

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2016
TOGETHER WITH AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)



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

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

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

Introduction

1. We have reviewed the accompanying consolidated statement of financial position of Aksa Akrilik Kimya Sanayii A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2016 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Company is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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



Conclusion

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

Emphasis of Matter

4. As explained in Note 2.5 to the condensed consolidated financial information, US Dollar ("USD") amounts shown in the accompanying condensed consolidated financial information have been translated from Turkish Lira "TRY", as a matter of arithmetic computation only, at the official USD bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 30 June 2016 for consolidated statement of financial position; and the official USD average CBRT bid rates of the first six month period of 2016 for the consolidated statement of consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and they do not form part of these condensed consolidated financial information.

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

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Ediz Günsel, SMMM
Partner

İstanbul, 12 August 2016

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2016**

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2016 AND 31 DECEMBER 2015**

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

		30 June 2016	<i>Reviewed</i>	<i>Audited</i>
	Notes	USD (*)	30 June 2016	31 December 2015
ASSETS				
Current assets		316,177	914,890	1,075,543
Cash and cash equivalents		68,277	197,567	342,810
Trade receivables				
- Trade receivables from third parties	6	102,031	295,238	275,326
- Trade receivables from related parties	18	51,571	149,226	192,501
Other receivables				
- Other receivables from related parties	18	24	68	11,089
- Other receivables from third parties		148	427	257
Derivative instruments	11	2,069	5,986	7,189
Inventories		65,295	188,939	185,074
Prepaid expenses		6,028	17,444	10,482
Other current assets		20,734	59,995	50,815
Non-current assets		404,045	1,169,144	1,178,532
Other receivables				
- Other receivables from related parties	18	29,943	86,642	79,456
Derivative instruments	11	-	-	535
Investments accounted for using the equity method	4	73,990	214,097	243,337
Investment properties	7	16,515	47,787	48,418
Property, plant and equipment	8	250,537	724,954	718,574
Intangible assets	9	27,833	80,539	82,956
Prepaid expenses		5,227	15,125	5,256
TOTAL ASSETS		720,222	2,084,034	2,254,075

(*) USD amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the official TRY bid rate announced by the CBRT at 30 June 2016, and therefore do not form part of this condensed consolidated financial information (Note 2.5).

This condensed consolidated interim financial statements as of and for the period ended 30 June 2016 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 12 August 2016.

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2016 AND 31 DECEMBER 2015**

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

	Notes	30 June 2016 USD (*)	Reviewed 30 June 2016	Audited 31 December 2015
LIABILITIES				
Current liabilities		242,743	702,400	751,107
Short-term borrowings	5	106,101	307,014	337,407
Short-term portion of long-term borrowings	5	24,580	71,124	70,886
Trade payables				
- Trade payables to third parties		90,561	262,047	277,895
- Trade payables to related parties	18	9,673	27,989	27,510
Employee benefit obligations		936	2,709	2,243
Other payables				
- Other payables from third parties		193	559	508
Derivative instruments	11	75	216	-
Deferred income		2,320	6,712	7,108
Income tax payable	16	5,718	16,547	14,544
Short-term provisions				
- Short-term provisions for employee benefits		1,925	5,569	10,793
- Other short-term provisions		661	1,914	2,213
Non-current liabilities		75,006	217,037	254,372
Long-term borrowings	5	61,623	178,312	212,946
Trade payables				
- Trade payables to related parties	18	2,903	8,399	13,974
Derivative instruments	11	320	927	-
Long-term provisions				
- Provision for employment termination benefits		7,889	22,829	20,226
Deferred tax liabilities	16	2,271	6,570	7,226
Total liabilities		317,749	919,437	1,005,479
EQUITY		402,473	1,164,597	1,248,596
Attributable to equity holders of the parent		402,464	1,164,571	1,248,548
Share capital		63,934	185,000	185,000
Adjustment to share capital		67,451	195,175	195,175
Share premium		15	44	44
Other comprehensive income/(expense)				
not to be reclassified to profit and loss				
- Remeasurement gain/(loss) arising from defined benefit plans		(2,088)	(6,041)	(5,194)
Other comprehensive income/expense				
to be reclassified to profit and loss				
- Currency translation reserve		40,172	116,241	120,438
- Hedging reserve		(209)	(605)	330
Restricted reserves		42,399	122,685	107,501
Retained earnings		162,075	468,981	445,779
Net income		28,715	83,091	199,475
Non-controlling interests		9	26	48
TOTAL LIABILITIES AND EQUITY		720,222	2,084,034	2,254,075

(*) USD amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the official TRY bid rate announced by the CBRT at 30 June 2016, and therefore do not form part of this condensed consolidated financial statements (Note 2.5).

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED
30 JUNE 2016 AND 2015**

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

		1 January - 30 June 2016	Reviewed 1 January - 30 June 2016	Not reviewed 1 April - 30 June 2016	Reviewed 1 January - 30 June 2015	Not reviewed 1 April - 30 June 2015
Notes	USD (*)					
Profit or Loss						
Revenue		315,542	920,751	477,997	1,044,072	554,051
Cost of sales (-)		(246,459)	(719,168)	(359,105)	(862,288)	(444,495)
Gross profit		69,083	201,583	118,892	181,784	109,556
General administrative expenses (-)	12	(9,074)	(26,477)	(13,850)	(21,767)	(11,770)
Marketing expenses (-)	12	(8,069)	(23,545)	(12,343)	(23,930)	(12,340)
Research and development expenses (-)	12	(955)	(2,786)	(1,414)	(2,088)	(1,034)
Other operating income	13	11,925	34,796	14,201	97,615	35,610
Other operating expenses (-)	13	(10,485)	(30,595)	(7,196)	(54,930)	(12,264)
Operating profit		52,425	152,976	98,290	176,684	107,758
Share of loss of investments accounted for using the equity method	4	(8,941)	(26,090)	(16,520)	(25,063)	(14,039)
Operating profit before financial income / (expenses)		43,484	126,886	81,770	151,621	93,719
Financial income	14	24,572	71,700	31,109	80,668	25,887
Financial expenses (-)	15	(29,568)	(86,278)	(42,280)	(101,616)	(50,268)
Profit before tax from continuing operations		38,488	112,308	70,599	130,673	69,338
Tax expense from continuing operations:						
- Current income tax (-)	16	(10,100)	(29,472)	(16,750)	(30,843)	(19,659)
- Deferred income tax	16	80	233	(253)	4,593	4,888
Net income for the period from continuing operations		28,468	83,069	53,596	104,423	54,567
Net income for the period attributable to:						
Equity holders of the parent		28,476	83,091	53,598	104,426	54,564
Non-controlling interests		(8)	(22)	(2)	(3)	3
		28,468	83,069	53,596	104,423	54,567
Earnings per share for equity holders of the parent (Kr)	17	0.15	0.45	0.29	0.56	0.29

(*) USD amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the average official TRY bid rate announced by the CBRT for the period between 1 January 2016 - 30 June 2016, and therefore do not form part of this condensed consolidated financial statements (Note 2.5).

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED
30 JUNE 2016 AND 2015**

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

	1 January - 30 June 2016 USD (*)	<i>Reviewed</i> 1 January - 30 June 2016	<i>Not reviewed</i> 1 April - 30 June 2016	<i>Reviewed</i> 1 January - 30 June 2015	<i>Not Reviewed</i> 1 April - 30 June 2015
Other comprehensive income					
Items not to be reclassified to profit or loss					
Remeasurement gain / loss arising from defined benefit plans	(363)	(1,059)	(1,059)	1,946	1,946
Taxation on other comprehensive income not to be reclassified to profit or loss	73	212	212	(389)	(389)
Items to be classified to profit or loss					
Fair value changes on derivatives instruments	(401)	(1,169)	(55)	315	455
Currency translation differences	(1,438)	(4,197)	4,628	38,356	9,752
Taxation on other comprehensive income to be reclassified to profit or loss	80	234	11	(63)	(91)
Total comprehensive income	26,419	77,090	57,333	144,588	66,240
Total comprehensive income attributable to:					
Equity holders of the parent	26,427	77,112	57,335	144,591	66,237
Non-controlling interest	(8)	(22)	(2)	(3)	3
	26,419	77,090	57,333	144,588	66,240

(*) USD amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the average official TRY bid rate announced by the CBRT for the period between 1 January 2016 - 30 June 2016, and therefore do not form part of this condensed consolidated financial statements (Note 2.5).

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2016 AND 2015

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

<i>Reviewed</i>	Attributable to equity holders of the parent										Non-controlling interest	Total equity
	Share capital	Adjustments to share capital	Share premium	Restricted reserves	Currency translation differences ⁽¹⁾	Hedging reserve ⁽¹⁾	Remeasurement loss arising from defined benefit plans ⁽²⁾	Retained earnings	Net income for the period	Total		
1 January 2015	185,000	195,175	44	95,907	61,550	(346)	(6,591)	419,718	162,849	1,113,306	57	1,113,363
Transfers	-	-	-	11,594	-	-	-	151,255	(162,849)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(125,194)	-	(125,194)	-	(125,194)
Total comprehensive income	-	-	-	-	38,356	252	1,557	-	104,426	144,591	(3)	144,588
30 June 2015	185,000	195,175	44	107,501	99,906	(94)	(5,034)	445,779	104,426	1,132,703	54	1,132,757

<i>Reviewed</i>	Attributable to equity holders of the parent										Non-controlling interest	Total equity
	Share capital	Adjustments to share capital	Share premium	Restricted reserves	Currency translation differences ⁽¹⁾	Hedging reserve ⁽¹⁾	Remeasurement loss arising from defined benefit plans ⁽²⁾	Retained earnings	Net income for the period	Total		
1 January 2016	185,000	195,175	44	107,501	120,438	330	(5,194)	445,779	199,475	1,248,548	48	1,248,596
Transfers	-	-	-	15,184	-	-	-	184,291	(199,475)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(161,089)	-	(161,089)	-	(161,089)
Total comprehensive income	-	-	-	-	(4,197)	(935)	(847)	-	83,091	77,112	(22)	77,090
30 June 2016	185,000	195,175	44	122,685	116,241	(605)	(6,041)	468,981	83,091	1,164,571	26	1,164,597

(1) To be reclassified to profit or loss

(2) Not to be reclassified to profit or loss

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2016 AND 2015**

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

Notes	1 January- 30 June 2016 USD (*)	Reviewed 1 January - 30 June 2016	Reviewed 1 January - 30 June 2015
A. Cash Flows From Operating Activities	43,443	126,767	74,515
Net income for the period	28,468	83,069	104,423
Adjustments to reconcile net income for the period to net cash provided by operating activities	32,488	94,801	116,139
- Adjustments related to depreciation and amortization	12,545	36,605	30,200
- Adjustments related to impairment / (reversals)	(185)	(540)	(761)
- Adjustments related to provisions	670	1,956	1,095
- Adjustments related to interest income and expense	14, 15 162	473	682
- Adjustments related to unrealized exchange differences	87	254	45,907
- Adjustments related to losses of joint ventures	4 8,941	26,090	25,063
- Adjustments related to tax income/expense	10,020	29,239	26,250
- Adjustments related to income / expenses to dispose of fixed assets	(15)	(43)	(3,158)
- Adjustments related to other financing and investing activities	-	-	(9,305)
- Other adjustments related to profit / loss reconciliation	263	767	166
Changes in working capital	(9,033)	(26,355)	(136,923)
- Adjustments related to increase / decrease in inventory	(1,118)	(3,263)	38,720
- Adjustments related to increase / decrease in trade receivables	6,101	17,803	(67,544)
- Adjustments related to increase / decrease in other receivable arising from operating activities	1,112	3,245	(2,192)
- Adjustments related to increase / decrease in trade payables	(5,633)	(16,436)	(82,401)
- Adjustments related to increase / decrease in other payables arising from operating activities	16	48	(233)
- Other adjustments related to increase / decrease in working capital	(9,511)	(27,752)	(23,273)
Cash flows from operating activities	51,923	151,515	83,639
Interest paid	(1,188)	(3,467)	(2,978)
Interest received	1,881	5,489	5,382
Tax paid	(9,174)	(26,770)	(11,528)
B. Cash Flows From Investing Activities	(13,904)	(40,572)	(43,463)
Cash proceeds from the sale of shares or debt instruments of other entities or funds or debt instruments	-	-	11,660
Cash proceeds from disposal of property, plant and equipment and intangibles	19	56	4,667
Cash outflows from purchase of property, plant and equipment and intangibles	(13,923)	(40,628)	(59,790)
C. Cash Flows From Financing Activities	(77,815)	(227,064)	6,232
Cash inflows arising from borrowings	97,767	285,285	334,220
Cash outflows arising from repayment of borrowings	(119,722)	(349,350)	(203,026)
Dividends paid	(55,205)	(161,089)	(125,194)
Interest received	1,617	4,719	5,234
Interest paid	(2,272)	(6,629)	(5,002)
Net increase in cash and cash equivalents before currency translation differences	(48,276)	(140,869)	37,284
D. Effect of currency translation differences on cash and cash equivalents	(148)	(431)	738
Net increase / (decrease) in cash and cash equivalents	(48,424)	(141,300)	38,022
E. Cash and cash equivalents at the beginning of the period	116,110	338,810	181,703
Cash and cash equivalents at the end of the period	67,686	197,510	219,725

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

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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

Aksa is registered at Capital Markets Board of Turkey ("CMB") and its shares have been quoted in the Borsa İstanbul A.Ş. ("BİST") since 1986. The principle shareholders and their respective shareholding rates in the Company are as follows:

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

(*) As of 30 June 2016, 37.14% of the Group's shares are traded on BIST and Somerset em.mar.d.v.g hold 5.41% of the shares.

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

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

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

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

- Fibers
- Energy
- Other

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

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

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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint ventures	Country	Nature of business
DowAksa Advanced Composites Holdings BV (“DowAksa Holdings”)	The Netherlands	Investment

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL INFORMATION

2.1 Basis of presentation

2.1.1 Financial Reporting Standards Applied

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

The Group prepared its condensed consolidated interim financial information for the period ended 30 June 2016 in accordance with the TAS 34 “Interim financial reporting” in the framework of the Communiqué Serial: XII and numbered 14.1 and its related announcements. The interim condensed consolidated financial information and its accompanying notes are presented in compliance with the formats, including specific required disclosures, mandated by the CMB.

The entities are allowed to prepare a complete or condensed set of interim financial information in accordance with TAS 34. In this respect, the Group has preferred to prepare condensed consolidated interim financial information for the interim period ended 30 June 2016. While the Group selected to disclose certain explanatory notes to condensed consolidated financial information for the six-month period ended 30 June 2016 required by standards, not required explanatory notes were not disclosed.

The Group’s interim condensed consolidated financial information does not include all disclosures and notes that are included in the annual consolidated financial statements. Therefore the interim condensed consolidated financial information should be read together with the annual consolidated financial statements at 31 December 2015.

The consolidated financial statements and its accompanying notes of the Group are presented in compliance with formats, including specific required disclosures, announced by the CMB on 7 June 2013.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

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

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

2.1.1 Financial Reporting Standards Applied (continued)

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

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

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 Turkish Liras which is functional currency of Aksa as parent company.

Amendments and Interpretations in Turkish Financial Reporting Standards

Group has applied the revised standards and interpretations are published by POA which are effective after 1 January 2016.

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

None.

b) *New standards, amendments and interpretations applicable to 30 June 2016:*

- Amendment to TFRS 11, “Joint arrangements” on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to TAS 16 “Property, plant and equipment”, and TAS 41, “Agriculture”; regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.

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

b) New standards, amendments and interpretations applicable to 30 June 2016 (continued):

- Amendment to TAS 16, "Property, plant and equipment" and TAS 38, "Intangible assets", on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- TFRS 14 "Regulatory deferral accounts", effective from annual periods beginning on or after 1 January 2016. TFRS 14, "Regulatory deferral accounts" permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Amendments to TAS 27, "Separate financial statements" on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to TFRS 10, "Consolidated financial statements" and TAS 28, "Investments in associates and joint ventures", effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - TFRS 5, "Non-current assets held for sale and discontinued operations" regarding methods of disposal.
 - TFRS 7, "Financial instruments: Disclosures", (with consequential amendments to TFRS 1) regarding servicing contracts.
 - TAS 19, "Employee benefits" regarding discount rates.
 - TAS 34, "Interim financial reporting" regarding disclosure of information.
- Amendment to TAS 1, "Presentation of financial statements" on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments aimed to improve presentation and disclosure in financial reports.

These amendments have no impact on the financial position and performance of the Group.

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

c) Standards and amendments issued but not yet effective as of 30 June 2016:

- TFRS 9, "Financial instruments", effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in tAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- TFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

The following standards, interpretations and amendments have not been issued by POA as of the date of this report:

- Amendments to TFRS 2, "Share based payments" on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- Amendment to TFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- TFRS 16 "Leases", effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

c) Standards and amendments issued but not yet effective as of 30 June 2016 (continued):

- Amendments to TAS 7 "Statement of cash flows" on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments TAS 12 "Income Taxes", effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

The Group will evaluate the impact of these amendments and apply where necessary.

2.2 Changes in Accounting Policies, Accounting Estimates and Errors

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

Comparative information and correction of prior period financial statements

On 7 June 2013, CMB released the "Illustrative Financial Statements and Application Guidance" in accordance with the decision taken in its meeting numbered 20/670, to be effective from 31 March 2014 onwards for companies subject to CMB regulations for financial reporting. In order to comply with the guidance, reclassifications were made to the comparative statements as of 30 June 2016. These reclassifications to the consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2016 of the Group are as follows:

- Rental income from investment properties amounting to TRY796 which were previously presented under other operating income are reclassified as revenue.

2.3 Summary of Significant Accounting Policies

The condensed consolidated interim financial information for the period ended 30 June 2016 have been prepared in accordance with the TAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of this condensed consolidated interim financial statements for the period ended 30 June 2016 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2015 except for the following:

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

2.3 Summary of Significant Accounting Policies (Continued)

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

The interim consolidated statement of financial position at 30 June 2016 should be presented along with the comparative statement of financial position at 31 December 2015, the interim consolidated statement of profit or loss and other comprehensive income, cash flows and changes in equity is presented, along with their respective comparative statements for the period 1 January and 30 June 2015.

2.4 Change of Operations According to Seasons

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

2.5 Convenience Translation into English of Consolidated Financial Information

USD amounts shown in the consolidated statement of financial position prepared in accordance with Turkish Accounting Standards have been translated from TRY, as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of the Republic of Turkey on 30 June 2016 of TRY2.8936 = USD1 and USD amounts shown in the consolidated statements of profit or loss and other comprehensive income and cash flows have been translated from TRY, as a matter of arithmetic computation only, at the average official USD bid rates calculated from the official daily bid rates announced by the Central Bank of the Republic of Turkey for the six-month period ended 30 June 2016 of TRY2.9180 = USD1, and do not form part of this condensed consolidated financial statements.

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NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

	1 January - 30 June 2016			Total
	Fibers	Energy	Other	
Total segment revenue	853,704	60,664	6,383	920,751
External revenue	853,704	60,664	6,383	920,751
Adjusted EBITDA (*)	200,349	7,813	2,581	210,743
Unallocated corporate expenses (**)	-	-	-	(25,363)
EBITDA	-	-	-	185,380
Amortization and depreciation	(26,006)	(7,895)	(2,704)	(36,605)
Other operating income, net	-	-	-	4,201
Share of loss of investments				
accounted for using the equity method	(26,090)	-	-	(26,090)
Financial income / (expenses), net	-	-	-	(14,578)
Profit before tax from continuing operations				112,308

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

(**) Unallocated corporate expenses consists of unallocated parts of general administrative expenses for the period between 1 January - 30 June 2016.

	1 April - 30 June 2016			Total
	Fibers	Energy	Other	
Total segment revenue	445,318	29,563	3,116	477,997
External revenue	445,318	29,563	3,116	477,997
Adjusted EBITDA	118,172	4,317	1,233	123,722
Unallocated corporate expenses (***)	-	-	-	(14,065)
EBITDA	-	-	-	109,657
Amortization and depreciation	(12,983)	(4,056)	(1,333)	(18,372)
Other operating income, net	-	-	-	7,005
Share of loss of investment				
accounted for using the equity method	(16,520)	-	-	(16,520)
Financial income / (expenses), net	-	-	-	(11,171)
Profit before tax				70,599

(***) Unallocated corporate expenses for the period between 1 April - 30 June 2016, consists of unallocated part of general administrative expenses.

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NOTE 3 - SEGMENT REPORTING (Continued)

	1 January - 30 June 2015			
	Fibers	Energy	Other	Total
Total segment revenue	977,627	62,261	4,184	1,044,072
External revenue	977,627	62,261	4,184	1,044,072
Adjusted EBITDA (*)	176,592	7,546	1,297	185,435
Unallocated corporate expenses (*)	-	-	-	(21,236)
EBITDA	-	-	-	164,199
Amortization and depreciation	(20,670)	(7,437)	(2,093)	(30,200)
Other operating income, net	-	-	-	42,685
Share of loss of investments	-	-	-	-
accounted for using the equity method	(25,063)	-	-	(25,063)
Financial income / (expenses), net	-	-	-	(20,948)
Profit before tax				130,673

(*) Unallocated corporate expenses consists of unallocated parts of general administrative expenses for the period between 1 January - 30 June 2015.

	1 April - 30 June 2015			
	Fibers	Energy	Other	Total
Total segment revenue	519,356	32,647	2,048	554,051
External revenue	519,356	32,647	2,048	554,051
Adjusted EBITDA	108,793	2,346	781	111,920
Unallocated corporate expenses (**)	-	-	-	(11,300)
EBITDA	-	-	-	100,620
Amortization and depreciation	(10,841)	(4,316)	(1,051)	(16,208)
Other operating income, net	-	-	-	23,346
Share of loss of investment	-	-	-	-
accounted for using the equity method	(14,039)	-	-	(14,039)
Financial income / (expenses), net	-	-	-	(24,381)
Profit before tax				69,338

(**) Unallocated corporate expenses consists of unallocated parts of general administrative expenses for the period between 1 April - 30 June 2015.

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NOTE 4 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint Ventures

30 June 2016 31 December 2015

DowAksa Holdings	214,097	243,337
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Summarized financial information of DowAksa Holding is presented below;

30 June 2016 31 December 2015

Current assets	142,675	181,257
Non-current assets	737,726	765,272

Total Assets	880,401	946,529
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Short-term liabilities	169,956	205,492
Long-term liabilities	282,251	254,363
Equity	428,194	486,674

Total Liabilities	880,401	946,529
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Equity corresponding to Group's share of 50%	214,097	243,337
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	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Revenues	35,882	15,866	41,215	20,947
Net loss	(52,180)	(33,040)	(50,126)	(28,078)

Net loss corresponding to the Group's share of 50%	(26,090)	(16,520)	(25,063)	(14,039)
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Movement of joint ventures accounted for using equity method as follows:

	2016	2015
1 January, opening balance	243,337	242,588
Net loss corresponding to the Group's share of 50%	(26,090)	(25,063)
Currency translation differences	(3,150)	37,264
30 June, closing balance	214,097	254,789

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NOTE 5 - BORROWINGS

Group's financial liabilities are as follows:

	30 June 2016	31 December 2015
Short-term bank borrowings	291,478	323,879
Short-term factoring liabilities	15,536	13,528
Short-term portion of long-term bank borrowings	71,124	70,886
Total short-term borrowings	378,138	408,293
Long-term bank borrowings	178,312	212,946
Total long-term borrowings	178,312	212,946
Total borrowings	556,450	621,239

Bank borrowings

	<u>30 June 2016</u>		<u>31 December 2015</u>	
	Weighted average interest rate % pa.	TRY	Weighted average interest rate % pa.	TRY
a) Short-term bank borrowings:				
USD borrowings	2.04	289,360	1.53	319,836
TRY borrowings	-	2,118	-	2,432
EUR borrowings	-	-	2.28	1,611
Total short-term bank borrowings:		291,478		323,879
Factoring liabilities	1.70	15,536	1.60	13,528
Total short-term borrowings		307,014		337,407
b) Short-term portion of long-term bank borrowings:				
USD bank borrowings	3.85	24,113	3.85	24,230
EUR bank borrowings	2.44	47,011	2.44	46,656
Total short-term portion of long-term bank borrowings		71,124		70,886
Total short-term borrowings		378,138		408,293
c) Long-term bank borrowings:				
USD bank borrowings	3.85	60,283	3.85	72,690
EUR bank borrowings	2.23	118,029	2.32	140,256
Total long-term borrowings		178,312		212,946

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NOTE 5 - BORROWINGS (Continued)

The Group has no breaches of contract in relation to its borrowings.

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

	30 June 2016	31 December 2015
Less than 3 months	64,392	174,789
Between 3-12 months	313,746	233,504
Between 1-2 years	70,933	70,658
Between 2-3 years	59,718	65,097
Between 3-4 years	47,661	59,537
4 years and longer	-	17,654
	556,450	621,239

As of 30 June 2016, according to the general credit agreements, the Group has no blocked deposits in relation to its borrowings (31 December 2015: TL3,853).

NOTE 6 - TRADE RECEIVABLES

Details of trade receivables and payables are as follows:

a) Short-term trade receivables:

	30 June 2016	31 December 2015
Trade receivables	229,580	243,344
Notes receivable and cheques	112,480	77,277
Less: Provision for doubtful receivables	(42,388)	(42,388)
Less: Unearned finance income on credit sales	(4,434)	(2,907)
Total short-term trade receivables, net	295,238	275,326

Trade receivables as of 30 June 2016 and have an average maturity of 3 months (31 December 2015: 3 months) and they are discounted with an average annual interest rate of 7% (31 December 2015: 7%) in TRY basis.

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

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NOTE 7 - INVESTMENT PROPERTIES

	2016	2015
Net book value at 1 January	48,418	-
Current period depreciation	(631)	-
Net book value at 30 June	47,787	-

Current period depreciation expense is classified under general administrative expenses.

Land and Buildings

The land and buildings classified as investment properties consist of land and buildings at the city of Yalova, town of Çiftlikköy, village of Deniz Çalı. The fair value of the plant in Yalova is equal to purchase value dated on 10 September 2015 of land and buildings and they have been rented for USD75 thousand and TRY15 as of the same date.

Independent Units

Independent units consist of offices of the Company located in Gümüşsuyu and Maçka. According to the recent valuation report, the fair value of the independent units is TRY19,200 and it provides rent income amounting to USD30 thousand per month.

Rental income from investment properties has been disclosed as "Other" under the revenue account in "Segment Reporting" (Note 3) and is TRY2,326 as of 30 June 2016.

As of the reporting date, the Group's investment properties are insured for USD 10 million.

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

The movement of property plant and equipment for the period ended 30 June 2016 and 2015 are as follows:

	2016	2015
Net book value at 1 January	718,574	678,535
Additions	40,467	58,707
Current period depreciation	(33,532)	(30,653)
Currency translation differences	(542)	298
Disposals	(13)	(1,509)
Net book value at 30 June	724,954	705,378

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NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (Continued)

TRY32,808 (30 June 2015: TRY28,049) of the current period depreciation expenses is included in "cost of goods sold", TRY247 (30 June 2015: TRY252) is included in "research and development expenses", TRY374 (30 June 2015: TRY395) is included in "general administrative expenses", TRY19 (30 June 2015: TRY19) is included in "marketing expenses", TRY22 (30 June 2015: TRY22) is included in construction in progress and TRY62 (30 June 2015: TRY1,916) is included in inventory.

TRY32,785 (30 June 2015: TRY56,629) of current period additions of property, plant and equipment is related to construction-in-progress account. Carrying value of construction-in-progress account amounts to TRY72,169 (30 June 2015: TRY98,291) and these assets are not depreciated until they are ready for use in the intended manner.

NOTE 9 - INTANGIBLE ASSETS

The movement of intangible assets for the period ended 30 June 2016 and 2015 are as follows;

	2016	2015
Net book value at 1 January	82,956	13,406
Additions	183	1,105
Currency translation differences	(74)	56
Current period depreciation	(2,526)	(1,485)
Net book value at 30 June	80,539	13,082

TRY1,359 (30 June 2015: TRY288) of the current amortization expense is charged to "cost of sales", TRY1,058 (30 June 2015: TRY1,061) is charged to "research and development expenses", TRY109 (30 June 2015: TRY136) is charged to "general administrative expenses".

NOTE 10 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

	30 June 2016	31 December 2015
Collaterals given	187,586	225,984
Letter of credit commitments	207,155	194,572
Total	394,741	420,556

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NOTE 10 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	30 June 2016	31 December 2015
Credit insurance	428,066	505,111
Pledged cheques and notes receivable	78,317	53,662
Pledges received	43,920	42,992
Guarantee letters received	39,822	25,788
Confirmed/unconfirmed letters of credit	18,185	57,342
Limits of Direct Debiting System ("DDS")	16,162	19,563
Total	624,472	704,458

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

	30 June 2016	31 December 2015
A. CPM given on behalf of the Company's legal personality	364,738	390,408
- USD	301,376	202,597
- Turkish Lira	49,072	187,201
- EUR	14,290	610
- Other	-	-
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	30,003	30,148
- USD	30,003	30,148
D. Total amount of other CPM given	-	-
i) Total amount of CPM given on behalf of the majority shareholder	-	-
ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C,	-	-
Total	394,741	420,556

As of 30 June 2016, the ratio of other CPMs given by the Company to equity is 0% (31 December 2015: 0%).

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NOTE 11 - DERIVATIVE INSTRUMENTS

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

	30 June 2016		31 December 2015	
	Asset	Liabilities	Asset	Liabilities
Held for trading	5,599	-	7,311	-
Subject to hedge accounting	-	756	413	-
Total	5,599	756	7,724	-

Derivative instruments subject to hedge accounting:

	30 June 2016		31 December 2015	
	Contract amount	Fair value	Contract amount	Fair value
	USD thousand	Liability TRY	USD thousand	Asset TRY
Interest rate swap	29,167	(756)	33,333	413

At 30 June 2016, such arrangements fixed LIBOR and EURIBOR to 1.35% (31 December 2015: 1.35%). Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts as of 30 June 2016 will be gradually released to the income statement within finance cost until the repayment of the bank borrowings.

Derivative instruments held for trading:

As of 30 June 2016, Group has foreign exchange sales and purchase option contracts. Such option transactions are recognized as derivative instruments held for trading in the consolidated financial information due to not holding the necessary conditions in terms of hedge accounting and consequently changes in the fair value of these derivatives are recognized in the income statement.

	30 June 2016		31 December 2015	
	Contract amount	Fair value	Contract amount	Fair value
	(thousand)	Asset TRY	(thousand)	Asset TRY
Foreign exchange held for trading transactions:		5,599		7,311
- USD	45,099	2,643	39,531	1,140
- EUR	34,700	2,956	68,500	6,171

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NOTE 12 - EXPENSES BY NATURE

Cost of sales, marketing expenses and general administrative expenses by nature for the six-month periods ended at 30 June 2016 and 2015 are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Raw materials and goods	581,311	288,521	754,741	389,486
Employee benefits	52,994	25,929	46,434	22,566
Depreciation and amortization	36,605	18,372	30,200	16,208
Repair, maintenance and cleaning expenses	24,326	11,807	14,982	9,301
Commission expenses	11,527	6,855	10,943	5,975
Export expenses	7,604	3,382	8,047	3,855
Consultancy expenses	6,638	3,230	4,230	2,282
Information technologies expenses	4,446	2,629	3,051	1,551
Rent expenses	3,061	1,579	2,967	1,570
Miscellaneous tax expenses	1,211	1,018	1,122	907
Other	42,253	23,390	33,356	15,938
Total	771,976	386,712	910,073	469,639

NOTE 13 - OTHER OPERATING INCOME / EXPENSE

Other operating income for the six-month periods ended at 30 June 2016 and 2015 are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Foreign exchange gain on trading transactions	27,332	10,454	76,777	20,679
Interest income on credit sales	5,489	2,284	5,382	1,952
Profit from sales of property, plant and equipment	96	53	3,157	3,095
Profit from sale of subsidiary shares	-	-	9,305	9,305
Released provisions	-	-	2,015	33
Other	1,879	1,410	979	546
Total	34,796	14,201	97,615	35,610

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NOTE 13 - OTHER OPERATING INCOME / EXPENSE (Continued)

Other operating expenses for the six-month periods ended at 30 June 2016 and 2015 are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Foreign exchange loss on trading transactions	26,179	4,804	51,099	10,375
Interest expense from credit purchases	3,467	1,798	2,978	1,464
Other	949	594	853	425
Total	30,595	7,196	54,930	12,264

NOTE 14 - FINANCIAL INCOME

Financial income for the six-month periods ended at 30 June 2016 and 2015 is as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Foreign exchange gains	65,544	29,302	51,726	23,819
Interest income	6,156	1,807	4,320	2,068
Income from derivative instruments	-	-	24,622	-
Total	71,700	31,109	80,668	25,887

NOTE 15 - FINANCIAL EXPENSES

Financial expenses for the six-month periods ended at 30 June 2016 and 2015 are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Foreign exchange expense	77,935	37,466	85,488	36,766
Borrowing costs and comission expenses	6,629	3,441	5,002	2,376
Expenses from derivative instrument	1,714	1,373	11,126	11,126
Total	86,278	42,280	101,616	50,268

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NOTE 16 - TAX ASSETS AND LIABILITIES

Tax expenses for the six-month periods ended at 30 June 2016 and 2015 are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Income tax expense	(29,472)	(16,750)	(30,843)	(19,659)
Deferred tax income/(expense), net	233	(253)	4,593	4,888
Total tax expense	(29,239)	(17,003)	(26,250)	(14,771)

Deferred Income Tax Assets and Liabilities

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 30 June 2016 and 31 December 2015 are as follows:

	Temporary Taxable Differences		Deferred Income Tax Asset/Liability	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Property, plant and equipment and intangible assets	(56,413)	(55,539)	(11,283)	(11,108)
Derivative instruments	(4,842)	(7,724)	(968)	(1,545)
Trade payables	(1,697)	(1,471)	(339)	(294)
Inventory	(1,655)	-	(331)	-
Deferred income tax liabilities			(12,921)	(12,947)
Employee termination benefits	24,727	21,357	4,945	4,271
Other short-term liabilities	5,573	1,395	1,115	279
Trade receivables	1,454	3,876	291	775
Inventories	-	1,982	-	396
Deferred income tax assets			6,351	5,721
Deferred income tax liabilities, net			(6,570)	(7,226)

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NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

Movement for the deferred income tax liabilities for the six-month periods ended at 30 June 2016 and 2015 are as follows:

	2016	2015
1 January	7,226	9,386
Deferred tax (expenses) / income for the period, net	(233)	(4,593)
Amounts recognized under the equity	(446)	452
Currency translation differences	23	9
30 June	6,570	5,254

	30 June 2016	31 December 2015
Calculated corporate income tax	29,472	60,418
Amount offset from VAT receivables and prepaid corporate taxes	(12,925)	(45,874)
Income tax payable	16,547	14,544

	30 June 2016	30 June 2015
Profit before tax stated in the consolidated financial statements	112,308	130,673
Expected tax expense of the Group (20%)	22,462	26,135
The effect of application of equity method	26,090	25,063
Expenses not deductible for tax purposes	171	1,065
The effect of foreign subsidiaries	4,454	554
Impact of tax exemption for profit from land sold	-	(1,728)
Impact of tax exemption for profit from investments sold	-	(7,076)
Impact of tax exemption for sale and leaseback transaction	-	(17,644)
Other	3,171	341
Tax effect (20%)	6,777	115
Current period tax expense of the Group	29,239	26,250

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NOTE 17 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the period. Calculating of earnings per share for the six-month periods ended at 30 June 2016 and 2015 are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Net income attributable to the equity holders of the parent (TRY) (*) (A)	83,091,264	53,598,135	104,425,903	54,563,701
Weighted average number of shares (B)	18,500,000,000	18,500,000,000	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	0.45	0.29	0.56	0.29

(*) Amounts expressed in Turkish Lira.

NOTE 18 - RELATED PARTY DISCLOSURES

a) Short-term trade receivables:

As of 30 June 2016 and 31 December 2015, trade receivables from related parties are as follows:

	30 June 2016	31 December 2015
Ak-Pa Tekstil İhracat Pazarlama A.Ş. ("Ak-Pa") (*)	138,868	182,737
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. ("DowAksa")	5,211	5,456
Akkim Kimya San. ve Tic. A.Ş. ("Akkim")	4,923	4,391
Other	312	16
Less: Unearned finance income on credit sales (-)	(88)	(99)
Total	149,226	192,501

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

Foreign currency denominated trade receivables have average 3 months maturity as of 30 June 2016 and are discounted with annual average discount rate of %1 (31 December 2015:%1) based on USD.

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NOTE 18 - RELATED PARTY DISCLOSURES (Continued)

b) Short-term trade payables:

As of 30 June 2016 and 31 December 2015, short-term trade payables to related parties are as follows:

	30 June 2016	31 December 2015
Akkim	9,844	7,126
Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi ("Yalkim OSB")	5,308	6,715
Ak-Pa	3,989	5,105
Dinkal Sigorta Acenteliği A.Ş.	2,987	2,126
Akgirişim Müt. Müş. Çevre Tek. San. Tic. A.Ş. ("Akgirişim")	2,262	3,553
Akkök Holding	1,824	1,666
Aktek Bilgi İşlem Tekn. San.ve Tic. A.Ş. ("Aktek")	1,540	687
Other	235	532
Total	27,989	27,510

c) Long-term trade payables:

As of 30 June 2016 and 31 December 2015, long-term trade payables to related parties are as follows:

	30 June 2016	31 December 2015
Yalkim OSB	8,399	13,974

Balance relates to on-current portion of payable arising from acquisition of the right to use the joint water treatment plant within Yalkim OSB.

d) Financial Liabilities:

As of 30 June 2016 and 31 December 2015, financial liabilities are as follows:

	30 June 2016	31 December 2015
Ak-Pa	15,536	13,528

Financial liabilities comprise cash received from factoring transactions made through Ak-Pa (Note 5).

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NOTE 18 - RELATED PARTY DISCLOSURES (Continued)

e) Other receivables:

Other receivables from joint ventures as of 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
DowAksa - Leasing receivables	763	13,017
DowAksa - Unearned finance income (-)	(695)	(1,928)
Other short-term receivables (*)	68	11,089
DowAksa - Leasing receivables	101,065	87,020
DowAksa - Unearned finance income (-)	(14,423)	(7,564)
Other long-term receivables	86,642	79,456
Total	86,710	90,545

(*) As a result of the agreement with DowAksa regarding restructuring of principal repayment plan, other short-term receivables have been reclassified to other long-term receivables.

Leasing receivables are shown as below in terms of period the collection as of 30 June 2016 and 31 December 2015:

	30 June 2016			31 December 2015		
	Principal Amount	Interest	Total	Principal Amount	Interest	Total
Less than 3 months	68	174	242	4,358	501	4,859
Between 3-12 months	-	521	521	6,731	1,427	8,158
Between 1-2 years	3,101	1,213	4,314	9,156	1,721	10,877
Between 2-3 years	9,445	2,108	11,553	9,367	1,510	10,877
Between 3-4 years	9,661	1,892	11,553	9,584	1,293	10,877
4 years and longer	64,435	9,210	73,645	51,349	3,040	54,389
	86,710	15,118	101,828	90,545	9,492	100,037

f) Advances given

As of 30 June 2016 and 31 December 2015, advances given to related parties are as follows:

	30 June 2016	31 December 2015
Akgirişim	3,247	1,969
Yalkim OSB	1,850	1,859
Total	5,097	3,828

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NOTE 18 - RELATED PARTY DISCLOSURES (Continued)

g) Sales:

Sales to related parties for the six-month periods ended at 30 June 2016 and 2015 are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Ak-Pa (*)	346,312	175,437	433,870	211,645
Akkim	24,351	12,169	21,819	10,969
DowAksa	14,909	5,276	14,237	4,332
Akkök Holding	299	150	11,926	11,797
Other	1,266	404	286	70
Total	387,137	193,436	482,138	238,813

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

Sales to related parties consist of fiber, steam and electricity sales.

h) Purchases:

Product and service purchases from related parties for the six-month periods ended 30 June 2016 and 2015 are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Akkim	35,976	18,865	33,958	18,674
Akgirişim	12,468	10,436	20,444	7,203
Dinkal Sigorta Acenteliği A.Ş. (*)	7,480	303	6,592	447
Yalkim OSB (**)	6,553	2,941	-	-
Ak-Pa	5,383	2,553	6,416	3,431
Akkök Holding	4,126	2,036	3,385	1,692
Aktek	4,965	3,077	3,561	2,079
Ak-Han Bakım Yönt. Serv. Hiz.Güv. Malz. A.Ş.	547	323	520	283
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	309	2	718	212
Other	45	32	57	57
Total	77,852	40,568	75,651	34,078

(*) Purchases include gross value of insurance services obtained through Dinkal Sigorta Acenteliği A.Ş. (far which acts as an agent).

(**) Purchases from Yalkim OSB consist of service charge for waste treatment facility and general administrative expenses of Yalkim OSB, which are charged to its participants.

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NOTE 18 - RELATED PARTY DISCLOSURES (Continued)

Purchases from related parties consist of chemicals, insurance services, construction, commission charges, consulting and rent expenses.

The Company defined its key management personnel as member of action committee and board of directors. Benefits provided to these key management personnel as of 30 June 2016 and 2015 are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Salary and other short term employee benefits	1,810	891	1,766	964
Provision for employment termination benefits	25	8	11	(2)
Post-employment benefits	-	-	-	-
Other long term benefits	-	-	-	-
Share based payments	-	-	-	-
Total	1,835	899	1,777	962

The benefits provided to board of directors for the six month period ended as of 30 June 2016 and 2015 are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Salary and other short term employee benefits	724	391	690	366
Provision for employment termination benefits	-	-	-	-
Post-employment benefits	-	-	-	-
Other long term benefits	-	-	-	-
Share based payments	-	-	-	-
Total	724	391	690	366

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NOTE 19 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial risk factors

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

Interest rate risk

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial informations net of provision for doubtful receivables (Note 6).

Foreign Exchange Risk

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

Foreign currency position presented in TRY is as follows:

	30 June 2016	31 December 2015
Assets	680,168	797,774
Liabilities	(820,676)	(863,643)
Net balance sheet position	(140,508)	(65,869)

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**NOTE 19 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

Foreign currency position as of 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016			
	TRY equivalent	USD	EUR	Other
1. Trade Receivables	429,382	132,350	14,484	-
2a. Monetary Financial Assets (Cash and cash equivalents included)	164,076	47,758	3,988	13,106
2b. Non- monetary Financial Assets	-	-	-	-
3. Other	68	24	-	-
4. Current Assets (1+2+3)	593,526	180,132	18,472	13,106
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	86,642	29,943	-	-
8. Non-Current Assets (5+6+7)	86,642	29,943	-	-
9. Total Assets (4+8)	680,168	210,075	18,472	13,106
10. Trade Payables	266,344	86,578	4,930	25
11. Financial Liabilities	376,020	113,703	14,671	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	642,364	200,281	19,601	25
14. Trade Payables	-	-	-	-
15. Financial Liabilities	178,312	20,833	36,833	-
16 a. Monetary Other Liabilities	-	-	-	-
16 b. Non-monetary Other Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	178,312	20,833	36,833	-
18. Total Liabilities (13+17)	820,676	221,114	56,434	25
19. Off Statement of Financial Position				
Derivative Items' Net Asset/(Liability) Position				
(19a-19b)	6,262	(5,145)	6,600	-
19a. Net Assets of Off Statement of Financial Position	273,996	48,955	41,300	-
19b. Net Liabilities of Off Statement of Financial Position	267,734	54,100	34,700	-
20. Net Foreign Currency Asset / (Liability)				
Position (9-18+19)	(134,246)	(16,184)	(31,362)	13,081
21. Monetary Items Net Foreign Currency				
Asset / (Liability) Position				
(=1+2a+5+6a-10-11-12a-14-15-16a)	(227,218)	(41,006)	(37,962)	13,081
22. Total Fair Value of Financial Instruments				
Used to Hedge the Foreign Currency Position	5,599	913	922	-
23. Total value of Hedged Foreign Currency Assets	-	-	-	-
24. Total value of Hedged Foreign Currency Liabilities	-	-	-	-

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

**NOTE 19 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

	31 December 2015			
	TRY equivalent	USD	EUR	Other
1. Trade Receivables	447,385	136,535	15,860	-
2a. Monetary Financial Assets (including cash and bank accounts)	259,844	75,877	1,533	34,354
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	11,089	3,814	-	-
4. Current Assets (1+2+3)	718,318	216,226	17,393	34,354
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	79,456	27,327	-	-
8. Non-Current Assets (5+6+7)	79,456	27,327	-	-
9. Total Assets (4+8)	797,774	243,553	17,393	34,354
10. Trade Payables	244,836	83,243	874	22
11. Financial Liabilities	405,861	122,986	15,190	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	650,697	206,229	16,064	22
14. Trade Payables	-	-	-	-
15. Financial Liabilities	212,946	25,000	44,139	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	212,946	25,000	44,139	-
18. Total Liabilities (13+17)	863,643	231,229	60,203	22
19. Off Balance Sheet Derivative Items'				
Net Asset/(Liability) Position (19a-19b)	(1,720)	38,533	(35,800)	-
19a. Net Assets of Statement of Financial Position	330,886	78,064	32,700	-
19b. Net Liabilities of Statement of Financial Position	332,606	39,531	68,500	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(67,589)	50,857	(78,610)	34,332
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(156,414)	(18,817)	(42,810)	34,332
22. Fair Value of Financial Instruments Used for Foreign Hedge	7,311	392	1,942	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

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

NOTE 19 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following table demonstrates the sensitivity to possible changes in the net position, on the Group's balance sheet as of 30 June 2015 and 31 December 2015:

30 June 2016

	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation of USD against TRY				
USD net asset/ (liability)	(3,194)	3,194	21,410	(21,410)
Amount hedged for USD risk	-	-	-	-
USD Net effect	(3,194)	3,194	21,410	(21,410)
In case 10% appreciation of EUR against TRY				
EUR net asset/ (liability)	(12,165)	12,165	-	-
Amount hedged for EUR risk	-	-	-	-
EUR Net effect	(12,165)	12,165	-	-

31 December 2015

	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)	3,583	(3,583)	24,334	(24,334)
Amount hedged for USD risk	-	-	-	-
USD net effect	3,583	(3,583)	24,334	(24,334)
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(13,603)	13,603	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	(13,603)	13,603	-	-

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

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

**NOTE 19 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

Capital risk management

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

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

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:

	30 June 2016	31 December 2015
Total monetary liabilities (*)	854,885	940,618
Less: Cash and cash equivalents	(197,567)	(342,810)
Net debt	657,318	597,808
Total shareholders' equity	1,164,597	1,248,596
Total capital	1,821,915	1,846,404
Debt/equity ratio	36%	32%

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

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