year.

**2017**

The Corporate Governance Rating, calculated by evaluating Aksa in terms of Corporate Governance Principles of the Capital Markets Board, was upgraded to 9.63, and we became the company with the Highest Corporate Governance Rating on the BIST Corporate Governance Index.

Aksa Akrilik achieved a place among other highly investible companies carried out by JCR Eurasia Rating. The JCR Eurasia Rating determined our

Long-Term National Credit Rating AA (Trk) and our prospect as Stable. Our Long-Term International Foreign and Local Currency Rating and prospect were determined as BBB-, and the country ceiling as Stable.

The R&D Center, established by Aksa Akrilik, was awarded with the R&D Center Certificate by the Ministry of Science, Industry and Technology. With this certificate, our R&D Center was registered as the 432<sup>nd</sup> active R&D Center.

**2018**

Aksa Akrilik raised its Corporate Governance Rating from 9.63 to 9.70 in the evaluation made by the independent corporate rating company, Saha and won the first prize for three consecutive years again this year.

Aksa Akrilik won the first place in terms of export performance at a ceremony where the Istanbul Textile and Raw Materials Exporters' Association (ITHİB) rewarded the largest exporters of 2017.

Since its inception, Aksa Akrilik has implemented all its activities with the principle of efficient use of resources and respect for the environment. This has earned us a place in the BIST Sustainability Index with 50 other companies.

**2019**

Aksa Akrilik was shown among companies providing services to the chemical industry for over 50 years by the Chemical Manufacturers Association of Turkey (TKSD) and was awarded with a "50th Year" plaque.

This year as well, the Company took top spots in the Turkey's Top 500 Industrial Enterprises List. It ranked 41st in the ISO 500 list known as the "Giants League".

The Company received the second prize by raising its Corporate Governance Rating from 9.70 to 9.72.

The production capacity of Aksa was determined as 330,000 tons/year as a result of the efforts to create the optimum production track.

## By closely monitoring foreign markets within its sectors, Akkök Holding aims to meet global competition and reach world standards with all its group companies

Founded in 1952 by the late Raif Dinçkök, and with deep know-how spanning 66 years, Akkök Holding ranks among the most well established industrial groups in Turkey. The Group conducts operations in the fields of chemicals, energy and real estate, with 19 commercial and industrial enterprises, one of which is overseas, and with 19 production plants. By closely following the trends in the world's markets and in its operating industries, Akkök Holding aims to catch up with the global competition, and achieve world-class standards together with all the companies under its roof.

Aksa Akrilik Kimya Sanayi A.Ş. was founded in Yalova to meet the requirements for acrylic fiber in Turkey in 1968, and started production in 1971 with an annual capacity of 5000 tons. Becoming the largest acrylic fiber producer in the world with its investments and innovations, Aksa is a world giant with approximately 300 customers in 50 cities on 5 continents. With 1200 employees, a production area of 502,000 square meters, and annual capacity of 330,000 tons, it is the largest acrylic fiber producer in the world and the only producer in Turkey. Along with textile fibers, Aksa initiated outdoor fiber production in 2001 and is becoming more ambitious within the technical fiber industry for products such as flock tow, homopolymer and filament thread.

DowAksa was established in 2012 as a joint venture of the Dow Chemical Company and Aksa Akrilik Sanayii A.Ş., with the aim of providing a wide range of products and technical services to the global composites industry, whose raw material is carbon fiber. Thanks to Dow's knowledge and experience in resins, and Aksa's infrastructure, which allows for growth, today DowAksa is one of the strongest companies vying for leadership in the production of carbon fiber and carbon fiber intermediate materials market. Moreover, DowAksa is the first and only Turkish company in the carbon fiber industry. DowAksa provides carbon fiber composite solutions to industrial sectors, namely the energy, transportation, defense and infrastructure sectors.

Turkey's leading chemicals manufacturer, Ak-Kim was established in Yalova in 1977 and has expanded its production activities in the past 42 years in many different areas. It is a chemical company serving its customers with a wide range of products covering chlorine alkali and its derivatives, peroxides, methylamines, persulfates, bisulfites, textile auxiliaries, paper and water treatment chemicals, concrete additives and plastic additives with exports to six continents.

The company, which is the market leader in many products in basic chemicals and performance chemicals, provides services to the cleaning, chemistry, textile, paper, water treatment, food, metal, pesticide, energy, building, mining, plastic and construction sectors. Together with its subsidiaries, it has close to 1,000 employees with production facilities in 6 different locations. It has a special place in the chemical industry with its structure, offering various products for different sectors.

Gizemfrit, which made its first production in 1979, continues its production in 4 different product groups including ceramics, enamel, non-stick coatings and pigments in a total of 60,000 m2 fully automated facilities located in Sakarya 2 Organized Industrial Zone. Gizemfrit was included in the Akkök Group of Companies as of 2015. At the end of 2017, it acquired the Spanish Megacolor company, which is one of the significant players in the ceramic industry, producing inkjet ink and pigment. With some 70% market share in enamel and ceramic in Turkey, Gizemfrit is the 2nd largest manufacturer of enamel in the world and the leader in its sector in Turkey. Gizemfrit has 132,500 tons of annual production capacity, more than 400 employees in Turkey and Spain, up to 1,000 indirect employees, customers in 60 countries in 6 continents and a 13% global market share.

Akiş REIT, the real estate investment company operating under Akkök Holding, continues to develop projects that help improve quality of life in the regions where it operates. The company

successfully runs the Akbatı Shopping Mall and Akasya projects, and as an alternative to shopping center investments, is involved in street retailing projects on Bağdat Street. Akiş REIT has cooperated with Beymen for the Uşaklıgil Apartment in its first high street retail project, and the store opened its doors to visitors in September 2017. In 2018, the Company made its first move abroad with an investment in a housing project developed in the UK. Akiş REIT completed the required applications in 2019 to become a UN Global Compact participant, the world's largest corporate sustainability initiative.

KidZania, established in 2014 on an area of 10 thousand m2 in Akasya Shopping Mall, is a country of children operating in 29 cities in 22 countries. KidZania Istanbul offers learning services for families with children while having fun. It is a real city with more than 120 roles in 67 different activity areas with its bank, supermarket, fire station, hospital, earthquake simulation center, courier, stadium, streets and square. KidZania Istanbul is a special place where children between the ages of 0-14 are able to experience different professions, socialize with their peers, and expand their competence in many areas from financial literacy to social skills. KidZania supports the development of children's values such as responsibility, respect, solidarity, harmony, self-confidence, awareness and tolerance.

Adding dynamism to the social life of the city, Akmerkez Shopping Mall, continues to add value to the lives of its guests with services such as its award winning project, "Agriculture at the Terrace" that proves that a sustainable life is possible in the city. Services such as Turkish Airlines Miniport, click & collect, shopping delivery, cloakroom and left luggage, provided within the "Easy Point", and renewed according to current needs are available here. The "Kids Zone" and "Mother & Child Meeting Center" that were set up in 2019, provides both parents and children with an entertainment, a relaxation and a social zone throughout the year. Achieving a first in Turkey by winning the Best Shopping Center in Europe award in 1995 and in the World award in 1996 presented by the International Council of Shopping Centers (ICSC), Akmerkez improves itself constantly with projects adding value to city life.

Starting its activities as an auto-producer group in the Akkök Group of Companies in 1989, Akenerji has been operating as an independent power generation company since 2005. With the 50-50 strategic partnership of Akkök Holding and CEZ, the Company has installed power of 1,224 MW.

Sepaş Enerji, a strategic partnership between Akkök Holding and CEZ Group, which is considered as one of Europe's 10 largest energy firms, is one of Turkey's 21 authorized supply companies. Sepaş Enerji supplies electricity to 1.7 million consumers all over Turkey, mainly in Bolu, Düzce, Sakarya and Kocaeli.

Sakarya Electricity Distribution Inc. (SEDAŞ) provides energy distribution services to 1.9 million consumers in Sakarya, Kocaeli, Bolu and Düzce. SEDAŞ carries out its operations through its 33 distribution centers and a total of 22 Customer Services Centers. As of the end of 2019, the total electricity distributed in the 4 provinces in the Eastern Marmara region stood at 9.5 billion kWh.

Aktek was established in 2007 with the aim of guiding its customers, especially the Akkök group, by providing added value in the field of information technologies, to conduct feasibility studies, to come up with projects and to help them realize these projects economically and efficiently. According to the research on the "IT 500" list, Aktek ranked 134th in 2018 and 12th in System Integrator Services.

# 2019 activities

## Marketing and Sales

The economic fluctuations experienced in July 2018 caused difficulties in the production and the consumption in the acrylic fiber sector, as in all sectors. Deenergize of demand in other parts of the world, especially in China, has caused the price of our main raw material, acrylonitrile ("ACN") to drop unexpectedly. Starting 2019 with these uncertainties, our acrylic fiber domestic market customers showed high demand as of February in the first quarter of the year in order to guarantee the raw material in return for their forward sales. In this period, both our sales and acrylic fiber import figures rose. The company, which is the world's largest producer of ACN in this period, experienced technical problems in its 3 different facilities, and this caused great difficulties in supply, despite the fact that ACN demand was extremely low in the world, especially in the Far East. This has reduced our production speed somewhat and affected our sales in the domestic and export markets in the first half of the year.

When we look at the sub-sectors, the knitwear sector started 2019 with a low level in raw material and product stocks. This situation and the difficulties in ACN supply, along with the upward movement of the price, kept the sector demand alive until May and June. Capacity utilization rates throughout the year were higher than the August-December 2018 period, but remained behind the 2018 average. Although demand did not shrink in the last quarter of the year, raw material inventories declined with the usual expectation of a price fall that occurs each year. While this situation creates a positive expectation for the domestic market demand in the first quarter of 2020, general economic indicators cause us to be cautious in this regard.

In the carpet industry, 2019 has been a year for carpet weaving companies, where they raised their sales figures in export markets and recovered the market share they lost in the domestic market. However, acrylic yarn producers had a difficult year due to the lack of demand for acrylic carpet in the western markets (Europe and USA), where exports are intense, and also to the limited demand in the domestic market. Demand from the Iranian market was also insufficient, where our customers had compensated for the loss of the domestic market as in the previous years. As for 2020, we expect some demand growth as a result of the revival in the construction sector and a significant fall in inventories in the retail sector.

In the Far East and especially in the Chinese market, there was a limited demand for acrylic fiber all year, as a result Chinese producers were unable to exceed 50% capacity utilization. In the second half of the year, even if they raised production with some Iranian sales, large production capacities remained idle in general. Low demand in the world was effective in other Asia Pacific markets and capacity utilization rates remained low.

In Iran, which is the third largest acrylic fiber market in the world, the conditions of this market have remained uncertain throughout the year, as the USA has revived the embargoes and taken more drastic measures than the previous ones. Although throughout 2019, overall demand in the Iranian market has remained low compared to the previous years, Aksa and other producers have managed to continue their sales and have been able to expand both their market shares and their quantities. At the beginning of 2020, the USA announced an expansion plan for its embargoes into many sectors, including the textile sector. However, for how long these plans will be implemented will only become clear in 2020.

Similarly in the US and European markets, the demand was low generally in global markets and as a result, the demand for acrylic fiber shrank by 10% in 2019 compared to the previous year.

## Production, New Product Development and R&D Operations

Based on the unique technology knowledge obtained from the R&D works conducted in Aksa, new areas of business are targeted.

Partnerships were established in 2019 in the American, Far East and European markets for Armora, our modacrylic product, which has a difficult ignition feature and a difference has been made in the market with a dope-dyed product. It was decided to expand the capacity following the positive feedback obtained from our customers and seeing the market results that 1,000 tons/year production could not meet the demand.

Another noteworthy development was the cooperation between our Filament yarn Acrylusion and Sunbrella and the HRI Rugs brands, which are well known in America for outdoor products. The carpets produced with Acrylusion, are planned to be sold in the American market and then worldwide with Sunbrella. These carpets, which can be used both indoors and outdoors, were launched at the High Point / America Show in September 2019. In addition, a new development is Acrylusion being included in the collection of some brands in the knitwear sector, as well as in the carpet industry.

In Airjet yarn spinning technology, one of the short fiber spinning technologies, Highbulk yarn production was realized in cooperation with the machine supplier company. We assist our customers with technology, by promoting to the store chains.

# Investments

## In 2019, when modernization and standardization investments were generally intense, some USD 30 million of investment expenditure was made

### Energy, Production and Sales

Our company meets its own energy needs with the electric energy and process steam it produces and sells the excess of the energy produced in the free market. Our company meets its own energy needs with the electric energy and process steam it produces and sells the excess of the energy produced in the free market. With a capacity of 145 MW of electricity and 1,005 tons/hour of steam production, our Company has achieved European norms with its water - steam quality in the Power Plant where the improvement efforts and investments were put into operation in 2019. In this way, the entire power plant, and especially the 99 MW power turbine, which was put into operation in recent years, has been operated on the basis of operational excellence and profitability strategies. As a result we were able to produce low-cost and quality energy.

With the turbine renewal and steam line modernization projects planned for the coming years, this mission will be enhanced. By following the latest technologies, using competent consultants and academic partnerships, the mission of low-cost and quality energy will be carried forward continuously.

### Investments

In 2019, all maintenance and investment units were combined under one roof within the scope of operational excellence. In 2019, when modernization and standardization investments were generally intense, some USD 30 million of investment expenditure was made.

State-of-the-art fire detection and extinguishing systems have been installed at all sites throughout the facility. In 2019, a total of USD 6 million was spent on these 7 projects.

By establishing a condensate treatment plant for sustainable energy production, the working times of the power plant have been increased.

We decided to renew all autoclaves in the facility, and changes started in this context in 2019.

The new deionized and ultra-pure water production facility, which was built to ensure sustainability, was established at a price of USD 5 million. In this way, the chemicals consumed to produce the water used in the process have been reduced by 50%.

### Project

- ▶ Infrastructure and Maintenance Investments
- ▶ Energy Efficiency Enhancing Investments
- ▶ Textile Investment
- ▶ Process and Product Development Investments
- ▶ Seveso Investment
- ▶ Renewal Modernization Investment

Within the scope of Seveso, advanced technology fire detection and extinguishing systems were installed in critical fields such as polymer, fiber drafting, and energy, in place of standard systems.

Within the scope of sustainability works, a new deionized water production facility with a technology that cuts the chemical consumption in half was established.

## **DowAksa's carbon fiber production capacity is over 90% and efforts to expand its capacity to 5,500 tons/year will begin in 2020**

### **DowAksa Carbon Fiber**

With the aim of offering an extensive product range and technical service to the global composite sector, which uses carbon fiber as raw materials, DowAksa was established as a joint venture between the Dow Chemical Company and Aksa Akrikil San. A.Ş. in 2012. With the completion of projects focusing on reducing product costs in 2018, the base product cost has been reduced to its lowest since 2012 and cost savings of up to 40% have been created compared to previous years. Having achieved cost reduction projects through R&D works, DowAksa strengthened its supply network in 2018 and 2019 by adding alternative local suppliers to its supply chain.

DowAksa's carbon fiber production capacity is over 90% and efforts to expand its capacity to 5.500 tons/year will begin in 2020.

### **Aksa Egypt**

Aksa Egypt is a 99.8% subsidiary of Aksa and extends the scope of activities of Aksa in the whole North Africa region and especially in Egypt. It has a capacity of about 15,000 tons. In 2019, Aksa Egypt maintained its position as the key player in the Egyptian market with approximately 10,000 tons of sales and a turnover of up to USD 25 million. Demand contractions experienced in the global acrylic fiber market in 2019 also had an impact in Egypt and its surrounding markets. The Egyptian money markets, which have been fluctuating in recent years, experienced positive developments in 2019 and as a result, the local currency of Egypt gained some value.



## Aksa aims to contribute to the social and cultural life of the region where it operates through social responsibility projects

### Corporate Communication Projects

#### ► Development Workshop with Mr. Okay Temiz

Aksa Akrilik has been providing full support to education and art in Yalova, where it has been producing for 50 years. Children from Yalova met Mr. Okay Temiz this year. Mr. Okay Temiz has been continuing his music works in Sweden and Finland for many years and is a master in interpreting percussion instruments. He gave rhythm lessons to more than 100 children between the ages of 11 and 13 from Yalova Rahmi the Tokay Middle School and the Cumhuriyet Middle School for 3 months. Children who learned to use musical instruments such as the goblet drum, maracas, daf, rhythm stick, agogo bell and erbane gave a magnificent concert at the Raif Dinçkök Culture Center on June 1st.

The students, who experienced the importance of collective work beyond the rhythm, appeared before the audience in Raif Dinçkök Kültür Merkezi.

In the concert, attended by our managers, school administrators and teachers, families and press members, the children received full marks from the audience. At the concert, the students combined their rich repertoire consisting of zeybek, samba and classical jazz with traditional Turkish rhythms and they had a great success. They got carried away and exhilarated the audience. Attuned nicely to Mr. Temiz's solo performance, they received a standing ovation. Aiming to make the project sustainable with the support of the Yalova Provincial Directorate of National Education, our Company has given as a gift to the Yalova Rahmi Tokay Secondary School and Cumhuriyet Secondary School darbukas, maracas, tambourines, rhythm bars and erbane drums used in education. Since 1968, our Company has been producing acrylic fiber in its facilities in Yalova. Our Company aims to contribute to the social and cultural life of the region in which it operates through social responsibility projects.

#### ► Yalova children celebrated April 23 with us

As in the last four years, Children from Yalova celebrated April 23, the National Sovereignty and Children's Day with a free cinema event of Aksa Akrilik. With Aksa Akrilik, 1,000 children watched the movie, "The Mansion with Puppets: There is a Thief" at the Özdilek Cinetime on April 23.

#### ► Aksa continues welcoming visitors

Aksa Akrilik continued to host hundreds of students who expressed interest in receiving information and various training about our production processes from a variety of educational institutions in 2019. Students had a chance to see production processes closely during visits arranged according to their departments and special requirements. Within the scope of our Open Door Visits, as well as students, non-governmental organizations, locals, customers, comparison teams and visitors from Turkey and abroad were hosted.

#### ► Aksa Akrilik stand has been a focus of attention at international fairs

Our Company drew attention with its stand design and products at nine exhibitions in Turkey and abroad. In addition to the Domotex Hannover, H + H Cologne, Techtexil organized in Germany and ITMA in Spain, Aksa Akrilik also participated in the Destination Africa fair held in Egypt, in addition to the NSC in the USA and Iran FMCEX fairs, bringing the total to seven fairs. Domestically, we took part in Domotex Turkey and the 16th International Istanbul Yarn Fair ending 2019 with nine successful fairs.

The company exhibited carpets produced from Acrylusion, a newly developed acrylic filament product at fairs guiding the carpet industry, such as Domotex Turkey, Domotex Hannover and the FMCEX. Acrylusion was the focus of attention of visitors with its shine that created a silk

carpet effect. There, carpets were appreciated for their functional features as well. At these fairs, the carpets were appreciated and drew attention with their functional features as well. Acrylusion carpets were exhibited in a collection by a customer for the first time in FMCEX.

The Company exhibited its products Acryluna, Acrylusion, Acare and PillouT at the H+H Cologne Creative Crafts Hobby Materials Fair and at the 16th International Istanbul Yarn Fair. Its stand where it showcased its colorful products in the form of acrylic fiber and yarn, were met with great interest by both the yarn manufacturer companies and the fair visitors.

Aksa was present with the brands Acrycyle, Acryluna, Acrylusion, Acryterna and Armora at ITMA in Barcelona and with the brands Acrylusion, Acryterna and Armora in Techtextil held in Frankfurt. Aksa was among the most remarkable names of the fair with its stand design and product variety on display.

At the National Safety Council Congress & Expo, another remarkable fair of 2019 and one of the world's leading fairs in Occupational Health and Safety held in San Diego, Aksa Akrilik was successfully represented with the stand opened by Armora for the first time.

#### ► Support for “Put a cap” Project from Aksa Akrilik Continues

For the last 2 years, Aksa has been supporting the blue cap campaign of The Spinal Cord Paralytics Association of Turkey (TOFD) for which, so far about 2 container-loads of caps were collected. Employees accumulate the plastic caps they collect in the production facilities and homes and drop them at the collection points in the facilities. In this campaign carried out by TOFD, the entire income obtained through recycling the caps collected is delivered to the needy by purchasing battery powered and manual wheelchairs.

## The Company's corporate social responsibility activities earned Aksa additional prestige whenever they were mentioned in 2019

### 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. The Company's corporate social responsibility activities earned Aksa additional prestige whenever they were mentioned in 2019.

The details of Aksa's “Charitable Donations and Social Welfare” expenditure in 2019, mainly in the areas of education, culture, arts and sports are as follows:

Charitable Donations and Social Welfare	Amount(TL)
Associations, foundations and municipalities	55,400
Other	23,300
<b>Total</b>	<b>78,700</b>

### Compliance with the Law on the Protection of Personal Data

With our work we have carried out since 2018, within the scope of the Compliance with Personal Data Protection Law, the protection of fundamental rights and freedoms, protection of privacy, information security and respect to ethical values, constitute our primary principles.

In this context, we have completed our VERBİS (Data Controllers Registration Information System) registration and continue to fulfill our responsibilities in compliance with the required legal requirements.

### Simple and Agile Aksa

The Simple and Agile Aksa project was launched in September 2018 as a sub-project of the Productivity Improvement Project (VAP), aiming at identifying the efficiency-reducing factors that emerge while implementing our strategies, and implementing actions that add simplicity and agility to our processes, business conducts and organizational structure.

Following the analysis carried out with various approaches and methods within the scope of the project;

► Organizational changes were made to support the Company in reaching its strategies.

► An action plan including system revisions where all departments have various responsibilities and changes in the way they do business has been created.

► By following the action plan throughout the year, planned activities in 2019 were completed. The follow-up of planned actions will continue in 2020.

## Our Company drew attention with its stand design and products at nine exhibitions in Turkey and abroad

### Artificial Plaster

The gypsum obtained from the limestone solution used in the energy production process as a waste was disposed of in accordance with the technical and health requirements. With the research studies carried out throughout the year, works were initiated for the re-evaluation of the waste, and the product was certified as artificial plaster by the Quality and Environment Board. We aim to contribute to sustainability environmentally and economically by making use of the artificial plaster in a different sector.

### Vision and Participation in Strategies

In order to review our 5-year strategic plan, a Strategic Planning Workshop was held in May, as in every year, with the middle and senior management.

The current situation assessment of all the functions of our company has been made and the actions to be taken have been discussed in the context of opportunities / threats.

Following the workshop, follow-ups were carried out throughout the year on the focused topics and targets. At the Strategic Planning Workshop to be held in 2020, strategic goals will be pursued following evaluations and updates.

### Environmental Sustainability

Aksa runs its operations in full awareness of the undertaken responsibilities. We conduct our operations in all processes in tune with the environment, in order to make them continuous and efficient. We are well aware that we can provide a habitable environment for future generations by minimizing our environmental impact, and using environment-conscious processes.

On every job, we strive to be respectful to the environment and smart in the use of resources. As for our Health, Security and Environment performances, we display a transparent approach for our stakeholders. Aksa, which has held the ISO 14001 Environmental Management

System Certificate since 1997, manages its operations and environmental performance with applications that will be exemplary for the industry, in addition to fully complying with the rules determined by the relevant laws and regulations in 2019 as well.

### Energy Efficiency and Climate Change

Uninterrupted energy supply and energy management bear special significance in ensuring operational sustainability in Aksa. While ensuring continuity with our energy generation, we also provide energy for sister companies that operate in our field. Extra energy is made available to the electricity market.

In accordance with our process, the efficient use of energy is as fundamental as continuous energy supply for the continuity of our operations. With systematic energy management, supply, efficiency, climate change and other related environmental impacts are managed together. Aksa evaluates climate change within the framework of risks and opportunities, and maintains its operations along with legal applications. In this context, in 2019, the aim was to lift its grade, which has been assessed at the level of "Management", by participating for the second time in the CDP Climate Change Program. The program was created for the purpose of disclosing the greenhouse gas emissions and climate change strategies of the companies to the public and investors voluntarily.

Aksa has established its ISO 50001 Energy Management System to create the necessary energy and efficiency improvements and sustained its continuity. With the Energy Management System, it is aimed to ensure efficient usage of energy in each phase of the process, and to reduce the amount of energy consumed in unit production. Based on systematic energy management, the reduction of greenhouse emissions, and other related environmental impacts and energy costs, is ensured.

## In 2019, it participated in the CDP Climate Change Program, which was created for the purpose of disclosing the greenhouse gas emissions and climate change strategies of the companies to the public and investors voluntarily

### Responsible Production

Understanding the needs of our customers and market constitute the foundation of our work. Aksa always develops better and new products in order to offer value to customers and the environment. Moreover, huge effort is made so that products can be safely produced and safely utilized during their lifecycles, for employees, customers, society and the environment.

With this approach, Aksa conducts operations by complying with international standards ensuring product quality, and environment and personal safety. Our understanding of working in tune with human health and the environment by following both local and international regulations (CLP, REACH, Ca Prop. 65, ETAD, ZDHC, INDITEX etc.) is applied across the entire supply chain, from our suppliers to our customers. Furthermore, in product development processes, each step is taken in harmony with the regulations for human and environmental health.

OEKO-TEX® Standard 100, an independent auditing and certification system including all production processes of textile products, has been applied in Aksa since 1995. Our certificate is renewed every year when products pass the Category 1 compliance tests successfully. Thanks to this application, the audit and certification guarantee that Aksa's products are produced without causing harm to human health and the environment.

On the other hand, in accordance with the Regulation for Chemicals Registration, Evaluation, Authorization and Restriction (KKDİK-REACH), applications in Europe and Turkey are closely monitored, and customer demands are answered so as to determine the limitations of chemicals for the safety of human health and the environment. In 2019, by activating the new chemical management system, Aksa made the management of chemicals reliable and traceable. The effects of each chemical used within the boundaries of Aksa on health and the environment were gathered on a single platform.

### Health - Industrial Hygiene

We continued the works carried out within the scope of Industrial Hygiene aimed at predicting, recognizing, evaluating and controlling the health hazards in the workplace and protecting the health and well-being of the employees and ensuring public safety.

The shower head in the Workplace Health Unit has been modernized. Its technical information was shared with the Maintenance Directorate and it was manufactured and installed. The Decontamination Unit has been equipped with multiple sprinkler systems and complies with the CBRN Defense response requirements.

### Process Safety

Within the scope of the Regulation on the Prevention of Major Industrial Accidents, the monitoring of hazardous situations that may occur in the process and what needs to be done have been brought into the procedure and the monitoring of the critical points is carried out in a hazard-based as well as quality-based manner. In this process, our basic process control has been reviewed with a new perspective. As transferring the Hazard and Operability (HAZOP) studies into numerical data and monitoring them has come into prominence, the HAZOP system has been redesigned in a similar way to our Failure Modes and Effects Analysis (FMEA) system and entries to the system have been initiated. In 2019, a Safety Report was prepared within the scope of the Regulation on Prevention of Major Industrial Accidents and Mitigation of Impacts, and studies for the preparation of a Large Accident Scenario Document were started within the scope of the same regulation.

## We have been rooting out accidents in Aksa!

The commissioning of fire detection and extinguishing systems and evidence tests of these systems will be completed by the end of the year. It is ensured that the information of these systems be accessed by the whole factory. In all commissioned areas, training is provided for each shift and user awareness has been enhanced.

### Accident Prevention Culture (KÖK) and AKAT (Aksa Accident Mitigation Team) "Every Aksa employee will one day be member of AKAT"

Observer training is a significant step in the cultural exchange project. The first day of two full days of training focuses on the fundamental change in the perception of working safely and the effective change in decision-making processes. We emphasize that the activities carried out in an unsafe environment are not only inefficient, but do not comply with our ethical principles either. We try to take the first steps in the voluntary introduction of the cultural change process by supporting the training with actual visuals. The second day, we do practical examples on how positive communication should be done in working environments. In the observations, all participants witness the power of positive communication. At the end of the training, it is expected that the differences of opinion on safe working among the participants should be aligned among all positions and companies.

After the training, we began to observe changes in the decision-making processes of the participants. Safe working rules are not perceived as an obstacle to efficient work and production. They are not discussed anymore and considered as necessary from an ethical point of view and take place among the parameters that are considered to be natural parts of the work

All the effective answers to the question "How can we work more safely?" guarantee the sustainability of all kinds of resources of AKSA. As the safe working culture develops, the obstacles faced will be removed.

### Environment

Since its establishment, Aksa has adopted the understanding of being a sustainable, efficient and environmentally friendly producer. By adding this understanding to its mission and vision over the years, Aksa raises its corporate performance thanks to its efforts with its environmental policy and sustainability approach.

Apart from legal obligations, it also aims to be an example with its voluntary practices.

With its efforts in line with its operational excellence strategy, Aksa enhances its productivity, maintains economic stability and carries out its responsibility to the environment and all stakeholders through its sensitive production approach.

All the legislation, conditions and obligations for which we are responsible in the context of environmental laws and regulations are monitored by various sources.

Efficient use of natural resources, protection and control of possible environmental impact are monitored by the Environmental Directorate affiliated with YALKİM OIZ. All legal and environmental issues that are dealt with on a voluntary basis are followed up and handled during daily plant visits.

All legal and voluntary environmental issues are followed up and environmental practices are managed effectively through weekly directorates and management meetings, and with the supervision and support of the senior management through the Industrial Evaluation Meetings held every 3 months and chaired by the General Manager.

Aksa works in cooperation with relevant public institutions and the NGOs in the sectors it operates in. It contributes to the development of legislation and is a pioneer in the sector in legal applications.

Compliance with environmental issues are followed constantly by audits conducted by internal and external organizations within the scope of Integrated Management Systems and by the Environmental Management Unit within the scope of Environmental Audit Regulation with Environmental Internal Inspections performed at least once a year. ISO 14001 EMS studies of Aksa and YALKİM OSB are carried out in an integrated manner.

In order to eliminate the possible environmental negativities in port facilities, and if possible, to remove them, and bring about port facilities which are more sensitive to the environment, the Green Port (Green Port) certificate was received by the Ministry of Transport, Maritime and Communication General Directorate of Maritime Trade. We passed the inspection of the certificate with zero non-conformity and the certification continued.

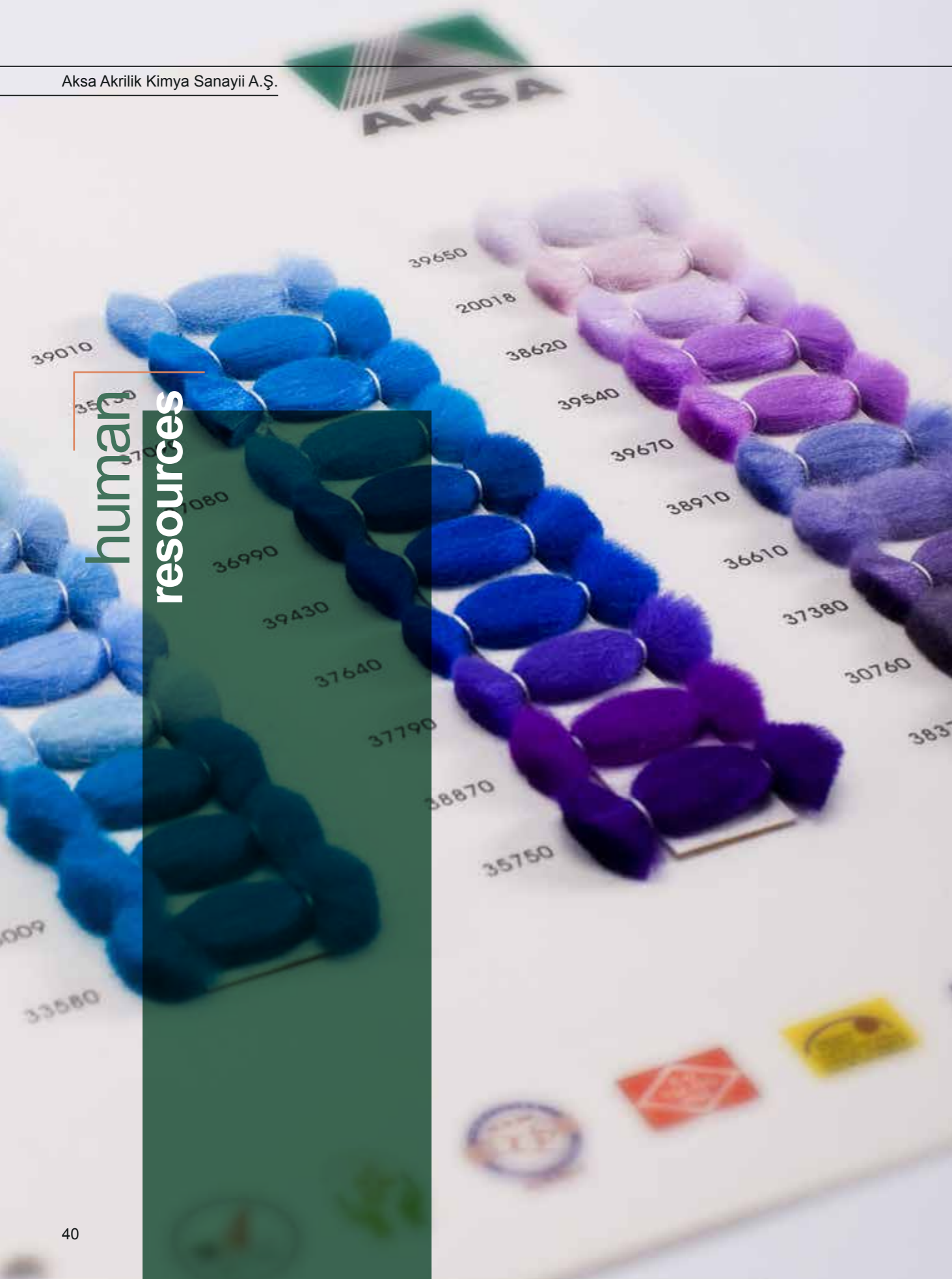
Within the scope of Chemicals Management studies, the Oracle Chemical Management module has been established in order to properly record the chemicals in Aksa and to protect our employees and our environment from the effects of hazardous chemicals with the help of the BEKRA Notification and Chemical Registration System applications in the Integrated Environmental Information System. In this way, compliance with the legislation of all chemical substances produced and purchased by Aksa, and of the Safety Data Sheets are ensured and detailed information about chemicals is recorded.

Compliance with environmental issues are followed constantly by audits conducted by internal and external organizations within the scope of Integrated Management Systems and by the Environmental Management Unit within the scope of Environmental Audit Regulation with Environmental Internal Inspections performed at least once a year.

### Environmentally and Human Health - Sensitive, Reliable Aksa Products in Textile

Aksa reflects its sustainability philosophy that it uses in all areas to its environmentalist approach as well. Aksa is working on environmentally friendly products for a sustainable environment by following the social needs and innovations in the sector with the works carried out under the Process and Product Development Directorate. We act in accordance with European Union Directives, the REACH and the national legislation especially for the use of chemicals. For this purpose, methods and substances are investigated to improve human health and environmental measures in both development and production stages.

Thus, as well as the importance we attach to human health, we aim to minimize our impact on climate change and water resources. In order to determine the impact on the environment and human health as a result of our activities, in a neutral, transparent and analytical way and to minimize our impact, last year we conducted a Product Life Cycle Analysis for all product groups. In so doing, we determined the production processes with the highest environmental impact and started efficiency projects to reduce the impact.



## Human Resources

Our basic human resources policy is to create and maintain a climate where employees are proud of their contribution and cooperation to successful business results, where they bond themselves with confidence. For this purpose, we aim to bring together happy employees who are responsible, creative, participatory, open to development, adaptable to change and able to communicate effectively. Our practices shaped within the framework of our policy, our investment in human resources and the communication we have established, support Aksa's basic strategies and facilitate the achievement of targeted business results.

At the Human Resources Department, in 2019, we focused on continuous development, employee engagement, workplace culture, internal communication, organizational development, digitalization and talent management in the long-term targets that we developed and implemented.

With the awareness that culture is one of the important factors in the successful implementation of strategic goals, we focused on the elements that will accelerate us in achieving our strategies, as well as our strong values we want to protect in our work. In 2019, we launched our employer brand "Aksa, Together and With Pride" representing our values in our Hello Summer, Farewell to Summer and New Year parties. We announced the speech of being part of Aksa, in which we emphasized our cultural elements, to our employees. By organizing the theater play, "Aksa, Together and With Pride", we conveyed our values we wanted to emphasize to our employees through a pleasant event.

With the changes that will contribute to our organizational development in 2019, we aimed to be agile, digitalize and improve our customer

focus. We united Acrylic Fibers and Textile Production Directorates under the roof of Factory Directorate. We combined Chemistry, Energy and Textile Maintenance Directorates under a single directorate and connected them to the newly established Investment and Maintenance Directorate. The synergy resulting from these mergers has enabled the way we do our business to become leaner. We have combined our R&D and P&D activities under the same directorate. By bringing the Customer Service and Quality Monitoring Directorate and the R&D and P&D Directorate under the roof of the newly established Business Development Directorate, we aimed to reflect the feedback from the customers to our R&D and P&D activities in a more agile way. In order to focus on our market activities, we established the Marketing Department affiliated to Acryluna Marketing and Sales Directorate and the Sustainability Management affiliated to this directorate. We have linked the Subcontractor and Administrative Affairs to the Human Resources Department. In order to focus on digitalization, one of the most pertinent issues of today, and to use technology more efficiently in our business processes, we established the Digital Transformation Management affiliated to the Corporate Development Department.

With our belief in nurturing leaders within our company, in line with our organizational requirements, 24 of our current employees were promoted to managerial/next level positions. 10 employees at expert level and above moved to a different section with a change of task or rotation. Within the scope of the operational level promotion process in 2019, 36 employees were included in the position-specific Evaluation Center application and 10 of our evaluated employees were eligible to be promoted to a higher role. The OHS Comprehensive Selection Exam,

**With our belief in nurturing leaders within our company, in line with our organizational requirements, 24 of our current employees were promoted to managerial/next level positions**

Personality Inventory, Case Study, Competency Based Interview and Transition Criteria Score are used as measurement tools in this process based on the competencies determined according to the job definition of the candidate position.

In order to simplify our selection and placement process, we reduced the number of interviews with candidates by organizing joint interviews for peers who will be involved in the interview process by the relevant department and human resources. Thus, we both made our process more agile and raised the satisfaction of our candidates by reducing the time they spent for the interview process. As of the end of the year, we have 1,211 employees. In 2019, a total of 58 individuals joined the Aksa Family, of whom 20 were at the level of experts and engineers and 38 at the operational level.

Education Level	Distribution %
PhD	0.2
Master's Degree	3.2
Undergraduate Degree	15.8
Associate Degree	27.1
Vocational High School	33.6
High School	12.5
Elementary School	7.6

In our selection and placement process, we continued our new graduate processes and university activities in order to recruit employees that have the competencies required by the job and are suitably in line with our Company's values.

In 2019, in addition to participating to the Middle East Technical University (METU) Interview Days and Career Fair, we participated in the Virtual Career Fair and have found the opportunity to introduce our Company to new graduates and students from many different universities. In the Interview Experience event we organized in Istanbul, we provided new graduate engineers with the opportunity to get to know our company and gain interview experience. 3 individuals from the METU Interview Days event and 1 individual from the Interview Experience event joined the Aksa Family.

As a result of the revision work we initiated in 2018 by focusing on making us lean and agile, in 2019 we implemented radical changes in our Performance Management System. Within the scope of revisions, there were important steps towards agility such as lifting the Goal Evaluation Committee, reducing the number of targets, lifting the target weights and simplifying the scale, specifying only the target value, and the possibility of further revisions throughout the year. We added executive discretion to the evaluation process. We decided not to carry out our Development Planning process as a separate process and included it in the Performance Management System.

In order to make our internal communication more transparent, we prepared the Executive Handbook for our managers in 2018. In 2019, we published the Employee Handbook through Aksa Portal, which was prepared to make the information about our practices throughout the company available to all our employees and to make the answers to common questions more accessible.

We continued our reward practices, which we carried out in order to recognize and spread success, also in 2019. In the Star Akkök Award Process, which took place for the fourth time, our employees, Mr. Emre Elitok and Mr. Babür Anagün, who took part in the project team consisting of Aksa, Sepaş and Akyaşı with the Energy Trade Cooperation project, were awarded in the Cooperation Development category. Within the scope of our application, Exemplary Member of Aksa, which we revised by reflecting our cultural elements and organizational changes, our 14 operational level employees were rewarded and their success was appreciated. 27 of our employees were appreciated and rewarded instantly for their distinctive performance and success.

In accordance with the great significance we place on the Talent Management process, employees' competencies and improvement areas are identified by means of modern human resources methods, continuous development of employees is supported, and engagements are conducted to shed light on employees' career development. In 2019, our evaluation center,

development planning and mentor-mentee practices continued. This year, a one-year-long mentor-mentee program was completed between our mentors consisting of our General Manager, Assistant General Managers, Directors, Managers, and 11 mentees from positions of experts and managers. In order to support continuous development, plans have been prepared in line with the development needs of the successors determined for the critical roles at the operational level along with specialists and employees above the rungs of specialists.

In 2019, 33 man-hour training programs were organized in line with orientation programs, personal development training demands which are the outputs of development plans, legislative requirements and professional development needs determined by departments.

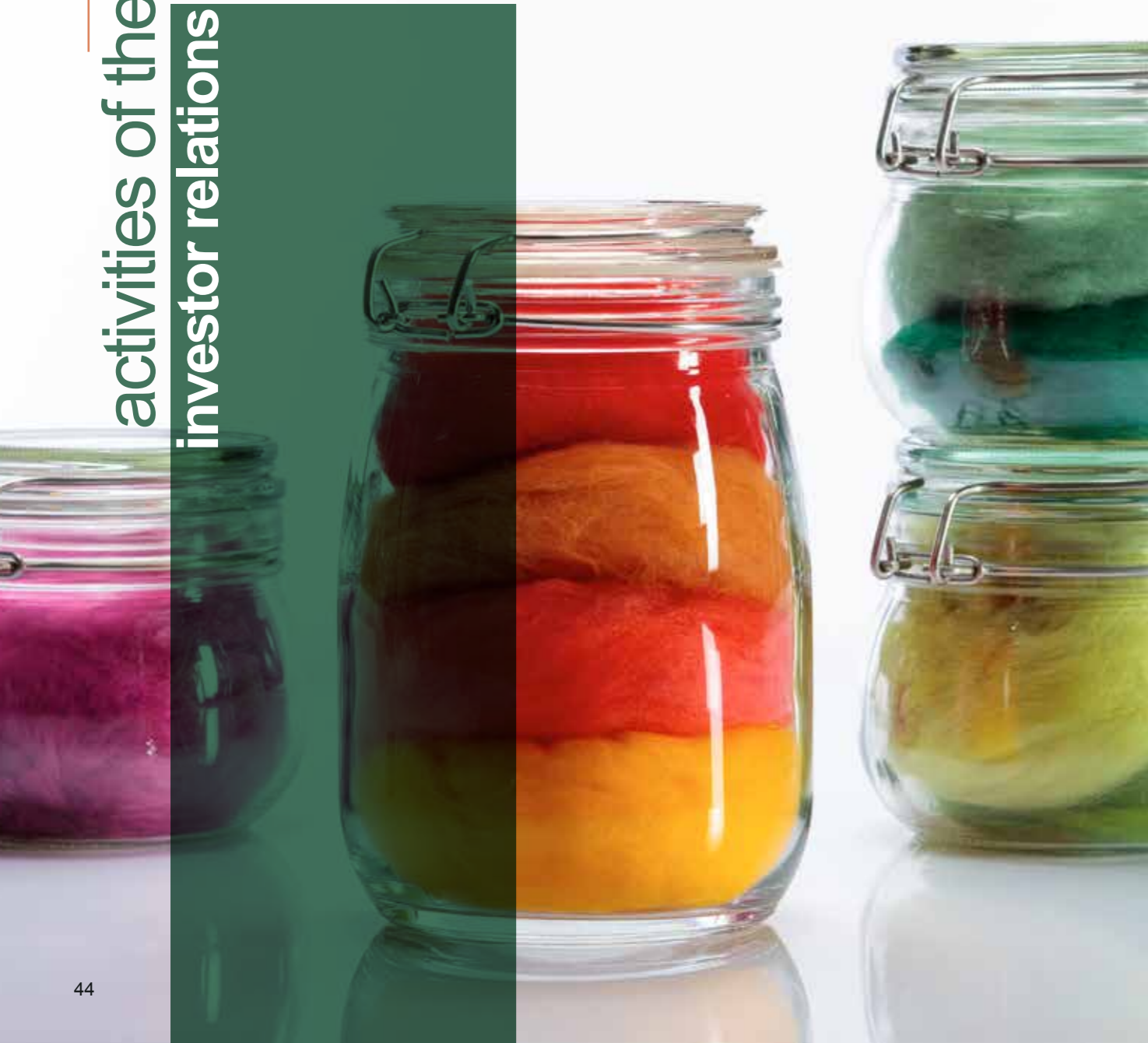
Training Type	Man*Hour	%
Internal Training	7,448	19%
External Training	10,359	25%
E-learning Training	22,550	56%
<b>Total</b>	<b>40,357</b>	<b>100%</b>

In our Professional Qualification Certification Process that we have been conducting since 2016, new occupations were identified in line with the legislation in 2019 and training activities for 430 employees were completed.

As a result of our agreement with an Online English Speaking platform in order to support our expert and higher level employees to improve their English speaking competencies, 10 employees were included in the program where they met with certified trainers for 30 minutes, 3 days a week. As a result of the efficiency obtained during the 2-month trial period, we decided to continue the program with 14 employees in 2020.

As part of the leader development, 10 of our first-level managers participated in the Multi-Dimensional Leadership Training, 2 of our mid-level managers attended the Sabancı Manager Development Program, and 18 of our first and mid-level executives participated in the Intergenerational Communication Training. Our 2 first level managers started the Turquality Manager Development Program.

## activities of the investor relations



### With a score of 9.72, our Company became the second company with the highest Corporate Governance Rating

The fundamental duty of Aksa Akrilik Investor Relations is to keep in line with legal regulations and transparency to stakeholders, and it adopts an accountable, fair and responsible management model. In order to attain this goal, Aksa uses and manages an investor relations tool for the purpose of providing comprehensive and fully accurate information to stakeholders with regard the course of Aksa shares.

The basic working principles of the Investor Relations can be listed as: availability, providing swift feedback to stakeholders, transparent, consistent and prompt information sharing, and maintaining an updated website. Strict attention is paid so that the unit is composed of competent individuals, who have good command of legal regulations, hold the licenses stipulated by the Capital Markets Board, know the company and sector dynamics intimately, and have the ability to transfer the same. Accordingly, the Investor Relations department knows well and analyzes the company, has an excellent command of company strategies, and thus aims to create differentiation by communicating these strategies through the most efficient methods.

#### Significant Developments in 2019

##### 1- Corporate Governance Rating

The “Corporate Governance Rating Report” was issued for update work is done by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., which holds an operating license to issue ratings in Turkey, in accordance with the Capital Market Board’s (CMB) Corporate Governance Principles.

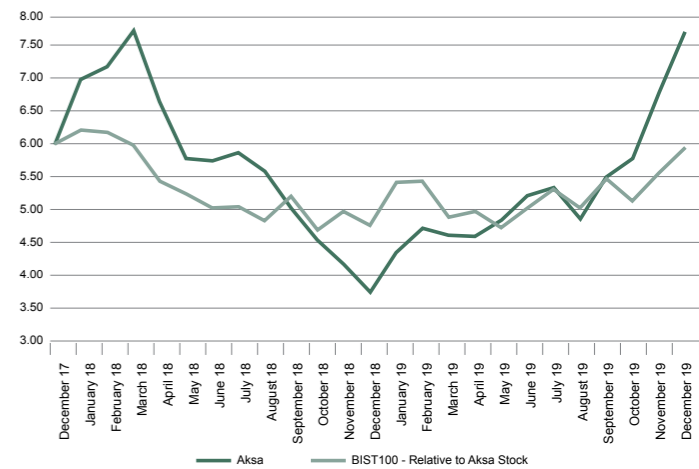
This report, which rates the Company’s alignment with Corporate Governance principles, was prepared based on the current methodology, benefiting from the results obtained from detailed reviews made by Saha at our Company.

The Company’s Corporate Governance Rating was updated at 9.72 out of 10, and the ratings of the sub-headings were identified as Shareholder 97.62, Public Disclosure 98.43, Stakeholders 98.51 and Board of Directors 95.51 out of 100. Our company was the second company with the highest Corporate Governance Rating with a score of 9.72.

##### 2- Share Performance

Our Company shares are listed in the following indexes of the Borsa Istanbul (BIST) stock market, and our share performance is shown below.

- ▶ BIST 100-30
- ▶ BIST Chemical, Oil, Plastic
- ▶ BIST Industrial
- ▶ BIST Dividend
- ▶ BIST Dividend 25
- ▶ BIST All
- ▶ BIST Star
- ▶ BIST 100
- ▶ BIST Corporate Governance
- ▶ BIST Sustainability



## Activities of the Investor Relations

The Company's shares have been traded on the Istanbul Stock Exchange since 1986. The performance of the stocks on the stock exchange since 2015 is summarized in the table below.

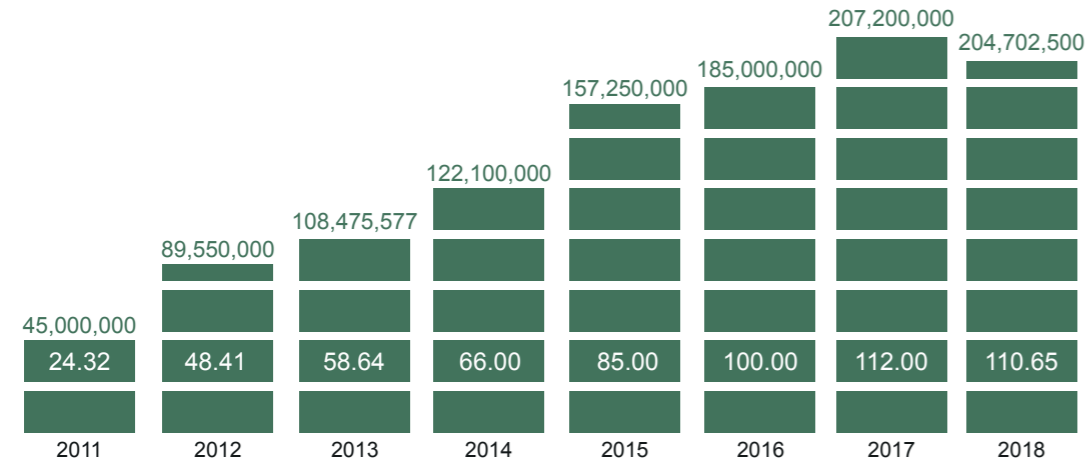
Share	2015	2016	2017	2018	2019	2020 Feb.
Lowest Price (TL)	2.74	4.10	3.94	6.10	3.80	7.77
Highest Price (TL)	4.86	4.34	6.9	8.68	7.91	8.70
Closing Price (TL)	4.13	3.94	6.09	3.79	7.83	7.43
Market Value (thousand TL)	1,337,088	1,275,575	1,971,638	1,227,013	2,534,963	2,405,463

The prices valid for previous years on the table show corrected share prices.

### 3- Dividend

The dividend distribution for the period 2018 was approved during the Ordinary General Assembly on April 2, 2019, and it was paid in cash to the Company shareholders on April 9-11, 2019.

Gross dividend amounts distributed within the past eight (8) years, and gross dividend amount distributed per share (kurus), are as follows:



### 4- General Assembly

The Ordinary General Assembly Meeting of the Company for the year 2018 was held on April 2, 2019 at the Yalova Factory. Shareholders representing 73.63% of the Company's shares attended the meeting.

### 5- Other Activities within the Year

It was aimed to answer questions from the Capital Markets Board completely and accurately, to provide documents and information swiftly, and to establish accurate and

efficient communication with the Board. Activities of the Investor Relations were conducted within this scope.

The necessary replies were given to investors' questions with the same information, and retaining the principle of equal treatment for all shareholders. Disclosures made to the public via the Public Disclosure Platform were to be shared on time and in an accurate, complete, comprehensible and interpretable manner, and it was ensured that all shareholders would be informed about any developments, equally and simultaneously.

**Strategic thinking and effective communication are the main targets of our investor relations department. Aware of aksa company strategies, our knowledge and analysis aims to communicate by effective methodology and create a positive difference**

As a result of the transactions made by our Company based on the decision of the Board of Directors dated May 9, 2018, all of the repurchased shares were sold on the stock exchange on January 23, 2020, at a unit price of TL 13.87, for a total value of TL 50,973,000 and a profit of TL 12,947,000, excluding dividends.

As of the report date, our company has completed the bonus issue and its paid-up capital has reached TL 323,750,000.

Other activities performed by the Investor Relations department during the year are summarized as follows:

- ▶ Thirteen (13) press releases and sixty-two (62) material disclosures on the Public Disclosure Platform
- ▶ Face-to-face or telephone interviews with hundred and nine (109) local and foreign investors/analysts
- ▶ One (1) time factory field trip for analysts
- ▶ Seminar on "Digital Age Profession - Financial Engineering" with Marmara University

### Investor Relations Department Information:

Name Surname	Title	Phone	License Document	Document No	E-Mail
Erdinç KAZAK	Financial Affairs Director	0(226) 353 25 45 / 41400	Capital Markets Activities Level 3 Corporate Governance Rating Expertise	205781 700753	erdinc.kazak@aksa.com
Erdem TATBUL	Accounting and Reporting Manager	0(226) 353 25 45 / 41500	Capital Markets Activities Level 3 Corporate Governance Rating Expertise	208881 701742	erdem.tatbul@aksa.com
Furkan CEYLAN	Investor Relations and Reporting Manager	0(226) 353 25 45 / 41520	-	-	furkan.ceylan@aksa.com

### Investor Relations Department Contact information:

Phone: 0 (226) 353 25 45  
 Fax: 0 (226) 353 33 07  
 E-mail: ir@aksa.com  
 Address: Merkez Mahallesi Ali Raif Dinçkök Caddesi No: 2 Taşköprü, Çiftlikköy/Yalova



## CORPORATE GOVERNANCE

### CV of the Board of Directors

#### Raif Ali Dinçkök

*Chairman of the Board of Directors*

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 Holding. Mr. Raif Ali Dinçkök continued his career in the Purchasing Department of Ak-AI Tekstil San. A.Ş. between 1994 and 2000, and later served as Coordinator of Akenerji Elektrik Üretim A.Ş. from 2000 to 2003. Prior to his current position as the Chairman of the Board of Directors at Akkök Holding A.Ş., he served as a Member of the Board of Directors and Vice Chairman of the Executive Committee at Akkök Holding A.Ş. Since January 1, 2019, Mr. Raif Ali Dinçkök has served as the Chairman of the Board of Aksa Akrilik, Ak-Kim, Akış REIT and Akmerkez REIT, as well as a Member of the Board of Directors in other companies within Akkök Holding.

#### Mehmet Ali Berkman

*Deputy 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. After wards, he obtained an MBA in Operations Research from Syracuse University (USA). Mr Berkman joined Koç Group in 1972, and assumed the role of General Manager in MAKO, Uniroyal, DÖKTAŞ and Arçelik respectively. Subsequently he worked as Head of Strategic Planning, Human Resources and Industrial Relations, and left the Group on December 31, 2003 due to the Group's retirement policy. In September 2005, he assumed the position of Member of the Board of Directors and Chairman of the Executive Board of Akkök Holding 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 a Board Member in Akkök Holding and Akkim, Board Chairman in Aksa, Akenerji, Akış, Aktek and Akcez, and Vice Chairman of DowAksa, in addition to his Akkök Holding Executive Board Consultant duty. A member of the Turkish Industrialists' and Businessmen's Association and the Kalder and Turkish Education Volunteers Association, Berkman also continues to be a Member of the Istanbul Erkek High School Foundation Board of Trustees, the Turkish Education Foundation, the DEIK (Foreign Economic Relations Board of Turkey) and the Turkey Czechia Business Council.

#### Nilüfer Dinçkök Çiftçi

*Member of the Board of Directors*

Born in Istanbul in 1956, Nilüfer Dinçkök Çiftçi graduated from Lycée Française Sainte Pulchérie in Istanbul in 1970. She continued her education in Switzerland, where she later graduated from St. Georges School in 1976. Assistant Chairman of the Board of Directors of Akkök Holding A.Ş., Nilüfer Dinçkök Çiftçi is acting on the Board of Directors of Akkök Group Companies.

#### Alize Dinçkök

*Member of the Board of Directors*

Born in 1983 in Istanbul, Ms. Alize Dinçkök graduated in 2004 from the Business Administration Department of the Suffolk University Sawyer School of Management. In 2015, she joined the Harvard Business School General Management Program and completed it successfully. In 2018, she completed the MIT Sloan School of Management Innovative Thinking program. She started her career in 2005 as a Strategic Planning Specialist at Ak-AI Tekstil Sanayi A.Ş. Ms. Alize Dinçkök was transferred to the Akış REIT upon its establishment in 2005 and assumed the duties of Project Coordinator, Sales and Marketing Manager and Assistant General Manager of Sales and Marketing, respectively. Ms. Alize Dinçkök, who is a member of the Board of Directors and the Executive Board of Akkök Holding A.Ş., also serves on the Board of Directors of various Akkök Holding Companies, as well as Chairman of the Board of Directors of Akmerkez Lokantacılık and Ak-Pa Tekstil. Ms. Alize Dinçkök also manages the Akkök Group Marketing Platform, founded in 2015.

#### Ahmet Cemal Dördüncü

*Member of the Board of Directors*

Born in Istanbul in 1953, Ahmet C. Dördüncü, graduated from Çukurova University, Department of Business Administration. Later, he pursued his 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 Sabancı Holding A.Ş. in 2004, he assumed the position of Chairman of the Executive Board of Sabancı Holding from 2005 to 2010. Mr. Ahmet C. Dördüncü has served as Chairman of the Executive Board of Akkök Holding since January 2013. He also serves as the Chairman of the Board of Directors of Akenerji, Akcez, Akış REIT, Ak-kim

and Gizem Frit, as well as on the Board of Directors of Akkök Holding and various Akkök Holding Companies. Mr. Dördüncü is also a member of the Board of Directors at International Paper Co. He speaks English, German and Portuguese.

#### 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 Yuntaş Tekstil Sanayi ve Ticaret A.Ş. Mr Lodrik currently serves as Chairman of the Board of Directors of Emniyet Ticaret ve Sanayi A.Ş., Emboy Yuntaş Tekstil Sanayi ve Ticaret A.Ş. Additionally, he is a Member of the Board of Directors of Akkök Holding Companies.

#### Dr. Mehmet Abdullah Merih Ergin

*Independent Member of the Board of Directors - Member of the Early Detection of Risk Committee - Member of the Corporate Governance Committee*

(Passed away on February 8, 2020)

Born in 1938 in Istanbul, Dr Ergin received his BSc in Textile Process Engineering from the Department of Textile at the University of Leeds (United Kingdom), and received a PhD from the same university. He undertook various duties for the Sabancı Group. By the end of 2008, Ergin had worked as General Manager and Chairman of the Board of Directors at Ak-AI Tekstil Sanayii Anomin Şirketi, one of Akkök Group's companies. He later served as a member of the Board of Overseers at FMV Işık University, and Chairman of the Board of Directors at Kabataş High School. Not included in the Executive Board, Ergin holds an independent membership according to the CMB Corporate Governance Principles. The services he has provided over the last decade are briefly explained above. Regarding his services for the past five years, he has had no relationship with Aksa Akrilik Kimya Sanayii A.Ş. and its related parties. Mr. Ergin has experience in auditing / accounting and finance.

#### Atty. Başar Ay

*Independent Member of the Board of Directors - Member of the Corporate Governance Committee - Member of the Audit Committee*

He was born in 1965 in Amasya. After his graduation from the Law School of Ankara University, he did his internship and started work as a lawyer registered with the Istanbul Bar Association. He began work at the Turkish Textile Employers' Association in 1991 as Legal Counsel. Mr. Ay was appointed Deputy General Secretary in 2005, and General Secretary in 2007 in the same organization, a position he still holds today.

He is completing his Master's in International Banking and Finance at the Finance Institute of Istanbul Commerce University. He is also registered with mediators and the UYAP conciliator register at The Department of Mediation of the Ministry of Justice.

Mr. Ay also serves as a member of the Minimum Wage Fixing Commission, representing the Turkish Textile Industry Employer's Union (TISK), member of the General Assembly at the Istanbul Arbitration Center (ISTAC), commissioner of the R & D Center of the General Directorate of Science and Technology at the Ministry of Science, Industry and Trade, an independent board member of Aksa Acrylic, member of the Board of the Social Security Institution (SGK), delegate and representative of employers at İş-Kur. He is also a member of the Istanbul Provincial Employment and Vocational Training Committee, a Board member of the TISK Microsurgery and Reconstruction Foundation established for the purpose of reducing and treating work accidents. He also carries out the duties of observer membership at the International Textile Manufacturers Federation (ITMF) and at the International Labor Organization (ILO), as a member of the Turkish Employer Delegation. Mr. Ay has experience in auditing / accounting and finance. His roles over the past 5 years are explained above and he does not have any connection to Aksa Akrilik Kimya Sanayii A.Ş. or its related parties.

#### İlknur Gür Uralcan

*Independent Member of the Board of Directors - Member of the Early Detection of Risk Committee - Member of the Audit Committee*

Born in Ankara, İlknur Gür Uralcan graduated from the Chemistry Department at Boğaziçi University. She began her career in 1993 at Degere International Trading as Chemical Materials Sales Representative, and transferred to Kordsa's Sabancı Talent Pool Program as a Sales Representative in 1996. In 1998, Uralcan became Customer Executive in the Istanbul office of GE Plastics and then served as Country Leadership Regional Manager for Central Europe, Turkey and Israel, and General Manager of Developing Countries and General Manager of European Countries at GE Plastics / Sabic Innovative Plastics. Between 2013 and 2019, Ms. Uralcan served as the President of Wilsonart LLC for the Eastern Europe, Middle East and Africa region. At present, she provides angel investment and consultancy services at her own company in Germany. Uralcan is not included on the executive board but is an independent member according to the Capital Markets Board Corporate Governance Principles. In the last five years, except for being an Independent Board Member of Aksa Akrilik Kimya Sanayii A.Ş., she has no other relation with Aksa Akrilik Kimya Sanayii A.Ş. nor with the related parties.

## 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: II, No: 17.1) 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:

- a)** There is no employment relationship between myself, my spouse, relatives by blood or by marriage up to the second degree and Aksa Akrilik Kimya Sanayii A.Ş., any partnerships of which the Company holds or significantly affects management control, or shareholders who hold or significantly affect the management of the Company, or any legal entities of which these shareholders hold the management control, at a managerial position to undertake major duties and responsibilities in the last five years, and that I do not have, together or alone, more than 5% of the Company's capital or voting rights or privileged shares, and I do not have a business relationship of significant nature,
- b)** I have not served as a partner (5% and above), at a managerial position to undertake major duties and responsibilities and/or as a board member in any companies, particularly those conducting the auditing (including tax audit, legal audit and internal audit), grading and counseling of the Company, to which the company has sold or purchased a significant amount of products or services in the framework of the agreements, during the periods of selling or purchasing products or services, in the last five years,
- c)** I have the requisite professional training, knowledge and experience in order to fulfill the tasks that I will assume in the Company as an independent member of the Board of Directors,
- d)** I will not work in public institutions and organizations, other than academic positions at universities, provided that it is appropriate to their relevant legislations, on a full-time basis, after being elected as a member,
- e)** I am considered as a resident in Turkey according to the Income Tax Act (I.T.A.) dated December 31, 1960 and numbered 193,
- f)** I possess the requisite strong ethical standards, professional reputation and experience to contribute positively to the Company's activities, to maintain my objectivity in conflicts of interest between the company and the shareholders, and to decide freely in consideration of stakeholders' rights,
- g)** I will spare enough time for the Company's affairs in order to follow-up the functioning of the Company's activities, and to fully meet the requirements of the duties that I will assume,
- h)** I haven't served as a member of the Company's Board of Directors for more than six years during the last ten years,
- i)** I haven't served as an independent member of the Board of Directors in more than three companies whose management is controlled by the same person, Company or shareholders holding the management control of the Company, and in more than a total of five companies traded on the exchange,

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 : BAŞAR AY  
Date : 04.03.2019  
Signature :



## 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: II, No: 17.1) 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:

- a)** There is no employment relationship between myself, my spouse, relatives by blood or by marriage up to the second degree and Aksa Akrilik Kimya Sanayii A.Ş., any partnerships of which the Company holds or significantly affects management control, or shareholders who hold or significantly affect the management of the Company, or any legal entities of which these shareholders hold the management control, at a managerial position to undertake major duties and responsibilities in the last five years, and that I do not have, together or alone, more than 5% of the Company's capital or voting rights or privileged shares, and I do not have a business relationship of significant nature,
- b)** I have not served as a partner (5% and above), at a managerial position to undertake major duties and responsibilities and/or as a board member in any companies, particularly those conducting the auditing (including tax audit, legal audit and internal audit), grading and counseling of the Company, to which the company has sold or purchased a significant amount of products or services in the framework of the agreements, during the periods of selling or purchasing products or services, in the last five years,
- c)** I have the requisite professional training, knowledge and experience in order to fulfill the tasks that I will assume in the Company as an independent member of the Board of Directors,
- d)** I will not work in public institutions and organizations, other than academic positions at universities, provided that it is appropriate to their relevant legislations, on a full-time basis, after being elected as a member,
- e)** I am considered as a resident in Turkey according to the Income Tax Act (I.T.A.) dated December 31, 1960 and numbered 193,
- f)** I possess the requisite strong ethical standards, professional reputation and experience to contribute positively to the Company's activities, to maintain my objectivity in conflicts of interest between the company and the shareholders, and to decide freely in consideration of stakeholders' rights,
- g)** I will spare enough time for the Company's affairs in order to follow-up the functioning of the Company's activities, and to fully meet the requirements of the duties that I will assume,
- h)** I haven't served as a member of the Company's Board of Directors for more than six years during the last ten years,
- i)** I haven't served as an independent member of the Board of Directors in more than three companies whose management is controlled by the same person, Company or shareholders holding the management control of the Company, and in more than a total of five companies traded on the exchange,

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 : MEHMET ABDULLAH MERİH ERGİN  
Date : 04.03.2019  
Signature :



## 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: II, No: 17.1) 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:

- a) There is no employment relationship between myself, my spouse, relatives by blood or by marriage up to the second degree and Aksa Akrilik Kimya Sanayii A.Ş., any partnerships of which the Company holds or significantly affects management control, or shareholders who hold or significantly affect the management of the Company, or any legal entities of which these shareholders hold the management control, at a managerial position to undertake major duties and responsibilities in the last five years, and that I do not have, together or alone, more than 5% of the Company's capital or voting rights or privileged shares, and I do not have a business relationship of significant nature,
- b) I have not served as a partner (5% and above), at a managerial position to undertake major duties and responsibilities and/or as a board member in any companies, particularly those conducting the auditing (including tax audit, legal audit and internal audit), grading and counseling of the Company, to which the company has sold or purchased a significant amount of products or services in the framework of the agreements, during the periods of selling or purchasing products or services, in the last five years,
- c) I have the requisite professional training, knowledge and experience in order to fulfill the tasks that I will assume in the Company as an independent member of the Board of Directors,
- d) I will not work in public institutions and organizations, other than academic positions at universities, provided that it is appropriate to their relevant legislations, on a full-time basis, after being elected as a member,
- e) I am considered as a resident in Turkey according to the Income Tax Act (I.T.A.) dated December 31, 1960 and numbered 193,
- f) I possess the requisite strong ethical standards, professional reputation and experience to contribute positively to the Company's activities, to maintain my objectivity in conflicts of interest between the company and the shareholders, and to decide freely in consideration of stakeholders' rights,
- g) I will spare enough time for the Company's affairs in order to follow-up the functioning of the Company's activities, and to fully meet the requirements of the duties that I will assume,
- h) I haven't served as a member of the Company's Board of Directors for more than six years during the last ten years,
- i) I haven't served as an independent member of the Board of Directors in more than three companies whose management is controlled by the same person, Company or shareholders holding the management control of the Company, and in more than a total of five companies traded on the exchange,

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 : İLKNUR GÜR URALCAN  
Date : 01.03.2019  
Signature :



## Corporate Governance Principles Compliance Report

### STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In this era of global competition and change, the goal of Akso Akrilik Kimya Sanayii A.Ş. (“Akso”, 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, Akso considers the creation of sustainable value for its stakeholders to be among its primary objectives. Akso 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, Akso 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.

The Company abides by all obligatory corporate governance principles stipulated under the Capital Markets Board’s Corporate Governance Communiqué numbered (II-17.1). Pursuant to Article 6 of the Capital Markets Board’s Corporate Governance Communiqué numbered (II-17.1), the principle that is not available.

The reason for not applying the non-obligatory principles that are stipulated under Corporate Governance Communiqué numbered (II-17.1) of the Capital Markets Board are provided below:

Since there are only independent Board members and licensed personnel in the committees in accordance with the “Corporate Governance Communiqué”, no 4.5.5, 3 independent Board members are appointed in 3 committees, each at a maximum of 2 committees. Other Board members do not take part in the committees.

In accordance with the ‘Corporate Governance Communiqué’, no 4.6.5, the remunerations and all other benefits provided to the members of the Board of Directors and senior executives are disclosed to the public through the Annual Report. Our disclosure is not on an individual basis and includes the Board of Directors and senior executives. The remuneration policy has been issued in writing and is added as an agenda item to the General Assembly meeting. In the current situation, personal salary information will not be disclosed.

There is no conflict of interest arising from the foregoing non-obligatory principles governed under the Capital Markets Board’s Corporate Governance Communiqué numbered (II-17.1). In the future period, the necessary works will be conducted in consideration of the developments and practices in the regulation towards alignment with Corporate Governance Principles.

The following Corporate Governance Compliance Report (URF) and the Corporate Governance Information Form (PIF) can be accessed via the Corporate Governance and Corporate Governance Compliance Report sections of the Public Disclosure Platform (<https://www.kap.org.tr/en/sirket-bilgileri/ozet/840-aksa-akrilik-kimya-sanayii-a-s>)

### Corporate Governance Compliance Report

	Company Compliance Status			Explanation
	Yes	Partial	No	
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>				
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X			
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>				
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X			
<b>1.3. GENERAL ASSEMBLY</b>				
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X			
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company’s activities in order for these transactions to be presented at the General Shareholders’ Meeting.				X
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders’ Meeting.	X			
1.3.10 - The agenda of the General Shareholders’ Meeting included a The agenda of the General Shareholders’ Meeting included a donations and contributions.	X			
1.3.11 - The General Shareholders’ Meeting was held open to the public, including the stakeholders, without having the right to speak.	X			
<b>1.4. VOTING RIGHTS</b>				
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X			

## Corporate Governance Compliance Report

	Company Compliance Status			Explanation	
	Yes	Partial	No		Exempted
<b>1.4.2</b> - The company does not have shares that carry privileged voting rights	X				
<b>1.4.3</b> - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.				X	
<b>1.5. MINORITY RIGHTS</b>					
<b>1.5.1</b> - The company pays maximum diligence to the exercise of minority rights.	X				
<b>1.5.2</b> - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.	X				
<b>1.6. DIVIDEND RIGHT</b>					
<b>1.6.1</b> - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X				
<b>1.6.2</b> - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X				
<b>1.6.3</b> - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.				X	
<b>1.6.4</b> - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X				
<b>1.7. TRANSFER OF SHARES</b>					
<b>1.7.1</b> - There are no restrictions preventing shares from being transferred.	X				

## Corporate Governance Compliance Report

	Company Compliance Status			Explanation	
	Yes	Partial	No		Exempted
<b>2.1. CORPORATE WEBSITE</b>					
<b>2.1.1</b> - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X				
<b>2.1.2</b> - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X				
<b>2.1.4</b> - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X				
<b>2.2. ANNUAL REPORT</b>					
<b>2.2.1</b> - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X				
<b>2.2.2</b> - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X				
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>					
<b>3.1.1</b> - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X				
<b>3.1.3</b> - Policies or procedures addressing stakeholders' rights are published on the company's website.	X				
<b>3.1.4</b> - A whistleblowing programme is in place for reporting legal and ethical issues.	X				
<b>3.1.5</b> - The company addresses conflicts of interest among stakeholders in a balanced manner.	X				

## Corporate Governance Compliance Report

	Company Compliance Status				Explanation
	Yes	Partial	No	Exempted / Not Applicable	
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>					
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X				
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X				
<b>3.3. HUMAN RESOURCES POLICY</b>					
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X				
3.3.2 - Recruitment criteria are documented.	X				
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X				
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X				Employees, or their representatives as Representative Board were notified of decisions impacting them. All employees are members of Representative Board and there is no any syndicate
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X				
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X				
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X				

## Corporate Governance Compliance Report

	Company Compliance Status				Explanation
	Yes	Partial	No	Exempted / Not Applicable	
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X				
3.3.9 - A safe working environment for employees is maintained.	X				
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>					
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X				
3.4.2 - Customers are notified of any delays in handling their requests.	X				
3.4.3 - The company complied with the quality standards with respect to its products and services.	X				
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X				
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>					
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X				
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X				
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>					
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X				
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X				

## Corporate Governance Compliance Report

	Company Compliance Status			Explanation	
	Yes	Partial	No		Exempted
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>					
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X				
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X				
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X				
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X				
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X				
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X				
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X				
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>					
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	X				

## Corporate Governance Compliance Report

	Company Compliance Status			Explanation	
	Yes	Partial	No		Exempted
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X				
<b>4.4. BOARD MEETING PROCEDURES</b>					
4.4.1 - Each board member attended the majority of the board meetings in person.	X				
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X				
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.				X	
4.4.4 - Each member of the board has one vote.	X				
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X				
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X				
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.	X				
<b>4.5. BOARD COMMITTEES</b>					
4.5.5 - Board members serve in only one of the Board's committees.	X				There are only independent members of the Board of Directors and licensed personnel in the committees. Three (3) independent Board Members are appointed in three (3) committees, each with a maximum of two (2) membership. The other board members are not included in the committees.

## Corporate Governance Compliance Report

	Company Compliance Status			Explanation
	Yes	Partial	No Exempted Not Applicable	
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X			
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.			X	
4.5.8 -Minutes of all committee meetings are kept and reported to board members.	X			
<b>4.6. FINANCIAL RIGHTS</b>				
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X			
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X			The remunerations and all benefits provided to the members of the Board of Directors and executives with administrative responsibility are disclosed to the public through the annual report. Our disclosure is not on an individual basis and includes the Board of Directors and senior executives.
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.	X			

## Corporate Governance Information Form

### 1. SHAREHOLDERS

<b>1.1. Facilitating the Exercise of Shareholders Rights</b>	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	In the year of 2019, 109 meetings are organised by the company as conference call and meetings in person and a field visit had organised for Analysts
<b>1.2. Right to Obtain and Examine Information</b>	
The number of special audit request(s)	-
The number of special audit requests that were accepted at the General Shareholders' Meeting	-
<b>1.3. General Assembly</b>	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	<a href="https://www.kap.org.tr/en/Bildirim/745681">https://www.kap.org.tr/en/Bildirim/745681</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Company provides materials for the General Shareholders' Meeting in English and Turkish at the same time
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	-
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	-
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	<a href="https://www.kap.org.tr/en/Bildirim/770813">https://www.kap.org.tr/en/Bildirim/770813</a>
The name of the section on the corporate website that demonstrates the donation policy of the company	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Investor Relations/Policies/Policy on Donations and Aids



## Corporate Governance Information Form

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/en/Bildirim/426564">https://www.kap.org.tr/en/Bildirim/426564</a>
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	12
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Stakeholder groups that participated in the General Shareholders' Assembly is as of the link below. Representatives of Independent auditor, Corporate Governance Rating Company, Ministry of Commerce and Board of Directors and those who are not shareholder but requested, participated to General Assembly <a href="https://www.kap.org.tr/tr/Bildirim/751983">https://www.kap.org.tr/tr/Bildirim/751983</a>
<b>1.4. Voting Rights</b>	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	%39,59
<b>1.5. Minority Rights</b>	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	Yes
If yes, specify the relevant provision of the articles of association.	17
<b>1.6. Dividend Right</b>	
The name of the section on the corporate website that describes the dividend distribution policy	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Investor Relations/Policies/Dividend Distribution Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	It was decided to distribute dividend in the General Assembly for the year 2018 dated 2 April 2019
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

## Corporate Governance Information Form

## General Assembly Meetings

General Meeting Date	02.04.2019
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	-
Shareholder participation rate to the General Shareholders' Meeting	73.63%
Percentage of shares directly present at the GSM	2.08%
Percentage of shares represented by proxy	71.55%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Investor Relations/General Assembly/Minutes of Assembly
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Investor Relations/General Assembly/Minutes of Assembly
The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions veya paragraf numarası	10
The number of declarations by insiders received by the board of directors	0
The link to the related PDP general shareholder meeting notification	<a href="https://www.kap.org.tr/en/Bildirim/745681">https://www.kap.org.tr/en/Bildirim/745681</a>

## Corporate Governance Information Form

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Aksa Akrilik Kimya Sanayii A.Ş.

## 2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , the information requested by Principle 2.1.1. are provided as Corporate Governance, Policies, Material Disclosures, Financial Statements and Reports, Corporate sections under Investor Relations.
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Investor Relations/Capital and Shareholding Structure.
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Turkish and English
List of languages for which the website is available	
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	Corporate Governance/CV of the Board of Directors
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Other Information
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Other Information
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Other Information
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Other Information
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Litigations
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Other Information

## Corporate Governance Information Form

f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Other Information
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Sustainability section
<b>3. STAKEHOLDERS</b>	
<b>3.1. Corporation's Policy on Stakeholders</b>	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Investor Relations/Policies/ Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	16
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	It is held by a independent organisation as "Ethical Line"
The contact detail of the company alert mechanism	0 - 800 - 211 - 0107 / 0 - 212 - 213 - 9718 / <a href="mailto:akkok@etikhat.com.tr">akkok@etikhat.com.tr</a>
<b>3.2. Supporting the Participation of the Stakeholders in the Corporation's Management</b>	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Human Resources section
Corporate bodies where employees are actually represented	Representation Board
<b>3.3. Human Resources Policy</b>	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The succession plan for the key management positions is being prepared annually and be presented to Chairman
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Human Resources/The Value Added to the Employees and Investor Relations/Policies/Women's Employment and Women's Board Membership Policy
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme

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## Corporate Governance Information Form

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The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Human Resources/The Value Added to the Employees and Investor Relations
The number of definitive convictions the company is subject to in relation to health and safety measures	-
<b>3.5. Ethical Rules and Social Responsibility</b>	
The name of the section on the corporate website that demonstrates the code of ethics	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Investor Relations/Corporate Governance/Code of Ethics
The name of the section on the corporate website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Sustainability section
Any measures combating any kind of corruption including embezzlement and bribery	The actions against any kind of corruption including embezzlement and bribery is held by Company. The necessary awareness-raising and control activities are coordinated by the Human Resources and ethics representative. Ethical management in this direction is available under the ar human resources section of our corporate website ( <a href="http://www.aksa.com/en">www.aksa.com/en</a> ), we have disciplinary rules governing ethical management and compliance with the Company rules.
<b>4. BOARD OF DIRECTORS-I</b>	
<b>4.2. Activity of the Board of Directors</b>	
Date of the last board evaluation conducted	20.12.2019
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	With respect to the duty distribution among the Board of Directors, Mr. Raif Ali Dinçök was appointed as the Chairman of the Board of Directors and Mr. Mehmet Ali Berkman as the Vice Chairman. There is no any other delegated duties and authorities
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	12

## Corporate Governance Information Form

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Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Internal Control Mechanism
Name of the Chairman	Raif Ali Dinçök
Name of the CEO	Cengiz Taş
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	The CEO and Chairman functions are not combined
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	<a href="https://www.kap.org.tr/en/Bildirim/801613">https://www.kap.org.tr/en/Bildirim/801613</a>
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Investor Relations/Policies/Women's Employment and Women's Board Membership Policy
The number and ratio of female directors within the Board of Directors	Number of 3 and 33% percentage

## Corporate Governance Information Form

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independence Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Raif Ali Dinçkök	Non-executive	Not independent director	03.04.2017		Not considered		
Mehmet Ali Berkman	Non-executive	Not independent director	03.04.2017		Not considered		
Niüf'er Dinçkök Çiftçi	Non-executive	Not independent director	03.04.2017		Not considered		
Ahmet Cemal Dördüncü	Non-executive	Not independent director	03.04.2017		Not considered		
izer Lodrik	Non-executive	Not independent director	03.04.2017		Not considered		
Alize Dinçkök	Non-executive	Not independent director	02.04.2019		Not considered		
Mehmet Abdullah Merih Ergin	Non-executive	Independent director	03.04.2017	<a href="https://www.kap.org.tr/en/Bildirim/745681">https://www.kap.org.tr/en/Bildirim/745681</a>	Considered	No	Yes
Başar Ay	Non-executive	Independent director	03.04.2017	<a href="https://www.kap.org.tr/en/Bildirim/745681">https://www.kap.org.tr/en/Bildirim/745681</a>	Considered	No	Yes
İlknur Gür Uralcan	Non-executive	Independent director	03.04.2017	<a href="https://www.kap.org.tr/en/Bildirim/745681">https://www.kap.org.tr/en/Bildirim/745681</a>	Considered	No	Yes

## Corporate Governance Information Form

## 4. BOARD OF DIRECTORS-II

## 4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	4
Director average attendance rate at board meetings	97%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	At least 3 days
The name of the section on the corporate website that demonstrates information about the board charter	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Investor Relations/Corporate Governance/Board of Directors

Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors

While the maximum limit is not defined, nomination is accepted or not accepted by taking into consideration the duties of the candidates outside the Company in the election of board members. The Nominating Committee makes an evaluation on this issue and submits it to the Chairman of the Board of Directors.

## 4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented

Board of Committees

Link(s) to the PDP announcement(s) with the board committee charters

[www.kap.org.tr/tr/Bildirim/210845](http://www.kap.org.tr/tr/Bildirim/210845),  
[www.kap.org.tr/tr/Bildirim/279952](http://www.kap.org.tr/tr/Bildirim/279952)

## Corporate Governance Information Form

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	-	Ilknur Gür URALCAN	Yes	Yes
Audit Committee	-	Başar AY	No	Yes
Corporate Governance Committee	-	Başar AY	Yes	Yes
Corporate Governance Committee	-	Mehmet Abdullah Merih ERGIN	No	Yes
Corporate Governance Committee	-	Erdoğan KAZAK	No	No
Committee of Early Detection of Risk	-	Mehmet Abdullah Merih ERGIN	Yes	Yes
Committee of Early Detection of Risk	-	Ilknur Gür URALCAN	No	Yes
Committee of Early Detection of Risk	-	Firat DUMAN	No	No

### 4. BOARD OF DIRECTORS-III

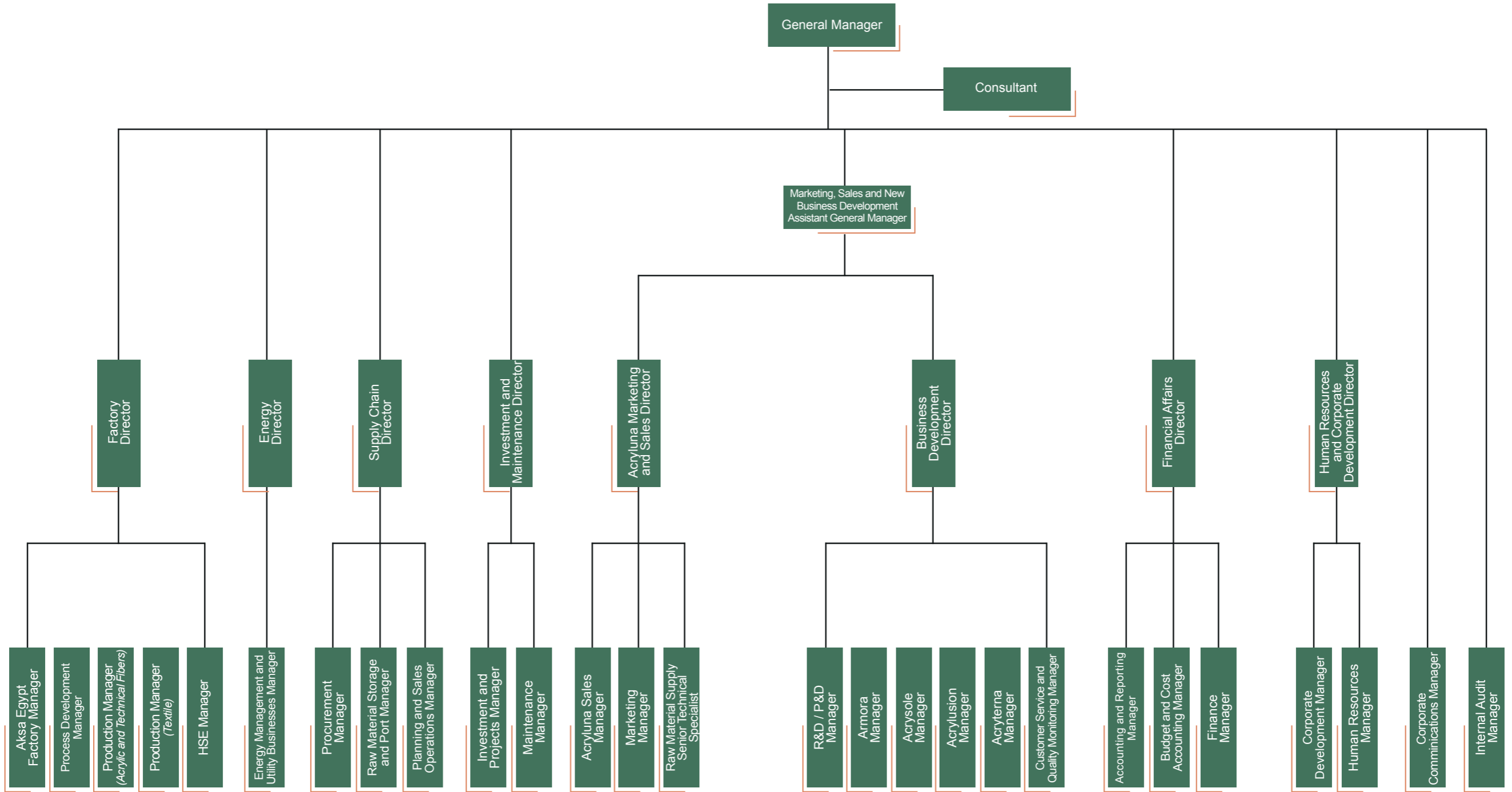
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Audit Committee
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Committee
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Committee
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Early Risk Detection Committee

## Corporate Governance Information Form

Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Committee
<b>4.6. Financial Rights</b>	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Targets and Actuals
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Our corporate website at <a href="http://www.aksa.com/en">www.aksa.com/en</a> , Investor Relations/Policies/Policy On Remunerations
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Consolidated Financial Statements / Note 27

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee	-	100%	100%	7	13
Corporate Governance Committee	-	68%	68%	5	7
Committee of Early Detection of Risk	-	68%	68%	4	6

### Organizational Structure



executive  
management



**Cengiz Taş**  
General Manager



**Sabri Arca**  
Marketing, Sales and New Business  
Development Assistant General  
Manager



**Abdullah Ocak**  
Investment and Maintenance  
Director



**Aydın Fethi Baytan**  
Human Resources and  
Corporate Development Director



**Ceyhan Arık**  
Energy Director



**Didem Tunçbilek**  
Business Development Director



**Erdinç Kazak**  
Financial Affairs Director,  
Corporate Governance  
Committee Member



**Gürcan Koman**  
Factory Director



**Haydar İnan**  
Supply Chain Director



**Serhan Belener**  
Acryluna Marketing and  
Sales Director

## EXECUTIVE MANAGEMENT

### Cengiz Taş

#### General Manager

Born in Bursa in 1966, Cengiz Taş graduated from the Industrial Engineering Department at Boğaziçi University in 1989.

He began his career at Kordsa as an Investment Planning Engineer in 1989. He joined Akkök Holding Companies in 1991 as a Budget Expert at Ak-AI Tekstil Sanayii Anonim Şirketi and acted respectively as Budget Chief, Budget Manager, Production Coordinator, Assistant General Manager in Charge of Planning and as General Manager between 2004 and 2011. He has been the General Manager of Aksa Akrilik Kimya Sanayii A.Ş. since February 1, 2011.

Mr. Cengiz Taş, who is a member of the Akkök Holding Executive Board, also serves on the Boards of the Akkök Group Companies. Mr. Taş has membership in various associations and continues to serve as the Vice President of the Board of Directors of the Turkish Textile Industry Employers' Union. From June 2019 on, he is a Board Member of the Turkish Confederation of Employers' Unions.

Mr. Taş is married with two children and speaks English and French.

### Sabri Arca

#### Marketing, Sales and New Business Development Assistant General Manager

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-AI 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. On January 1, 2018 a new Assistant General Manager for Marketing, Sales and New Business Development was assigned. He is a board member of Dow Aksa

### Abdullah Ocak

#### Investment and Maintenance Director

Born in 1983, Mr. Abdullah Ocak is a graduate of Boğaziçi University, the Faculty of Mechanical Engineering. His career started in Aksa in 2007, and then he worked as Aksa Egypt Factory Specialist Engineer, Budget and Cost Accounting Specialist, Energy Planning and Sales Manager, Energy Planning, Sales and Auxiliary Operations Manager and Investment and Maintenance Director, respectively.

Having a Master's degree in Business Administration (MBA) from AAST Graduate School of Business and Master of Energy Technologies and Management from Sabancı University, Mr. Ocak holds the Advanced Level / Corporate Management / Derivative Tools / Credit Rating Specialist degrees from the Capital Markets Board of Turkey.

### Aydın Fethi Baytan

#### Human Resources and Corporate Development Director

He started his career in 1988 as Software Development Specialist at Bios Computer and continued as Project Manager. Between 1994 and 2000, he served as Information Technology Manager at Continent and subsequently, post-merger, at Carrefour. He joined Ak-AI Tekstil Sanayii A.Ş. in 2000 as Information Technologies Manager. He assumed the position of Assistant General Manager of Purchasing, Logistics and System Development at Ak-AI Tekstil between 2007-2010, and became the General Manager and Board Member in 2011. Between December 2011 and September 2018, he worked at Aksa Akrilik Kimya Sanayi A.Ş. as Human Resources, Management Systems and Purchasing Director. Since then, he has been working as the Human Resources and Corporate Development Director at Aksa Akrilik Kimya Sanayii A.Ş.

He had various Professional Committee memberships in the Istanbul Chamber of Industry and served as the Chairman of the Audit Committee of the Turkish Confederation of Employers' Unions and as the Vice President of the Board of Directors of the YALKIN Yalova Composite Organized Industrial Zone. Currently, he serves on the Board of Akhan Maintenance Management AŞ and on the Supervisory Boards of the Turkish Confederation of Employers' Unions and Turkish Textile Industry Employers' Union.

Mr. Baytan completed the Saint Joseph French High School in 1983 and Boğaziçi University Computer Engineering Department in 1988. He was born in 1965, married with a child. He speaks English and French.

### Ceyhan Arık

#### Energy Director

Born in Afyon in 1978, Ceyhan Arık graduated from the Department of Industrial Engineering at Istanbul University in 2000. He started his career as a Production Planning Specialist at Bossa Tekstil A.Ş. in 2001. Between 2002 and 2007, he worked as Production and Material Planning Engineer at Areva Elektrik End. A.Ş. Starting his duty as Budgeting Specialist in the Investment Department at Aksa Akrilik Kimya Sanayii A.Ş. in 2007, he served respectively as Budget and Financing Specialist, Budget and Cost Accounting Deputy General Manager, and Budget and Cost Accounting General Manager. He was appointed Investment and Engineering Manager in November 2015. As of September 2016, Arık has acted as a deputy Investment Director. As of January 1, 2018, a new Energy Director was assigned.

### Didem Tunçbilek

#### Business Development Director

He worked at Aksa in the following positions, respectively: Technology Engineer, Marketing Expert Engineer, Product Development Manager, Marketing and Sales Market Research Expert Engineer, Outdoor and Special Fibers Marketing and Sales Manager, Technical Fibers Marketing and Sales Manager. Born in 1975, Mr. Tunçbilek graduated from the Middle East Technical University, Department of Chemical Engineering.

### Erdoğan Kazak

#### Financial Affairs Director, Corporate Governance Committee Member

Born in 1983, He graduated from Marmara University, the Department of Business Administration in 2005, Erdoğan Kazak began his career as an independent auditor at PricewaterhouseCoopers and then continued his progress as Senior Financial Control Expert at Turkcell İletişim Hizmetleri A.Ş. In 2011, he started working as a Reporting Expert at Aksa Akrilik Kimya Sanayii A.Ş., and subsequently served as Investor Relations and Reporting Manager, Accounting and Reporting Manager, Budget and Cost Accounting Manager and Financial Affairs Director in Proxy. As of January 1, 2018, he was designated Financial Affairs Director. He holds the titles of Independent Accountant and Financial Advisor (SMMM), Independent Auditor of the Public Oversight Authority (KGK) and the degrees of Advanced Level / Corporate Governance Specialist by the CMB. He has been serving as Financial Affairs Director since January 1, 2018.

### Gürcan Koman

#### Factory Director

Born in Bursa in 1982, Gürcan Koman graduated from the Department of Chemical Engineering at Middle East Technical University in 2005. He started his career at Aksa Akrilik Sanayi in 2006. Within Aksa, he undertook the duties of Investment Engineer, Process Engineer and R&D Engineer; Fabric Pullout and Dope Areas Manager; Process and Product Development Manager. He has been working as Factory Director since February 2019.

### Haydar İnan

#### Supply Chain Director

Born in Malatya in 1979, Haydar İnan graduated from the Department of Industrial Engineering at Istanbul University in 2001, and completed his Masters in Polymer Engineering at Yalova University in 2015. He started his career as a Human Resources Specialist for the Aksa Akrilik Kimya Sanayi's facilities in Yalova in 2002, and in 2005, he worked as a Specialist in the department of Investment Planning, and Industrial Engineer at the Ak-AI Tekstil's facilities in Yalova. Serving as a Production Planning Specialist at Ak-AI Tekstil facilities between 2006 and 2008, Mr İnan undertook his additional duty at Budget Planning in 2008, while he served as Budget and Strategic Planning Manager at Ak-AI's Central office in Istanbul between 2009 and 2011. He acted as Finance Manager in 2011, reporting to Akkök Holding's Chief Financial Officer. Mr İnan started to serve as Planning and Product Warehouse Manager at Aksa Akrilik Kimya Sanayi in 2012, he was appointed as Textile Director in February 2015 and Supply Chain Director in February 2019.

### Serhan Belener

#### Acryluna Marketing and Sales Director

Born in 1977, Mr. Serhan Belener is a graduate of the International Trade Department of Boğaziçi University. He started his career in 2000 as Export Marketing Representative at Akpa Textile Export Marketing. Between 2004 and 2011, he worked as Sales and Marketing Manager at Ak-AI Tekstil Industry. Since 2011, he has worked as Export Marketing Manager, Sales Marketing Manager (Acrylic Fibers) at Aksa Akrilik. He is currently Sales Marketing Director (Acrylic Fibers) at Aksa Akrilik.



**After 2019...<sup>(\*)</sup>**

- 1) All of the shares that were repurchased by the Company were sold on the stock exchange on 23 January 2020 at a unit price of TL13.87, and a total value of TL50,973,000. A profit of TL 12,947,000 was obtained from this transaction excluding dividends. The said profit will be accounted under equity.
- 2) As of February 14, 2020, the company completed its bonus issue and its paid-up capital reached TL 323,750,000 as of the date of the report.
- 3) Mr. Mehmet Abdullah Merih ERGİN who was serving as Independent Member of the Board of Directors of our Company passed away on 8 February 2020.
- 4) The amendment of Article 6 titled “Capital” of the Articles of Association was registered on 13 February 2020.
- 5) Our Joint Venture Partnership DowAksa Advanced Composites Holdings BV, “DowAksa”, sold the shares that it owned in the German prepreg manufacturer “c-m-p GmbH” (50% of the company), to Mitsubishi Chemical Advanced Materials for € 18.9 million.

<sup>(\*)</sup> Major events for the year 2020 as of the date of the report

**Amendment to the Articles of Association**

PREVIOUS VERSION	NEW VERSION
<p><b>CAPITAL:</b>  <b>ARTICLE 6-</b> The Company has adopted the registered capital system in accordance with the provisions of the Capital Markets Law, and switched to this system with the permission of the Capital Markets Board dated 20.02.1992 and numbered 90.</p> <p>The registered capital ceiling of the Company stands at 425,000,000- (four hundred and twenty five million) Turkish Liras, divided into 42,500,000,000 shares, each with a nominal value of 1-Kr (One Kuruş).</p> <p>The capital of the Company can be raised or reduced when necessary within the framework of the provisions of the Turkish Commercial Code and the Capital Markets legislation.</p> <p>The registered capital ceiling permit issued by the Capital Markets Board is valid for the years 2016-2020 (5 years). Even if the permitted registered capital ceiling could not be reached at the end of 2020, in order for the Board of Directors to make a decision to raise the capital after 2020; It is obligatory to obtain authorization from the General Assembly for a new period by obtaining permission from the Capital Markets Board for the previously allowed ceiling or a new ceiling amount. In the event the said authorization is not obtained, no capital increase can be made with the decision of the Board of Directors.</p> <p>The issued capital of the Company stands at 185,000,000- (One hundred and eighty five million) Turkish Liras.</p> <p>Shares representing the capital are monitored on a registered basis.</p> <p>Between 2016 and 2020, the Board of Directors is entitled to raise the issued capital up to the registered capital ceiling, by issuing shares above or below its nominal value, by limiting the shareholders' rights to buy new shares, and by issuing premium shares, when necessary and in accordance with the provisions of the Capital Markets Law. The power to restrict the right to buy new shares cannot be used in a way that causes inequality among shareholders.</p> <p>All Company shares are registered. The Company cannot issue bearer share certificates.</p> <p>The Company may acquire its own shares and accept them as pledges, subject to the restrictions specified in the Turkish Commercial Code and the Capital Markets Law, provided that the approval of the Energy Market Regulatory Board has been obtained.</p>	<p><b>CAPITAL:</b>  <b>ARTICLE 6-</b> The Company has adopted the registered capital system in accordance with the provisions of the Capital Markets Law, and switched to this system with the permission of the Capital Markets Board dated 20.02.1992 and numbered 90.</p> <p>The registered capital ceiling of the Company stands at 425,000,000- (four hundred and twenty five million) Turkish Liras, divided into 42,500,000,000 shares, each with a nominal value of 1-Kr (One Kuruş).</p> <p>The capital of the Company can be raised or reduced when necessary within the framework of the provisions of the Turkish Commercial Code and the Capital Markets legislation.</p> <p>The registered capital ceiling permit issued by the Capital Markets Board is valid for the years 2016-2020 (5 years). Even if the permitted registered capital ceiling could not be reached at the end of 2020, in order for the Board of Directors to make a decision to raise the capital after 2020; It is obligatory to obtain authorization from the General Assembly for a new period by obtaining permission from the Capital Markets Board for the previously allowed ceiling or a new ceiling amount. In the event the said authorization is not obtained, no capital increase can be made with the decision of the Board of Directors.</p> <p>The issued capital of the Company is wholly paid and stands at 323,750,000- (Three Hundred and Twenty Three Million Seven Hundred Fifty Thousand) Turkish Liras.</p> <p>Shares representing the capital are monitored on a registered basis.</p> <p>Between 2016 and 2020, the Board of Directors is entitled to raise the issued capital up to the registered capital ceiling, by issuing shares above or below its nominal value, by limiting the shareholders' rights to buy new shares, and by issuing premium shares, when necessary and in accordance with the provisions of the Capital Markets Law. The power to restrict the right to buy new shares cannot be used in a way that causes inequality among shareholders.</p> <p>All Company shares are registered. The Company cannot issue bearer share certificates.</p> <p>The Company may acquire its own shares and accept them as pledges, subject to the restrictions specified in the Turkish Commercial Code and the Capital Markets Law, provided that the approval of the Energy Market Regulatory Board has been obtained.</p>

## Other Informations

The Company's other statements within the scope of the Capital Markets Board and the Turkish Commercial Code regulations are as follows:

- ▶ The Company has acquired its own shares during 2019 and it corresponds to 1.99% of the capital as of 31 December 2019. The Company repurchased TL 6,563,000 (796,525 shares) worth of shares in 2019.
- ▶ In 2019, there were no private or public audits in our Company.
- ▶ There are no administrative or judicial sanctions imposed on the Company or the Board of Directors for any reason.
- ▶ There were no legislative changes in 2019 which significantly changed the Company's activities.
- ▶ There were no conflicts of interest between the Company and the institutions that provide services in areas such as investment consultancy and rating in 2019.
- ▶ The Company has no unredeemed capital and the Company is not in a debt-choked status.
- ▶ None of the Company's partnerships has a cross shareholding relationship.
- ▶ Information regarding the benefits provided in accordance with the legislation to the related party transactions and balances, as well as the Board of Directors and the senior executives, is provided in footnote No. 27, titled Related Party Disclosures, in the Financial Statements section.
- ▶ Information regarding the Company's financial resources is provided in footnote No. 7, titled "Financial Borrowings", in the Financial Statements section. There are no capital market instruments issued during the year or still active.
- ▶ The decisions taken in the General Assembly were implemented.
- ▶ There was no extraordinary meeting held within the year.
- ▶ 4 Board meetings were held during the activity period and the attendance rate of the members of the Board of Directors was 97%.

## Litigations

There are various lawsuits filed in 2019 in favor of or against the Company, such as debt claims, business or administrative proceedings, and various lawsuits filed by the Company's shareholders. These lawsuits do not have a material impact on the Company's financial status and activities.

## Dividend Distribution Policy

In accordance with the provisions of the Turkish Commercial Code, the Capital Markets Board (CMB) Corporate Governance Communiqué, the Dividend Communiqué no II-19.1 and other CMB Legislation, Tax Legislation and other relevant legislation and also within the context of Article 25 of the Articles of Association, the Dividend Distribution Policy of our Company was determined as follows in a resolution taken in 2014.

**1)** In order to ensure that our partners achieve dividends regularly, in addition to return on shares, concerning the profits related to 2014 and the following years, at least 20% of the distributable profit is distributed annually within the framework of Article 25 of the Company's Articles of Association, provided that it doesn't conflict with existing regulations of the Capital Markets Board, and there aren't any negative economic conditions, and taking into consideration the Company's anticipated investment expenditures and other funds needed.

Within the framework of the provision of sub-paragraph (c) of Article 25 of the Articles of Association and the Company's "Remuneration Policy for the Members of the Board of Directors and Senior Executives", it will be possible to pay dividends to the Members of the Board of Directors depending on the General Assembly decision.

The entire amount of the dividend planned to be distributed, may be distributed only if it can be met from net distributable profits and other resources existing in statutory records.

**2)** There are no privileged shares in the Company. The dividends to be distributed to the shareholders are distributed equally to all of the existing shares in proportion to their share, as of the distribution date, regardless of their dates of issue and acquisition.

**3)** Dividend can be distributed in cash or by bonus shares or partially in cash and partially by bonus shares.

**4)** The dividend distribution date is determined by the General Assembly in accordance with the proposal of the Board of Directors provided that it is not contrary to the Capital Markets Board legislation, and starting no later than the end of the fiscal year of the General Assembly in which the distribution decision was taken.

**5)** Distributable dividend can be paid in equal or varying installments. The number of installments shall be determined by the General Assembly or by the Board of Directors, provided that it is expressly authorized by the General Assembly. In the event that the installment payment dates are determined by the Board of Directors, the payment dates shall be disclosed to the public, in the framework of the Capital Markets Board's regulations on material disclosures, within fifteen days following the date of the General Assembly.

**6)** Dividend advance payments may be distributed to the shareholders provided that such payments are in compliance with the relevant Capital Markets Board Legislation.

**7)** This "Dividend Distribution Policy" may be revised annually, taking into account the Company's financial performance, anticipated investment projects, and sectoral and economic conditions.

## Risk Management

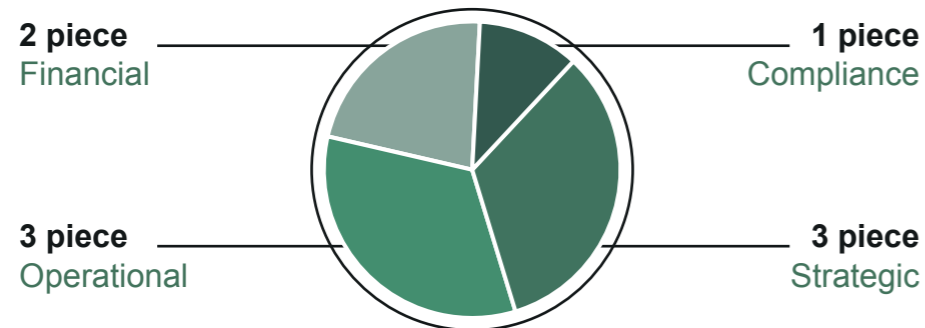
The Board of Directors of Aksa carries out its activities in a transparent, accountable, fair and responsible manner. The Board of Directors establishes internal control systems, including risk management and information systems and processes that aim at minimizing the effects of risks that would affect the stakeholders of the Company, particularly the shareholders, by obtaining the suggestions of the related committees of the Board of Directors.

A Risk Management Committee was established pursuant to article 378 of the Turkish Commercial Code No. 6102, to ensure the effective functioning of the committees within the Board of Directors.

The Committee reports every two (2) months and offers advice and recommendations to the Board of Directors upon early detection of any kind of strategic, financial, operational, etc. risks that may affect the Company, assessment of these risks, evaluation of their impact and probability, management and reporting of these risks in accordance with the Company's corporate risk-taking profile, implementation of the necessary measures in relation to the risks identified, consideration of these risks in decision-making mechanisms, and establishment and integration of effective internal control systems in this regard.

The Company's risk inventory is one of the most important follow-up tools used in Aksa's risk management activities. The risk inventory, created by considering sales, productivity, income generation capacity, profitability, indebtedness, and all future expectations depending on the corporate risk management policies of the Company, includes the company's operational, financial, reputational and strategic risks. Risks with high or very high level risk scores are monitored at the level of the Board of Directors. Detailed action plans are created for such risks, and a risk owner is assigned for each of these risks. The risk owner is responsible for managing the related risk within the framework of the agreed action plan. Thus, the risk management philosophy has become a permanent item on the agenda of routine business of Aksa executives. Updated in line with sectoral and institutional developments, this philosophy has become an integral part of the Company's applications.

The nine (9) main risks with the highest scores in the Company's Risk Inventory were identified as critical in 2019. The summary of critical risks is as below and the Board of Directors is overseeing and taking action regarding these risks.



Specific processes have been developed according to the type of risks that may affect the Company's financial performance, regardless of whether they are critical or not. These risks are categorized mainly as Credit risk, Exchange Rate risk, Liquidity risk and Interest Rate risk, and they are included in footnote No. 28, titled "Nature of Level of Risks Derived from Financial Instruments", in the Financial Statements section.

## Internal Control Mechanism

The existing internal control system is audited by the Internal Audit Department within the framework of the annual internal audit plan and the results of the audit are reported to the Audit Committee and to the Board of Directors by the Audit Committee. The aim of this audit is the improvement of efficiency and productivity in the operations of the Company, ensuring reliability in financial reporting and compliance with the relevant laws and regulations. The efficiency of internal audit operations has been reviewed by the Audit Committee at 7 (seven) meetings held throughout the year. Opinions of the internal auditor, external auditor, or other Company executives have also been obtained when required at these meetings.

The Internal Audit team contacts independent auditors when necessary within the scope of their activities.

By reviewing the structure and activities of the existing committees within the framework of the provisions of the Corporate Governance Communiqué of the Capital Markets Board, the Board of Directors has formed the Audit Committee, the Committee for Early Detection of Risk and the Corporate Governance Committee. The duties and responsibilities of the Nomination Committee and the Remuneration Committee are fulfilled by the Corporate Governance Committee.

## Assessment of the Board of Directors Regarding Committees

The Committees come together to discuss the agenda items pertaining to themselves among the agenda of the Board of Directors and submit their opinions to the Board of Directors. Unless there is a specific reason to preclude their gathering, it is essential for them to come together to discuss the issue before the meeting.

## Audit Committee

The Audit Committee is composed of independent members and is responsible for taking the necessary measures for the effective and transparent performance of all kinds of internal and external audit processes of the Company. The Committee also monitors the effective implementation of the internal control system managed within the Holding. In 2019, the Committee reported 13 (thirteen) times to the Board of Directors within the scope of all these responsibilities. The Audit Committee held one (1) meetings in total, seven (7) of which were with the Independent Audit Company. At these meetings with the Independent Audit Company, information was received regarding audit work in process for the Company, and regarding the pre-examination before the year-end audit, and development areas were observed. The audit methodology, test methods applied and the audit findings after the year-end audit were assessed together with the Independent Audit Company.

At other meetings, the audit committee assessed the financial data published within the year, evaluated the effectiveness of internal audit systems and activities and the independent auditor selection process, and gave recommendations to the Board of Directors.

## Corporate Governance Committee

The Corporate Governance Committee observed whether or not the corporate governance principles are applied in the Company. If not, the committee identified the reasons and the conflicts of interests arising due to not fully complying with these principles. The committee offered recommendations on optimizing corporate governance practices, and monitored the works of the Investor Relations unit. The duties of the Nomination Committee and Remuneration Committee are also carried out by the Corporate Governance Committee. Within the scope of these responsibilities, the Corporate Governance Committee managed to;

- ▶ Undertake efforts to create a transparent system to identify, evaluate and train qualified candidates for the Board of Directors and executive management positions, and formulate the relevant policies and strategies,
- ▶ Make regular evaluations on the structure and efficiency of the Board of Directors, and to advise the Board on changes that can be made on these issues,
- ▶ Express their views in the determination of the recommendations regarding the principles of remuneration of the Board members and senior executives by taking into account the long-term goals of the Company,
- ▶ Make determinations regarding the criteria that can be used in the remuneration, depending on the performance of the Company and the member.

## Early Detection of Risk Committee

The Early Detection of Risk Committee is responsible for early detection of risks that jeopardize the existence, development and continuity of the Company, applying the necessary measures and remedies in this regard, managing the related risks, and undertaking efforts to fulfill requirements. The Committee reviews the risk management systems at least once a year. The Committee reported to the Board of Directors six (6) times in line with the regulations, and met four (4) times within 2019.

## Committees of the Board of Directors

### Audit Committee:

Name Surname	Title	Commencement of Duty
İlknur Gür URALCAN	Chairman of the Committee (Independent Member)	17.04.2019
Başar AY	Committee Member (Independent Member)	17.04.2019

### Corporate Governance Committee:

Name Surname	Title	Commencement of Duty
Başar AY	Chairman of the Committee (Independent Member)	17.04.2019
Mehmet Abdullah Merih ERGİN	Committee Member (Independent Member)	17.04.2019
Erdoğan KAZAK	Committee Member (Licensed Personnel)	17.04.2019

### Early Detection of Risk Committee:

Name Surname	Title	Commencement of Duty
Mehmet Abdullah Merih ERGİN	Chairman of the Committee (Independent Member)	17.04.2019
İlknur Gür URALCAN	Committee Member (Independent Member)	17.04.2019
Fırat DUMAN	Committee Member	17.04.2019

## Duties and Working Principles of the Audit Committee

### 1. Authorization

- ▶ The Committee is formed and authorized by the Board of Directors.
- ▶ The resolutions of the Committee are in an advisory capacity to the Board of Directors and the decisions taken by the Board of Directors is ultimate in the related matters.
- ▶ All resources and support necessary for the Committee to perform its duties are provided by the Board of Directors.

### 2. Membership

- ▶ The Committee consists of at least two members.
- ▶ All members of the Committee are elected from among independent Board members.
- ▶ The Chairman and the Members of the Committee are determined by the Board of Directors and disclosed to the public.

### 3. Meeting and Reporting

- ▶ The Committee meets at least 4 times a year and at least once every three months.
- ▶ The quorum for meetings and resolutions is the absolute majority of the total number of Committee members.
- ▶ The decisions taken in the Committee meetings are written down, signed by the members of the Committee and kept regularly.
- ▶ Meetings may be held at the company headquarters or at any other location where Committee members can easily access.
- ▶ Meetings may also be held by using technological means if members cannot come together.
- ▶ The Committee submits reports containing the results of meetings and activities to the Board of Directors.

#### 4. Duties and Responsibilities

##### Independent External Audit

- ▶ The Committee takes the necessary measures to ensure that the independent external audit is conducted effectively, adequately and transparently. In this context, the Committee oversees the selection of an independent audit firm, the preparation of independent audit contracts to initiate the independent audit process and the work of the independent audit firm at all stages.
- ▶ The independent audit firm and the services to be received by the Company are determined by the Audit Committee and submitted to the Board of Directors for approval.
- ▶ The Committee reviews the audit scope and audit approach proposed by independent external auditors, informs and advises the Board of Directors about the issues that restrict or limit its operations. The Committee ensures that any significant problems identified during or after the audits carried out by the independent external auditors and their suggestions regarding the elimination of these problems are reached and discussed in a timely manner.
- ▶ The Independent audit firm submits in writing to the Committee, pertinent aspects of the Company's accounting policy and practices, alternative options within the framework of implementation and public disclosure of accounting principles with the Turkish accounting standards, their possible consequences and their implementation recommendations and also important correspondence with the Company management.

##### Accounting System and Financial Reporting

- ▶ The Committee oversees the functioning and effectiveness of the accounting system.
- ▶ The Committee takes into account the views of the Company's responsible managers and independent auditors regarding the accuracy, conformity to the accounting principles followed by the Company, of the annual and interim financial statements to be disclosed to the public. The Committee notifies the Board of Directors in writing, together with its assessments.

##### Internal Control

- ▶ The Committee monitors the operation and effectiveness of the Company's internal control system. For this purpose, the Company reviews the work, organizational structure, duties and working principles of the internal audit unit and makes recommendations to the Board of Directors.
- ▶ Informs the Board of Directors about the issues that limit the work of the internal auditors and the efficiency of their activities and advises the Board on these issues.
- ▶ The Committee reviews and evaluates the internal audit report issued by the Company's internal audit unit.
- ▶ The Committee airs its opinions to the Board of Directors on the important issues in the internal audit report and on the warnings and recommendations regarding these issues.

##### Other Responsibilities

- ▶ The Committee reviews complaints from shareholders and stakeholders regarding the Company's accounting and internal control system and independent audit. It determines the methods and criteria to be followed so that such complaints and notifications reach the Committee within the framework of the confidentiality principle.
- ▶ The Committee also carries out other surveillance and monitoring activities requested by the Board of Directors.

- ▶ Performs other duties assigned/to be assigned to the committee by the CMB regulations and the Turkish Commercial Code.
- ▶ In fulfilling its duties, the Committee;

- May invite the manager it deems necessary to its meetings to obtain his/her opinions.
- Uses independent experts' opinions on the subjects it needs for its activities. The cost of the consultancy services required by the Committee is paid by the Company.
- In order to ensure the effectiveness of its work, it may form sub-working groups consisting of people with sufficient experience and knowledge in internal audit, financial reporting and independent audit, to be elected from amongst its members and/or from the outside.

#### Corporate Governance Committee - Tasks and Working Principles

##### 1. Authorization

- ▶ The Committee is formed and authorized by the Board of Directors. The duties of the Nomination and Remuneration Committee will be fulfilled by the Corporate Governance Committee within the framework of the following principles:
- ▶ The resolutions of the Committee are advisory to the Board of Directors and the Board of Directors is the final decision maker in related matters.
- ▶ All resources and support necessary for the Committee to fulfill its duties are provided by the Board of Directors.

##### 2. Structure of the Committee

- ▶ The Committee consists of at least two members.
- ▶ The Chairman of the Committee is elected from among the independent Board members.
- ▶ In the event that the Committee consists of two members, both of them shall be appointed from among the non-executive members of the Board of Directors. If there are more than two members, then the majority of them shall be appointed from among the non-executive members of the Board of Directors
- ▶ The CEO / General Manager cannot take part in the committees.
- ▶ The Chairman and the members of the Committee shall be determined by the Board of Directors and disclosed to the public.
- ▶ Licensed staff

##### 3. Meeting and Reporting

- ▶ Committees meet at least once a year, as often as necessary for the effectiveness of their work.
- ▶ The quorum for meetings and resolutions is the absolute majority of the total number of Committee members.
- ▶ The resolutions taken at the Committee meetings are written down, signed by the Committee members and kept regularly.
- ▶ Meetings may be held at the Company headquarters or at any other venue easily accessible by the Committee members.
- ▶ Meetings may also be held by using other technological means if members cannot come together.
- ▶ The Committee submits reports containing the results of the meetings and activities to the Board of Directors.

## 4. Duties and Responsibilities

### 4.1. Corporate Governance

- ▶ The Committee ensures the establishment and adoption of Corporate Governance Principles within the Company.
- ▶ The Committee determines whether the Corporate Governance Principles are applied or not, if not implemented, determines the rationale and conflicts of interest arising due to noncompliance with these principles and makes recommendations to the Board of Directors for improvement.
- ▶ The Committee oversees the work of the Investor Relations Unit. It advises the Board of Directors to maintain effective communication with the shareholders and to resolve any disputes that may arise.
- ▶ The Committee submits the transactions that are alleged to be illegal or unethical to the Company by the stakeholders to the Audit Committee and ensures the necessary coordination.
- ▶ The Committee carries out other activities that may be evaluated within the scope of Corporate Governance as requested by the Board of Directors.

### 4.2. Nomination

- ▶ The Committee establishes a transparent system for identifying, evaluating and training candidates for the Board of Directors and determining policies and strategies in this regard.
- ▶ The Committee makes regular assessments on the structure and efficiency of the Board of Directors and presents its recommendations to the Board of Directors on the possible amendments to these issues.
- ▶ The Committee determines and supervises the approaches, principles and practices regarding the performance evaluation and career planning of the members of the Board of Directors and senior executives.
- ▶ In the selection of the independent members of the Board of Directors, the Committee evaluates the proposals for candidates for independent membership, including from the management and the shareholders, by taking into consideration the candidate's independence criteria, and submits its assessment in a report to the Board of Directors for approval.
- ▶ In order to ensure the minimum number of independent members of the Board of Directors to be re-established if there is a drop in the membership of the Independent Board of Directors, the Committee shall make an assessment for the election of independent members to the vacant positions to serve until the first Annual General Meeting to be held. It submits the results of its assessment to the Board in writing.

### 4.3. Remuneration

- ▶ The Committee determines the suggestions of the members of the Board of Directors and senior executives regarding the remuneration principles by taking into consideration the long-term objectives of the Company.
- ▶ The Committee determines the criteria that can be used in remuneration in connection with the performance of the Company and the member.
- ▶ It submits its recommendations to the Board of Directors regarding the fees to be paid to the members of the Board of Directors and senior executives, taking into account the degree of fulfillment of the criteria.
- ▶ In fulfilling its duties, the Committee;
  - May invite the manager it deems necessary to its meetings to obtain his/her opinions.
  - Uses the opinions of independent experts on the subjects that are needed for its activities. The cost of the consultancy services required by the Committee shall be borne by the company.
  - In order to ensure the effectiveness of its work, may create sub-working groups composed of people with sufficient experience and knowledge to be chosen from among its members and/or from the outside.

## Duties and Working Principles of the Committee for the Early Detection of Risk

### 1. Authorization

- ▶ The Committee is formed and authorized by the Board of Directors.
- ▶ The resolutions of the Committee are advisory to the Board of Directors and the Board of Directors is the final decision maker in related matters.
- ▶ All resources and support necessary for the Committee to fulfill its duties are provided by the Board of Directors.

### 2. Structure of the Committee

- ▶ The Committee consists of at least two members.
- ▶ The Chairman of the Committee is elected from among the independent Board members.
- ▶ In the event that the Committee consists of two members, both of them shall be appointed from among the non-executive members of the Board of Directors. If there are more than two members, then the majority of them shall be appointed from among the non-executive members of the Board of Directors
- ▶ The CEO / General Manager cannot take part in the committees.
- ▶ The Chairman and the members of the Committee shall be determined by the Board of Directors and disclosed to the public.

### 3. Meeting and Reporting

- ▶ The Committee convenes at least once a year, as often as necessary for the effectiveness of its activities.
- ▶ The quorum for meetings and resolutions is the absolute majority of the total number of Committee members.
- ▶ The resolutions taken at the Committee meetings are written down, signed by the Committee members and kept regularly.
- ▶ Meetings may be held at the Company headquarters or at any other venue easily accessible by the Committee members. Meetings may also be held by using other technological means if members cannot come together.
- ▶ The Committee submits the reports containing the meeting and activity results to the Board of Directors every two months. Such reporting should also be shared with the independent auditor.

### 4. Duties and Responsibilities

- ▶ The Committee conducts studies to ensure the early identification of risks that may endanger the existence, development and continuity of the Company, to implement the necessary measures regarding the identified risks and to manage the risk.
- ▶ The Committee reviews risk management systems at least once a year.
- ▶ The Committee collaborates with those responsible for coordinating corporate risk management, examines reports and if deemed necessary, meets with the related risk holders. In fulfilling its duties, the Committee;
  - When deemed necessary, may request information, opinions and reports from the relevant units and may invite the relevant managers to its meetings to seek their opinions.
  - Uses the opinions of independent experts on the subjects that are needed for their activities. The cost of the consultancy services required by the Committee shall be borne by the company.
  - In order to ensure the effectiveness of its work, may create sub-working groups composed of people with sufficient experience and knowledge to be chosen from among its members and/or from the outside.

## Summary of the 2019 Subsidiary Company Report Prepared By the Board of Directors of Aksa Akrilik Kimya Sanayii A.Ş. Pursuant to Article 199 of the Turkish Commercial

Pursuant to Article 199 of the Turkish Commercial Code No. 6102, which came into force on July 1, 2012, the Board of Directors of Aksa is obliged to prepare a report within the first three months of the fiscal year about the relations of the Company with its controlling shareholder and the subsidiaries of the controlling shareholder, and to include the conclusion part of this report in the annual report. The necessary explanations on related party transactions made by Aksa are provided in footnote No. 27 of the financial report. It is stated in the Commitment report prepared by the Board of Directors of Aksa that, "An appropriate counter action was taken in all transactions made in 2019 by Aksa with its controlling shareholders or subsidiaries, according to the circumstances known by us at the time the transaction was made or the measure was taken or avoided, and any measure that was taken or avoided didn't cause any damage to the Company, and in this context, it is concluded that no damage that would require compensation was encountered".

### Targets and Actuals

Our Company's expectations for the end of 2019 and the evaluations of realizations at the end of 2019 are as follows.

	Target (USD million)	Actual (USD million)
Turnover	650-700	643
Investment	35-40	31

	Target (%)	Actual (%)
EBITDA Margin	15-17	16
Capacity Utilization Rate	80	77

## Statement of Responsibility

### STATEMENT OF RESPONSIBILITY AS PER ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUE SERIAL: II- 14.1 ON PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKETS

**UPON THE APPROVAL OF THE ANNUAL REPORT, THE BOARD OF DIRECTORS';  
DECISION DATE: 04.03.2020  
DECISION NUMBER: 2020/11**

We hereby declare that,

The 2019 annual report, which was prepared pursuant to the provisions of the Capital Markets Board's (CMB) Communiqué Serial: II-14.1 on "Principles Regarding Financial Reporting in Capital Markets" ("Communiqué"), and in compliance with the format and content specified by the CMB and the relevant legislations;

- ▶ Was examined by our side;
- ▶ Did not include any explanation contrary to the facts with respect to important matters or any gaps that could be misleading as of the date when the explanation was made, to the extent of the information we have, as per our duty and responsibility within the Company;
- ▶ To the extent of the information we have, as per our duty and responsibility within the Company, the Annual Report, which was prepared in accordance with the relevant Communiqué, solely reflects the truth regarding the development and performance of the business; and along with those under the scope of consolidation, reflects the truth regarding the Company's financial status, together with the significant risks and uncertainties it faces, and that we are liable for the statement made.

Saygılarımızla,

**İlknur Gür Uralcan**  
Chairman of the  
Audit Committee



**Başar Ay**  
Member of the  
Audit Committee



**Erdinç Kazak**  
Director of Financial  
Affairs



## Dividend Distribution Proposal

Dear Shareholders,

We are presenting our activity data and financial tables for 2019.

In line with our dividend distribution policy, the distributable profit of our Company for 2019 is as below and will be submitted for the approval of 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 277,681,617.00. The net profit for the period, based on the financial statements prepared in accordance with the provisions of Tax Procedure Law, stands at TL 252,215,125.58.

Out of the TL 277,681,617.00 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: 14.1;

- ▶ Within the framework of Article 519 of the Turkish Commercial Code and Article 25 of the Articles of Association of our Company, the amount of TL 12,610,756.28-TL corresponding to 5% of the net profit for the period in the amount of 252,215,125.58-TL in our legal records, is proposed to be set aside as the First Legal Reserves Fund.
- ▶ The first dividend of TL 16,187,500.00 (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 323,750,000.00, be distributed to our shareholders in cash within the framework of Article 25 of the Company's Articles of Association,
- ▶ Of the remaining TL 248,883,360.72, TL 223,387,500.00 (the gross dividend amount corresponding to a nominal share of TL 1.00 is TL 0.69 and the gross rate of dividend is 69.00%) be distributed to shareholders as second dividend in accordance with Article 25 of the Company's Articles of Association,
- ▶ Allocating a General Legal Reserve of TL 22,338,750.00 for the distributed second dividend,
- ▶ It was decided that the remaining amount would be retained as Extraordinary Reserves.
- ▶ The total of 1st and 2nd dividends to be distributed to our shareholders is equal to TRY 239,575,000.00. (The dividend amount contributing to shares with a nominal value of TRY 1.00 is equal to gross TRY 0.74, and the dividend gross share is equal to 74.00%.)
- ▶ Distribution of dividend amounts in cash shall take place on April 7, 2020.

We submit the profit distribution proposal for the approval of the General Assembly regarding:

Esteemed shareholders, we offer our best regards with the hope that the coming years will bring happy and successful days to our country and to our Company.

The Board of Directors

**Decision Date** : 04.03.2020  
**Decision Number** : 2020/11

Members of the Board of Directors of AKSA AKRİLİK KİMYA SANAYİİ ANONİM ŞİRKETİ took the following decision in compliance with Article 390/4 of the Turkish Commercial Code:

The Annual Reports, the Corporate Governance Compliance Report and the Corporate Governance Information Form of the Company for the year 2019 that were handed over with the report No. 2020/04 and dated 04.03.2020 of the Audit committee be approved and published on the Public Disclosure Platform (KAP).

## BOARD OF DIRECTORS

**Raif Ali DİNÇKÖK**  
Chairman of the Board



**Nilüfer DİNÇKÖK ÇİFTÇİ**  
Board Member



**Ahmet Cemal DÖRDÜNCÜ**  
Board Member



**İlknur Gür Uralcan**  
Independent Board Member



**Mehmet Ali BERKMAN**  
Vice Chairman of the Board



**Alize DİNÇKÖK**  
Board Member



**İzer LODRİK**  
Board Member



**Başar AY**  
Independent Board Member





(Convenience translation of a report originally issued in Turkish)

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

To the Shareholders of Aksa Akrilik Kimya Sanayii Anonim Şirketi

### 1) Opinion

We have audited the annual report of Aksa Akrilik Kimya Sanayii Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1/1/2019-31/12/2019.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

### 2) Basis for Opinion

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

### 3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 14 February 2020 on the full set consolidated financial statements of the Group for the period of 1/1/2019-31/12/2019.

### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

### 5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

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

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



Ferzan Ülgen, SMMM  
Partner

4 Mart 2020  
İstanbul, Türkiye

Aksa Akrlık

# Kimya Sanayii A.Ş.

Convenience Translation  
into English of Consolidated  
Financial Statements  
at 31 December 2019  
Together with Independent  
Auditor's Report

(Originally Issued in Turkish)



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

**INDEPENDENT AUDITOR'S REPORT**

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

**A) Report on the Audit of the Consolidated Financial Statements**

**1) Opinion**

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

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

**2) Basis for Opinion**

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

**3) Key Audit Matters**

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

Key Audit Matters	Auditor's response
<b>Inventory Impairment</b>	
<p>The Group values its inventories at the lower of cost or net realizable value. Additionally, the reserve for impairment is provided for slow-moving, surplus or scrap materials.</p> <p>The Group's calculation of provisions for inventory impairment includes management's estimations and assumptions. These estimations and assumptions include the utilization of the inventory that are sold slowly due to technological changes and changing customer expectations, and utilization of the provision for non-moving and damaged inventories. Therefore, this matter is determined as a key audit matter.</p> <p>As of 31 December 2019, the Group had inventories amounting to KTL 672,302 and booked a provision amounting to KTL 5,697. The disclosures related to inventory are made in Note 10.</p>	<p>During our audit, the following audit procedures have been applied related to provision for inventory impairment:</p> <ul style="list-style-type: none"> <li>· Understanding the accounting policy related to provisions for inventory impairment and assessing its appropriateness,</li> <li>· Comparing the inventory turnover rate with previous year,</li> <li>· Observing whether non-moving or damaged inventories existence, during year-end stock counts,</li> <li>· Testing sales prices deducted by discount used in net realizable value calculation,</li> </ul>



<b>Recoverability of DowAksa Advanced Composites Holdings BV ("DowAksa")</b>	
<p>As of 31 December 2019, as stated in Note 6 to the consolidated financial statements; the investment accounted for using equity method, DowAksa, which is owned by the Group by 50%, is presented in the consolidated financial statements with the carrying value of KTL 302,846 (7% of total assets). DowAksa has losses in the years 2019 and 2018. The Group Management's assessment of the recoverable amount of DowAksa requires the use of significant estimates and assumptions. Changes in these assumptions may affect the recoverable value of DowAksa, leading to impairment.</p>	<p>During our audit work, the methods and assumptions used in the valuation studies prepared by the management were reviewed, together with the experts of another company within the same audit network we are affiliated with. The business plans approved by management were questioned in light of macroeconomic data and sector explanations. Reasonableness of cash flow estimations were tested through comparison with previous year. We tested whether the discount rates used were reasonable and also tested the mathematical accuracy of the valuation. In addition, we reviewed the accuracy of the information in the footnotes related to the financial statements.</p>
<b>Trade receivable - Impairment</b>	
<p>Trade receivables are considered as a significant balance sheet item since it represents 20% of total assets in the consolidated financial statement. Furthermore, collectability of trade receivables is a significant component of the Group's credit risk and working capital and includes significant judgements and estimations of the management.</p> <p>As of 31 December 2019, trade receivables amounted to KTL 851,137 in the consolidated financial statement and provision for impairment amounted to KTL 46,663.</p> <p>Determining the collection risk and provision to be made for trade receivables or determining whether a particular trade receivable is collectible, requires significant management judgement. In this respect, the Group management assesses; the aging of receivables, review of ongoing litigation risks with the letters obtained from company lawyers, the collaterals received within the scope of the credit risk management and the nature of these collaterals, the performance of collection made in the current period and period after balance sheet date, as well as all other information.</p> <p>As of 1 January 2018, the Group has begun to apply TFRS 9 "Financial Instruments" standard and the credit losses for financial assets are accounted in the consolidated financial statements as per the related standard.</p> <p>The existence and collectability of trade receivables are determined as a key audit matter in consideration of; the size of the amounts and the judgement required in the assessment of collectability of trade receivables, and the complexity and comprehensiveness of TFRS 9.</p>	<p>The following procedures were applied regarding the audit of provision for trade receivables:</p> <ul style="list-style-type: none"> <li>· Assessment of the Group's process for trade receivables' collection follow-up and operational efficiency of related internal controls,</li> <li>· Understanding, assessing and testing the efficiency of internal controls related to financial reporting for credit risk,</li> <li>· Reviewing receivable aging tables analytically and comparing the collection turnover rate with previous year,</li> <li>· Testing trade receivable balances by sending confirmation letters through sampling,</li> <li>· Testing subsequent period collection, through sampling,</li> <li>· Testing collaterals received for trade receivables, through sampling and assessing ability to liquidate,</li> <li>· Assessment of the reasonableness; of key judgements and estimations used by the management, and methods and data sources used for impairment calculation in the scope of "TFRS 9 Financial Instruments" standard,</li> <li>· Assessment of the applied accounting policies; to TFRS 9, the Group's past performance and compliance with local and global practices,</li> <li>· Investigating disputes and lawsuits to audit the appropriateness of special provisions made for trade receivables, and obtaining confirmation letter from legal advisors related to ongoing receivable follow-up lawsuits,</li> <li>· Assessing the competence and compliance of disclosures related to trade receivables and trade receivable impairment, with TFRS.</li> </ul>

**Additional paragraph added for convenience translation**

**4) Other Matter**

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

**B) Report on Other Legal and Regulatory Requirements**

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 14 February 2020.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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



Ferzan Ülgen, SMMM  
Partner

14 February 2020  
Istanbul, Turkey

## Aksa Akrilik Kimya Sanayii A.Ş.

Consolidated Statements of Financial Position at 31 December 2019 and 2018  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

<sup>(1)</sup> United States Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

## Aksa Akrilik Kimya Sanayii A.Ş.

Consolidated Statements of Financial Position at 31 December 2019 and 2018  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

<sup>(1)</sup> USD amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the CBRT at 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.5).

## Aksa Akrilik Kimya Sanayii A.Ş.

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Years Ended 31 December 2019 and 2018

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

Profit or loss	Notes	2019 USD <sup>(*)</sup>	Audited 2019 TL	Audited 2019 TL
Revenue	20	642,915	3,645,900	3,537,548
Cost of sales (-)	20, 21	(533,590)	(3,025,933)	(2,916,366)
<b>Gross profit / (loss)</b>		<b>109,324</b>	<b>619,967</b>	<b>621,182</b>
General administrative expenses	21	(10,490)	(59,486)	(65,595)
Marketing expenses	21	(15,978)	(90,610)	(88,835)
Research and development expense	21	(1,335)	(7,568)	(4,855)
Other income from operating activities	22	36,229	205,453	539,157
Other expenses from operating activities	22	(30,272)	(171,670)	(469,335)
<b>Profit / (loss) from operating activities</b>		<b>87,479</b>	<b>496,086</b>	<b>531,719</b>
Income from investment activities	23	1,231	6,980	16,881
Share of profit / (loss) from investments accounted for using equity method	6	(3,348)	(18,986)	(11,467)
<b>Profit/ (loss) before financing income/ (expense)</b>		<b>85,362</b>	<b>484,080</b>	<b>537,133</b>
Finance income	24	49,594	281,240	874,123
Finance cost	24	(73,669)	(417,768)	(1,154,681)
<b>Profit/ (loss) from continuing operations, before tax</b>		<b>61,287</b>	<b>347,552</b>	<b>256,575</b>
<b>Tax (expense)/income, continuing operations</b>				
- Current period tax (expense) / income	25	(10,822)	(61,369)	(35,736)
- Deferred tax (expense) / income	25	(1,499)	(8,501)	3,457
<b>Profit / (loss)</b>		<b>48,966</b>	<b>277,682</b>	<b>224,296</b>
<b>Profit/ (loss), attributable to:</b>				
Owners of parent		48,966	277,682	224,296
Non-controlling interests		-	-	-
		<b>48,966</b>	<b>277,682</b>	<b>224,296</b>
Basic earnings/ (loss) per share for owners of parent (Kr)	26	0.26	1.50	1.21

<sup>(\*)</sup> USD amounts presented above have been translated from TL for convenience purposes only, at the USD average CBRT bid rates for the year ended 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.5).

## Aksa Akrilik Kimya Sanayii A.Ş.

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Years Ended 31 December 2019 and 2018

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

Profit or loss	Notes	2019 USD <sup>(*)</sup>	Audited 2019 TL	Audited 2019 TL
<b>Other comprehensive income / (loss)</b>				
<b>Other comprehensive income that will not be reclassified to profit or loss</b>				
Gains / (losses) on remeasurements of defined benefit plans	16	(1,407)	(7,980)	1,978
Investments accounted through equity method profit or loss from comprehensive income of non-classified shares				
Gains/losses measurements of defined benefit plans of investments accounted through equity method				
Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss	6 25	(9) 281	(50) 1,596	2,459 (396)
<b>Other comprehensive income that will be reclassified to profit or loss</b>				
Other comprehensive income/(expense) for cash flow hedges		(4,156)	(23,569)	-
Exchange differences on translation		7,445	42,219	81,690
Taxes relating to components of other comprehensive income that will be reclassified to profit or loss		914	5,185	-
<b>Total comprehensive income / (loss)</b>		<b>52,035</b>	<b>295,083</b>	<b>310,027</b>
<b>Total comprehensive income / (loss) attributable to:</b>				
Owners of parent		52,035	295,083	310,027
Non-controlling interests		-	-	-
		<b>52,035</b>	<b>295,083</b>	<b>310,027</b>

<sup>(\*)</sup> USD amounts presented above have been translated from TL for convenience purposes only, at the USD average CBRT bid rates for the year ended 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.5).

## Aksa Akrilik Kimya Sanayii A.Ş.

Consolidated Statements of Changes in Equity for the Years Ended  
31 December 2019 and 2018

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

Independent Audit	Attributable to equity holders of the parent										Total equity			
	Issued capital	Inflation adjustments on capital	Repurchased Shares	Share premium	Reserve of gains or losses on hedge <sup>(1)</sup>	Restricted reserves from profits	Income from investments accounted for using equity method <sup>(2)</sup>	Exchange differences on translation <sup>(1)</sup>	Gains/ (losses) on remeasurements of defined benefit plans <sup>(2)</sup>	Prior years' profits or losses		Current period net profit or loss		
1 January 2018	185,000	195,175	-	44	-	140,498	-	176,974	(6,128)	389,585	294,971	1,376,119	-	1,376,119
Repurchased Shares Transfers	-	-	(31,464)	-	-	-	-	-	-	-	-	(31,464)	-	(31,464)
Dividend paid	-	-	-	-	-	19,795	-	-	-	275,176	(294,971)	-	-	-
Total comprehensive income/(loss)	-	-	-	-	-	-	2,459	81,690	1,582	-	224,296	310,027	-	310,027
31 December 2018	185,000	195,175	(31,464)	44	-	160,293	2,459	258,664	(4,546)	457,561	224,296	1,447,482	-	1,447,482
1 January 2019	185,000	195,175	(31,464)	44	-	160,293	2,459	258,664	(4,546)	457,561	224,296	1,447,482	-	1,447,482
Repurchased Shares Transfers	-	-	(6,563)	-	-	-	-	-	-	-	-	(6,563)	-	(6,563)
Dividend paid	-	-	-	-	-	19,545	-	-	-	204,751	(224,296)	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(18,384)	-	(50)	42,219	(6,384)	-	277,682	295,083	-	295,083
31 December 2019	185,000	195,175	(34,106)	44	(18,384)	179,838	2,409	300,883	(10,930)	457,609	277,682	1,535,220	-	1,535,220

<sup>(1)</sup> Items to be reclassified to profit and loss

<sup>(2)</sup> Items not to be reclassified to profit and loss

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

## Aksa Akrilik Kimya Sanayii A.Ş.

Consolidated Statements of Cash Flows for the Years Ended  
31 December 2019 and 2018

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

	Notes	2019 USD <sup>(1)</sup>	2019 TL	2018 TL
<b>A. Cash Flows From/ (Used in) Operating Activities</b>		<b>115,814</b>	<b>656,766</b>	<b>281,525</b>
Profit/ (loss)		48,966	277,682	224,296
<b>Adjustments to reconcile Profit/ (loss):</b>		<b>56,128</b>	<b>318,293</b>	<b>268,480</b>
Adjustments for depreciation and amortization expense	21	19,626	111,298	89,829
Adjustments for impairment loss/ (reversal of impairment loss)		3,749	21,263	11,013
Adjustments for provisions		755	4,283	5,876
Adjustments for interest (income)/expense	24	6,277	35,598	5,663
Adjustments for unrealised foreign exchange losses/ (gains)		10,433	59,163	123,191
Adjustments for undistributed profits of investments accounted for using equity method	6	3,348	18,986	11,467
Adjustments for tax (income)/expenses	25	12,321	69,870	32,279
Adjustments for losses/ (gains) on disposal of non-current assets		(451)	(2,556)	(9,831)
Other adjustments to reconcile profit/ (loss)		68	388	(1,007)
<b>Changes in working capital</b>		<b>4,912</b>	<b>27,854</b>	<b>(254,269)</b>
Adjustments for decrease (increase) in inventories		(31,437)	(178,273)	(71,341)
Adjustments for decrease (increase) in trade accounts receivable		9,235	52,373	(223,568)
Adjustments for decrease (increase) in other receivables related with operations		2,186	12,395	96,455
Adjustments for increase (decrease) in trade payable		23,072	130,838	56,007
Adjustments for increase (decrease) in other operating payables		27	151	432
Other adjustments for other increase (decrease) in working capital		1,829	10,370	(112,254)
<b>Cash flows from/ (used in) operating activities</b>		<b>110,005</b>	<b>623,829</b>	<b>238,507</b>
Interest paid	22	(2,148)	(12,183)	(13,617)
Interest received	22	5,522	31,316	31,099
Payments related with provisions for employee benefits	16	(646)	(3,662)	(5,897)
Income taxes refund/ (paid)		3,080	17,466	31,433
<b>B. Cash Flows From/ (Used in) Investing Activities</b>		<b>(30,295)</b>	<b>(171,800)</b>	<b>(357,923)</b>
Proceeds from sales of property, plant, equipment and intangible assets		569	3,227	15,591
Purchase of property, plant, equipment and intangible assets		(27,337)	(155,027)	(373,514)
Cash outflows from participation (profit) share and other financial instruments		(3,527)	(20,000)	-
<b>C. Cash Flows From/(Used in) Financing Activities</b>		<b>(121,622)</b>	<b>(689,705)</b>	<b>346,599</b>
Payments to acquire entity's shares	19	(1,157)	(6,563)	(31,464)
Proceeds from borrowings		221,453	1,255,834	1,824,268
Repayments of borrowings		(296,721)	(1,682,673)	(1,219,986)
Dividends paid	19	(35,406)	(200,782)	(207,200)
Payments of lease liabilities		(311)	(1,765)	-
Interest received		6,704	38,017	42,541
Interest paid		(16,183)	(91,773)	(61,560)
<b>Net increase/(decrease) in cash and cash equivalents before effect of exchange rate changes</b>		<b>(36,104)</b>	<b>(204,739)</b>	<b>270,201</b>
<b>D. Effect of exchange rate changes on cash and cash equivalents</b>		<b>887</b>	<b>5,031</b>	<b>5,727</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(35,216)</b>	<b>(199,708)</b>	<b>275,928</b>
<b>E. Cash and Cash Equivalents at the Beginning of the Period</b>	<b>4</b>	<b>147,197</b>	<b>834,738</b>	<b>558,810</b>
<b>Cash and cash equivalents at the end of period</b>	<b>4</b>	<b>111,981</b>	<b>635,030</b>	<b>834,738</b>

<sup>(1)</sup> US Dollar "USD" amounts presented above have been translated from TL for convenience purposes only, at the USD average CBRT bid rates for the year ended 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.5).

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

### NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

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

	%
Akkök Holding A.Ş. (“Akkök Holding”)	39.59
Emniyet Ticaret ve Sanayi A.Ş.	18.72
Other <sup>(*)</sup>	41.69
<b>Total</b>	<b>100.00</b>

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

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

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

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

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

- Fibers
- Energy
- Other

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

Subsidiaries	Country	Nature of business	Segment
Aksa Egypt Acrylic Fiber Industry SAE (“Aksa Egypt”)	Egypt	Textile	Fiber
Joint ventures	Country	Nature of business	
DowAksa Advanced Composites Holdings BV (“DowAksa Holdings”)	Holland		Investment

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of preparation

##### 2.1.1 Financial Reporting Standards Applied

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

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

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

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

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

#### Currency and Financial Statements Presentation Currency

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

#### The new standards, amendments and interpretations

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



## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

#### TFRS 16 Leases

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

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

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

#### Transition to TFRS 16:

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

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

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

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

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

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

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

#### Amendments to TAS 28 “Investments in Associates and Joint Ventures” (Amendments)

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

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

#### TFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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### Annual Improvements - 2015-2017 Cycle

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

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

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

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

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

### Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

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

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

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

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

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### TFRS 17 - The new Standard for insurance contracts

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

#### Definition of a Business (Amendments to TFRS 3)

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

The amendments:

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

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

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

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

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

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

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

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

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

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

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

#### 2.1.2 Basis of Consolidation

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

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

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

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

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

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

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

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

### c) Joint ventures

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

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

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

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

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

### 2.2 Changes in Accounting Policies, Accounting Estimates and Errors

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

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

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

### 2.3 Summary of Significant Accounting Policies

#### Cash and cash equivalents

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

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### Financial Assets

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

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

### Loans and receivables

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

### Trade receivables

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

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

### Finance Lease

#### As lessor

Leasing is classified as a financial lease, where the majority of the risks and gains of the property belong to the tenant and the right to purchase at the end of maturity is given to the lessee. The asset subject to financial leasing is shown as a net receivable equal to the investment subject to this transaction. Interest

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income is determined by calculating the present value of the total value of the lease payments and the unsecured residual value by calculating the discount rate that equals the fair value of the economic asset subject to lease, and the part not accrued in the relevant period is monitored in the unearned interest income account.

### Operational Lease

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

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

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

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

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

The group measures the lease obligation after the lease actually starts as follows:

- Increases the carrying amount to reflect the interest on the lease obligation, and
- Reduces the carrying value to reflect the rent payments made.

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

### Short-term leases and low-value leases

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

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### Right-of-use assets

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

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

- the first measurement of the lease obligation,
- the amount obtained from all lease payments made before or before the lease actually started, by deducting all lease incentives received, and
- all initial costs incurred by the Group.

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

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

### Trade payables

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

### Inventories

Inventories are valued at the lower of the net realizable value or cost value. The cost determination method is the monthly weighted average for all inventories, and work-in-process and finished goods take a share from the production costs. Net realizable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Unusable inventories are removed from the records (Note 9).

### Investment properties

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

### Property, plant and equipment

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

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

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 11). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the

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depreciation method and the period and the useful life to be derived from the related asset. As of 31 December 2019, the depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

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

### Intangible assets

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

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

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

### Research and development costs

Research expenses are written on the date they occur. Apart from the project expenditures with the below mentioned criteria, expenditures for development are recorded as expense in the period they occur. Costs of development projects that meet the criteria mentioned below are accepted as development costs within

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the scope of TAS 38 “Intangible Assets” standard, they are capitalized and amortized by the straight line method in accordance with the project life (Note 12).

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

### Revenue recognition

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

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

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

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

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

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

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

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

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

### Cash flow hedge accounting

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

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

### Bank borrowings

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

### Borrowing costs

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

### Fair value of financial instruments

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

#### Financial assets

Monetary assets for which fair value approximates carrying value are carried at cost in the financial statements and consists of cash and cash equivalents, their interest accruals, and other financial assets; and considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. It is considered that the carrying values of the trade receivables after the rediscount and doubtful receivables provision are deducted are close to their fair values.

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### Financial liabilities

Monetary liabilities for which fair value approximates carrying value including accounts payable, short-term bank borrowings and other monetary liabilities are considered approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of bank borrowings. It is considered that the fair values of loans denote the value they carry, since the interest rates are updated by taking into account the changing market conditions. The fair values of the trade payables after deducting the provision for rediscount are considered to approximate the carrying value.

### Employee termination benefits

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

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

### Unused vacation rights

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

### Seniority Incentive Bonus

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

### 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

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date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred taxes arising from income and expenses accounted under equity are recorded under equity, accordingly.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized (Note 25).

### Earnings per share

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

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

### Events after the balance sheet date

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

### Provisions

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

### Contingent assets and liabilities

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

### Offsetting

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

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### Foreign currency transactions

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

### Goodwill

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

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

### Segment reporting

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

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

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

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

The Group’s reportable business segments are “fibers”, “energy” and the remained operations are reported as “other”. Aksa Egypt and DowAksa Holdings are reported under “fibers” segment (Note 6).

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

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### Derivative instruments

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

In addition, the Group’s foreign currency purchase and sale transactions are accounted for as derivative financial instruments held for trading in consolidated financial statements due to the fact that they do not meet the requirements for risk accounting and the changes in the fair value of these derivative financial instruments are associated with the income statement.

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

### Related parties

Parties are considered related to the Group if:

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

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

b) the party is an associate of the Group;

c) the party is a joint venture in which the Group is a venture;

d) the party is member of the key management personnel of the Group or its parent;

e) the party is a close member of the family of any individual referred to in (a) or (d);

f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

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

### Reporting of cash flow

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

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



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

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

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

### Government grants

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

### 2.4 Critical Accounting Judgments, Estimates and Assumptions

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

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

#### a) Provisions

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

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

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

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

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

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

### c) Joint venture impairment analysis

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

### d) Deferred tax assets and liabilities

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

### 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 2019 of TL 5.9402 = 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 2019 of TL 5.6708 = USD, and do not form part of these consolidated financial statements.

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

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### NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

	1 January - 31 December 2019			
	Fibers	Energy	Other	Total
Total segment revenue <sup>(*)</sup>	3,424,450	194,854	26,596	3,645,900
<b>Revenue from external customers</b>	<b>3,424,450</b>	<b>194,854</b>	<b>26,596</b>	<b>3,645,900</b>
Adjusted EBITDA <sup>(**)</sup>	<b>594,236</b>	<b>31,332</b>	<b>3,081</b>	<b>628,649</b>
Unallocated corporate expenses <sup>(***)</sup>	-	-	-	(55,048)
<b>EBITDA</b>	-	-	-	<b>573,601</b>
Amortization and depreciation	(85,836)	(15,032)	(10,430)	(111,298)
Other income from operating activities, net	-	-	-	33,783
Income from investment activities	-	-	-	6,980
Share of profit/(loss) of investment accounted for using equity method	(18,986)	-	-	(18,986)
Finance income/(expense), net	-	-	-	(136,528)
<b>Profit before tax</b>				<b>347,552</b>

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

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

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

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	1 January - 31 December 2019			
	Fibers	Energy	Unallocated	Total
Tangible and intangible asset purchases	106,419	40,310	8,298	155,027
31 December 2019				
Total segment assets	2,374,584	546,256	-	2,920,840
Investments accounted for using equity method	302,846	-	-	302,846
Unallocated corporate assets	-	-	964,235	964,235
<b>Total assets</b>	<b>2,677,430</b>	<b>546,256</b>	<b>964,235</b>	<b>4,187,921</b>
Total segment liabilities	1,736,590	7,389	-	1,743,979
Unallocated corporate liabilities	-	-	908,722	908,722
<b>Total liabilities</b>	<b>1,736,590</b>	<b>7,389</b>	<b>908,722</b>	<b>2,652,701</b>
1 January - 31 December 2018				
	Fibers	Energy	Other	Total
Total segment revenue	3,380,467	145,809	11,272	3,537,548
<b>Revenue from external customers</b>	<b>3,380,467</b>	<b>145,809</b>	<b>11,272</b>	<b>3,537,548</b>
Adjusted EBITDA <sup>(*)</sup>	<b>594,320</b>	<b>19,196</b>	<b>605</b>	<b>614,121</b>
Unallocated corporate expenses <sup>(**)</sup>	-	-	-	(62,395)
<b>EBITDA</b>	-	-	-	<b>551,726</b>
Amortization and depreciation	(72,357)	(12,570)	(4,902)	(89,829)
Other income from operating activities, net	-	-	-	69,822
Income from investment activities	-	-	-	16,881
Share of profit/(loss) of investment accounted for using equity method	(11,467)	-	-	(11,467)
Finance income/(expense), net	-	-	-	(280,558)
<b>Profit before tax</b>				<b>256,575</b>

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

(\*\*) Unallocated corporate expenses consist of unallocated parts of general administrative expenses as of 31 December 2018.

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

### Segment Liabilities

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

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

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### Segment Assets

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

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

### NOTE 4 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

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### NOTE 5 - FINANCIAL INVESTMENTS

#### Financial Investments Held to Maturity

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

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

### NOTE 6 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

#### Joint Ventures

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

Summarized financial information of DowAksa Holding is presented below:

	31 December 2019	31 December 2018
Current assets	542,138	393,773
Non-current assets	1,260,421	1,130,036
<b>Total Assets</b>	<b>1,802,559</b>	<b>1,523,809</b>
Short-term liabilities	400,321	278,722
Long-term liabilities	796,546	671,771
Equity	605,692	573,316
<b>Total Liabilities</b>	<b>1,802,559</b>	<b>1,523,809</b>
<b>Equity corresponding to Group's interest of 50%</b>	<b>302,846</b>	<b>286,658</b>
	<b>2019</b>	<b>2018</b>
Revenue	370,081	337,155
Net loss	(37,972)	(22,934)
<b>Net loss corresponding to Group's interest of 50%</b>	<b>(18,986)</b>	<b>(11,467)</b>

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

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

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

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

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

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

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### NOTE 7 - BORROWINGS

Group's financial liabilities are as follows:

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

#### Bank Borrowings

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

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

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
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The long-term bank borrowings' fair values and book values are as follows:

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

<sup>(\*)</sup>Loans using derivative instruments for hedging are calculated by taking into account swap interest rates.

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

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

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

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

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
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### NOTE 8 - TRADE RECEIVABLES AND PAYABLES

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

#### a) Short-term trade receivables:

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

#### b) Long-term trade receivables:

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

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

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

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

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

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
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#### c) Short-term trade payables:

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

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

### NOTE 9 - OTHER RECEIVABLES AND PAYABLES

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

#### a) Short-term other receivables:

	31 December 2019	31 December 2018
Deposits and guarantees given	2,211	2,242

#### b) Short-term other payables:

	31 Aralık 2019	31 Aralık 2018
Taxes and funds payable	497	417
Other	689	618
<b>Total</b>	<b>1,186</b>	<b>1,035</b>

### NOTE 10 - INVENTORIES

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

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

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

## Aksa Akrilik Kimya Sanayii A.Ş.

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

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

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

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

### NOTE 11 - INVESTMENT PROPERTY

	1 January 2019	Additions	31 December 2019
<b>Cost</b>			
Land and buildings	47,509	-	47,509
Independent units	3,091	-	3,091
	<b>50,600</b>	<b>-</b>	<b>50,600</b>
<b>Accumulated depreciation</b>			
Land and buildings	3,959	1,188	5,147
Independent units	2,010	72	2,082
	<b>5,969</b>	<b>1,260</b>	<b>7,229</b>
<b>Net book value</b>	<b>44,631</b>		<b>43,371</b>
	1 January 2018	Additions	31 December 2018
<b>Cost</b>			
Land and buildings	47,509	-	47,509
Independent units	3,091	-	3,091
	<b>50,600</b>	<b>-</b>	<b>50,600</b>
<b>Accumulated depreciation</b>			
Land and buildings	2,771	1,188	3,959
Independent units	1,938	72	2,010
	<b>4,709</b>	<b>1,260</b>	<b>5,969</b>
<b>Net book value</b>	<b>45,891</b>		<b>44,631</b>

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

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
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### Land and Buildings

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

### Independent Units

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

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

### NOTE 12 - RIGHT-OF - USE ASSETS

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

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

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

**NOTE 13 - PROPERTY, PLANT AND EQUIPMENT****Aksa Akrilik Kimya Sanayii A.Ş.**

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

<sup>(1)</sup> Transfers amounting to TL 251 are associated with intangible assets.

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

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

As of 31 December 2019 there is no collateral, pledge and mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for TL 3.6 billion.

**Aksa Akrilik Kimya Sanayii A.Ş.**

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
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	1 January 2018	Additions	Disposals	Transfers <sup>(1)</sup>	Currency translation differences	31 December 2018
<b>Cost</b>						
Land	66,683	1,284	(3,271)	40,028	360	105,084
Land improvements	123,093	54	-	231	-	123,378
Buildings	237,303	3,149	(42)	6,981	1,262	248,653
Machinery and equipment	1,373,546	142,098	(38,334)	158,577	2,476	1,638,363
Motor vehicles	1,325	268	(130)	-	137	1,600
Furniture and fixture	62,891	3,717	(79)	9,535	72	76,136
Construction in progress	67,866	209,085	(1,374)	(183,376)	-	92,201
	<b>1,932,707</b>	<b>359,655</b>	<b>(43,230)</b>	<b>31,976</b>	<b>4,307</b>	<b>2,285,415</b>
<b>Accumulated depreciation</b>						
Land improvements	50,054	4,412	-	-	-	54,466
Buildings	55,612	6,108	(42)	-	491	62,169
Machinery and equipment	758,713	75,460	(37,381)	-	1,445	798,237
Motor vehicles	857	166	(52)	-	95	1,066
Furniture and fixtures	35,733	5,214	(68)	-	66	40,945
	<b>900,969</b>	<b>91,360</b>	<b>(37,543)</b>	<b>-</b>	<b>2,097</b>	<b>956,883</b>
<b>Net book value</b>	<b>1,031,738</b>					<b>1,328,532</b>

<sup>(1)</sup> Transfers amounting to TL 31,976 are associated with intangible assets.

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

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

As of 31 December 2018 there is no collateral, pledge and mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for TL 3.2 billion.



## Aksa Akrilik Kimya Sanayii A.Ş.

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### NOTE 14 - INTANGIBLE ASSETS

	1 January 2019	Additions	Disposals	Transfers <sup>(*)</sup>	Currency translation differences	31 December 2019
<b>Cost</b>						
Rights	59,840	6,147	-	-	377	66,364
Development cost	22,514	5,851	-	-	-	28,365
Other intangible assets	7,462	-	-	251	-	7,713
	<b>89,816</b>	<b>11,998</b>	-	<b>251</b>	<b>377</b>	<b>102,442</b>
<b>Accumulated depreciation</b>						
Rights	8,065	2,286	-	-	314	10,665
Development cost	10,782	1,692	-	-	-	12,474
Other intangible assets	6,216	681	-	-	-	6,897
	<b>25,063</b>	<b>4,659</b>	-	-	<b>314</b>	<b>30,036</b>
<b>Net book value</b>	<b>64,753</b>					<b>72,406</b>
	1 January 2018	Additions	Disposals	Transfers <sup>(*)</sup>	Currency translation differences	31 December 2018
<b>Cost</b>						
Rights	75,842	15,810	-	(32,200)	388	59,840
Development cost	13,617	8,970	(73)	-	-	22,514
Other intangible assets	5,924	1,314	-	224	-	7,462
	<b>95,383</b>	<b>26,094</b>	<b>(73)</b>	<b>(31,976)</b>	<b>388</b>	<b>89,816</b>
<b>Accumulated depreciation</b>						
Rights	5,946	1,832	-	-	287	8,065
Development cost	10,293	489	-	-	-	10,782
Other intangible assets	5,430	786	-	-	-	6,216
	<b>21,669</b>	<b>3,107</b>	-	-	<b>287</b>	<b>25,063</b>
<b>Net book value</b>	<b>73,714</b>					<b>64,753</b>

<sup>(\*)</sup> Transfers amounting to TL 251 are related to tangible assets (2018: TL 31,976).

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

### Goodwill

The goodwill balance with the carrying amount of TL 5,989 (2018: TL 5,989) as of 31 December 2019 resulted from the acquisition of 50% shares of Ak-Tops Tekstil Sanayi A.Ş. during 2007.

There is no impairment in the goodwill's book value.

### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

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

Contingent assets and liabilities are as follows:

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

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

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

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

## Aksa Akrilik Kimya Sanayii A.Ş.

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

	31 December 2019	31 December 2018
A. CPM given on behalf of the Company's legal personality	903,299	892,374
- USD	757,501	769,389
- EUR	125,196	94,334
- Turkish Lira	20,602	28,651
- Other	-	-
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
- US Dollars	-	-
D. Total amount of other CPM given	-	-
i) Total amount of CPM given on behalf of the majority shareholder	-	-
ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>903,299</b>	<b>892,374</b>

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

### NOTE 16 - EMPLOYEE BENEFIT OBLIGATIONS

Payables for employee benefit obligations	31 December 2019	31 December 2018
Social security premiums payable	4,051	3,305
Payables to employees	21	110
<b>Total</b>	<b>4,072</b>	<b>3,415</b>
Current provisions for employee benefits	31 December 2019	31 December 2018
Provision for performance premium	12,000	7,010
Provision for unused vacation rights	1,103	710
<b>Total</b>	<b>13,103</b>	<b>7,720</b>

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

### Provision for employee termination benefits

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

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

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

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

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TL 6.730 effective from 1 January 2020 (1 January 2019: TL 6.018) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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

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

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### NOTE 17 - OTHER ASSETS AND LIABILITIES

#### a) Other current assets:

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

#### b) Prepayments - Short-term:

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

#### c) Prepayments - Long-term:

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

#### d) Deferred Income:

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

#### e) Other long-term liabilities:

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

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### NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2019		31 December 2018	
	Asset	Liability	Asset	Liability
For hedging purposes	646	-	3,273	-
<b>Total</b>	<b>646</b>	<b>-</b>	<b>3,273</b>	<b>-</b>

#### Derivative financial instruments for hedging purposes:

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

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

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

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

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

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

## Aksa Akrilik Kimya Sanayii A.Ş.

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### Derivative financial instruments held for trading

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

### NOTE 19 - EQUITY

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

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

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

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

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

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. According to the TCC, the legal reserve does not exceed half of the capital or

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issued capital can be used only to offset losses, to continue the business when things did not go well or to get ahead of unemployment and to take favourable measures to manage its results.

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

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

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

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

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

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

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

### Dividend Distribution

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

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

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

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

### Repurchased shares

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

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

### NOTE 20 - REVENUE AND COST OF SALES

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

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

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### NOTE 21 - EXPENSES BY NATURE

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

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

### NOTE 22 - OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

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

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

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

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

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### NOTE 23 - INCOME FROM INVESTMENT ACTIVITIES

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

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

### NOTE 24 - FINANCIAL INCOME/COSTS (EXPENSE)

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

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

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

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

### NOTE 25 - TAX ASSETS AND LIABILITIES

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

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

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### Corporate Tax

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

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

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

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

### Income Withholding Tax

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

### Deferred Income Tax Assets and Liabilities

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

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

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

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

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

	2019	2018
<b>1 January</b>	<b>16,658</b>	<b>19,924</b>
Current period deferred tax (expense) / income	8,501	(3,457)
Associated with equity	(6,781)	396
Currency translation differences	(131)	(205)
<b>31 December</b>	<b>18,247</b>	<b>16,658</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
Calculated corporate income tax	61,369	35,736
Amount offset from VAT receivables and prepaid corporate taxes	(55,171)	(27,940)
<b>Current tax liabilities, current</b>	<b>6,198</b>	<b>7,796</b>

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

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

### NOTE 26 - EARNINGS PER SHARE

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

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

<sup>(\*)</sup> Amounts expressed in Turkish Lira.

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### NOTE 27 - RELATED PARTY DISCLOSURES

#### a) Short-term trade receivables due from related parties

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

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

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

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

#### b) Short-term trade payables due to related parties

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

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

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

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

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

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#### c) Other receivables due to related parties

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

	31 December 2019	31 December 2018
DowAksa - Receivables arising from financial leasing agreement <sup>(2)</sup>	13,843	24,678
<b>Other short-term receivables</b>	<b>13,843</b>	<b>24,678</b>

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

	31 December 2019			31 December 2018		
	Principle	Interest	Total	Principle	Interest	Total
Between 0-3 months	-	-	-	-	-	-
Between 3-12 months	13,843	-	13,843	24,678	-	24,678
	<b>13,843</b>	<b>-</b>	<b>13,843</b>	<b>24,678</b>	<b>-</b>	<b>24,678</b>

#### d) Advances Given

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

	31 December 2019	31 December 2018
Akgirişim <sup>(4)</sup>	1,836	1,716
Yalkim OSB <sup>(4)</sup>	1,291	-
<b>Total</b>	<b>3,127</b>	<b>1,716</b>

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

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



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### e) Sales

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

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

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

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

### f) Purchases of goods and services

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

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

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

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

(1) Akkök Holding bağlı ortaklığı

(2) Şirket'in iş ortaklığının bağlı ortaklığı

(3) Şirket'in hissedarı

(4) Diğer ilişkili taraflar

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### g) Interest Income:

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

### h) Benefits provided to key management personnel:

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

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

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

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

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

#### Financial risk factors

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

#### Credit risk

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

#### Trade Receivable Aging Analysis

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

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

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

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

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

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

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

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

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(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 analyzing the foreign currency position. The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities.

Foreign currency position presented in TL is as follows:

	31 December 2019		31 December 2018	
	TL equivalent	USD equivalent <sup>(*)</sup>	TL equivalent	USD equivalent <sup>(*)</sup>
Assets	1,205,343	202,913	1,651,784	313,974
Liabilities	2,353,169	396,143	2,648,086	503,352
<b>Net balance sheet position</b>	<b>(1,147,826)</b>	<b>(193,230)</b>	<b>(996,302)</b>	<b>(189,378)</b>
Net asset/ (liability) position of off-balance sheet derivative instruments in foreign currency	-	-	-	-
<b>Net foreign currency asset / (liability) position</b>	<b>(1,147,826)</b>	<b>(193,230)</b>	<b>(996,302)</b>	<b>(189,378)</b>
Stocks under natural hedge <sup>(**)</sup>	636,726	107,189	449,818	85,502
Amounts subject to cash flow hedge accounting <sup>(***)</sup>	368,528	62,040	-	-
<b>Net foreign currency position after hedge</b>	<b>(142,572)</b>	<b>(24,001)</b>	<b>(546,484)</b>	<b>(103,876)</b>

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

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

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

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

As of December 31, 2019, there is a net foreign currency deficit of TL 129,271 after natural hedge (December 31, 2018- TL 546,484) (Page 61).

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

31 December 2019	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% change of USD against TL				
USD net asset/ (liability)	(109,306)	109,306	30,285	(30,285)
Amount hedged for USD risk	22,162	(22,162)	(22,162)	22,162
<b>USD net effect</b>	<b>(87,144)</b>	<b>87,144</b>	<b>8,123</b>	<b>(8,123)</b>
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(7,747)	7,747	-	-
Amount hedged for EUR risk	14,691	(14,691)	(14,691)	14,691
<b>EUR net effect</b>	<b>6,944</b>	<b>(6,944)</b>	<b>(14,691)</b>	<b>14,691</b>
31 December 2018	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% change of USD against TL				
USD net asset/ (liability)	(83,091)	83,091	28,666	(28,666)
Amount hedged for USD risk	-	-	-	-
<b>USD net effect</b>	<b>(83,091)</b>	<b>83,091</b>	<b>28,666</b>	<b>(28,666)</b>
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(16,786)	16,786	-	-
Amount hedged for EUR risk	-	-	-	-
<b>EUR net effect</b>	<b>(16,786)</b>	<b>16,786</b>	<b>-</b>	<b>-</b>

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

### Interest Risk

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

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

<sup>(1)</sup> Cash and cash equivalents consist of bank deposits with maturity less than three months.

### 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.

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

31 December 2019	Expected or maturities per agreement	Book value	Contractual cash outflows			
			Up to 3 months	3-12 months	1-5 years	Over than 5 years
	<b>Non-derivative financial liabilities</b>					
	Financial liabilities	1,594,189	1,761,744	625,423	415,359	233,975
	Trade payables	877,748	880,405	192,337	-	-
	Due to related parties	38,380	36,130	2,250	-	-
		<b>2,510,317</b>	<b>1,211,185</b>	<b>820,010</b>	<b>415,359</b>	<b>233,975</b>
31 December 2018	Expected or maturities per agreement	Book value	Contractual cash outflows			
			Up to 3 months	3-12 months	1-5 years	Over than 5 years
	<b>Non-derivative financial liabilities</b>					
	Financial liabilities	1,900,858	2,012,046	840,970	477,490	248,604
	Trade payables	721,593	724,569	192,337	-	-
	Due to related parties	52,307	50,057	2,250	-	-
		<b>2,674,758</b>	<b>1,027,271</b>	<b>1,035,557</b>	<b>477,490</b>	<b>248,604</b>

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

### Import and export information:

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

Export	31 December 2019	31 December 2018
EUR	692,161	508,952
USD	551,463	711,523
Other	318,890	389,406
<b>Total</b>	<b>1,562,514</b>	<b>1,609,881</b>
Import	31 December 2019	31 December 2018
USD	1,859,624	1,881,978
EUR	385,273	299,790
Other	2,105	2,198
<b>Total</b>	<b>2,247,002</b>	<b>2,183,966</b>

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

<sup>(\*)</sup> Short-term and long-term liabilities comprised from trade payable to related parties and trade payables to other parties.

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

### NOTE 29 - FINANCIAL INSTRUMENTS

#### Fair value of financial instruments

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

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

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

#### Financial assets

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

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

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

#### Financial liabilities

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

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

#### Fair Value Estimation:

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

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

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

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

## Aksa Akrilik Kimya Sanayii A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019  
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31 December 2019	Level 1	Level 2	Level 3
Derivative financial assets for hedging purposes	-	646	-
<b>Total asset / (liabilities)</b>	<b>-</b>	<b>646</b>	<b>-</b>
31 December 2018	Level 1	Level 2	Level 3
Derivative financial assets for hedging purposes	-	3,273	-
<b>Total asset / (liabilities)</b>	<b>-</b>	<b>3,273</b>	<b>-</b>

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

### NOTE 30 - EVENTS AFTER REPORTING PERIOD

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

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

summary

**financial statements**



**SUMMARY FINANCIAL STATEMENTS (USD)**

<b>CONSOLIDATED BALANCE SHEET SUMMARY<sup>(*)</sup></b>	<b>31 December 2019</b> <b>(‘000 USD)</b>	<b>31 December 2018</b> <b>(‘000 USD)</b>
<b>Assets</b>	<b>705,014</b>	<b>796,181</b>
<b>Current Assets</b>	<b>366,951</b>	<b>465,344</b>
Cash and Cash Equivalents	106,914	159,258
Trade Receivables	121,399	174,915
Inventories	113,178	92,226
Other Current Assets	25,460	38,945
<b>Non-Current Assets</b>	<b>338,063</b>	<b>330,837</b>
Trade Receivables	21,886	-
Financial Investments	7,301	8,484
Investments Accounted For By The Equity Method	50,982	54,488
Property, Plant and Equipment	233,983	252,529
Right of Use Asset	2,492	-
Intangible Assets	12,189	12,308
Goodwill	1,008	1,138
Other Non-Current Assets	4,826	1,890
Financial Investments	3,396	-
<b>Liabilities</b>	<b>705,014</b>	<b>796,181</b>
<b>Short Term Liabilities</b>	<b>348,742</b>	<b>391,045</b>
Financial Liabilities	181,043	238,704
Trade Payables	154,225	147,104
Corporate Tax Liability	1,043	1,482
Other Short-term Liabilities	12,431	3,755
<b>Long Term Liabilities</b>	<b>97,826</b>	<b>129,996</b>
Financial Liabilities	87,330	122,614
Derivative Financial Instruments	-	-
Provision for Employment Termination Benefits	5,182	4,216
Deferred Tax Liability	3,072	3,166
Other Long-term Liabilities	2,242	-
<b>Equity</b>	<b>258,446</b>	<b>275,140</b>

<sup>(\*)</sup> US\$ currency conversions shown in the consolidated financial statements are provided for informational purposes only; the closing exchange rate TL 5,79402 (December 31, 2018 : TL 5,2609) was used in calculating the balance sheet items.

<b>CONSOLIDATED PROFIT LOSS STATEMENT SUMMARY<sup>(*)</sup></b>	<b>31 December 2019</b> <b>(‘000 USD)</b>	<b>31 December 2018</b> <b>(‘000 USD)</b>
Net Sales	642,848	732,392
Operating Profit	87,470	110,084
EBITDA	101,138	114,226
Net Profit	48,961	46,437

<sup>(\*)</sup> The conversion of the consolidated income statement into US\$ is provided for informational purposes only; the period average exchange rate of TL 5,6715 (December 31, 2018: 4,8301) was used in the statement

<b>LIQUIDITY RATIOS</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Current Ratio	1.05	1.19
Liquidity Ratio	0.73	0.95
<b>PROFITABILITY RATIOS</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
EBITDA Margin	15.73%	15.60%
Net Profit Margin	7.62%	6.34%



## Aksa Akrilik Kimya Sanayii A.Ş.

**Exchange Code:** Aksa

**Trade Registration Number - Date:** 21.11.1968 - 8063

**Mersis No:** 0034 - 0008 - 1490 - 0010

**Tax Office - No:** Büyük Mükellefler - 0340008149

**Address:** Merkez Mahallesi Yalova - Kocaeli Yolu Caddesi No: 34

Taşköprü Çiftlikköy - Yalova / Türkiye

**Phone:** +90 (226) 353 25 45 (10 Hat)

**Fax:** +90 (226) 353 33 07

**Internet:** www.aksa.com

**Contact:** aksa@aksa.com

aksaakrilik@hs02.kep.tr

ir@aksa.com