AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

pwc

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards 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.

Independent Auditor's Responsibility

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

   An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aksa Akrilik Kimya Sanayii A.Ş. (and its Subsidiaries) as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

Emphasis of Matter

5. 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 "TL", 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 31 December 2014 for consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2014 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 consolidated financial statements.

Other Responsibilities Arising From Regulatory Requirements

6. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 20 February 2015.

7. In accordance with subparagraph 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 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

8. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and submitted required documents within the context of audit.

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

Çağlar Sürücü, SMMM
Partner

Istanbul, 20 February 2015

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

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

	Notes	31 December 2014 USD (*)	*Audited* 31 December 2014 TL	*Audited* 31 December 2013 TL
ASSETS				
Current assets		**421,320**	**977,000**	**857,189**
Cash and cash equivalents	4	83,010	192,492	233,208
Trade receivables				
- Trade receivables from third parties	8	128,228	297,347	218,386
- Trade receivables from related parties	26	79,762	184,959	147,010
Other receivables				
- Other receivables from related parties	26	2,998	6,952	-
- Other receivables from third parties	9	97	224	212
Inventories	10	101,931	236,368	185,194
Prepaid expenses	16	5,888	13,653	18,533
Derivative financial instruments	17	1,115	2,586	-
Other current assets	16	18,293	42,419	54,646
Non-current assets		**440,323**	**1,021,065**	**954,416**
Other receivables				
- Other receivables from related parties	26	30,376	70,439	-
Financial investments	5	1,016	2,355	2,355
Investments accounted for using the equity method	6	104,613	242,588	245,108
Property, plant and equipment	11	292,611	678,535	678,511
Intangible assets				
- Goodwill	13	2,583	5,989	5,989
- Other intangible assets	12	3,198	7,417	9,931
Prepaid expenses	16	4,089	9,483	11,986
Derivative financial instruments	17	1,831	4,246	524
Other non-current assets		6	13	12
TOTAL ASSETS		**861,643**	**1,998,065**	**1,811,605**

(*) 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 2014, and therefore do not form part of these consolidated financial statements (Note 2.5)

These consolidated financial statements at 31 December 2014 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 20 February 2015.

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

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

	Notes	31 December 2014 USD (*)	*Audited* 31 December 2014 TL	*Audited* 31 December 2013 TL
LIABILITIES				
Current liabilities		**324,184**	**751.751**	**616,554**
Short-term borrowings	7	109,009	252,781	159,468
Short-term proportion of long-term borrowings	7	12,708	29,469	66,393
Trade payables				
- Trade payables to third parties	8	166,869	386,952	308,130
- Trade payables to related parties	26	19,188	44,494	32,976
Other payables				
- Other payables from third parties	9	1,205	2,795	3,259
Deferred income	16	5,285	12,256	24,468
Income tax payable	24	4,796	11,122	10,437
Short-term provisions				
- Short-term provisions for employee benefits	15	560	1,298	1,035
- Other short-term provisions	14	4,553	10,557	6,653
Derivative financial instruments	17	-	-	3,312
Other current liabilities		12	27	423
Non-current liabilities		**57,334**	**132,951**	**147,565**
Long-term borrowings	7	43,977	101,978	124,616
Long-term provisions				
- Provision for employment termination benefits	15	9,309	21,587	15,338
Deferred income	16	-	-	366
Deferred tax liabilities	24	4,048	9,386	7,245
Total liabilities		**381,518**	**884,702**	**764,119**
EQUITY		**480,125**	**1,113,363**	**1,047,486**
Attributable to equity holders of the parent		**480,101**	**1,113,306**	**1,047,436**
Share capital	18	79,779	185,000	185,000
Adjustment to share capital	18	84,167	195,175	195,175
Share premium		19	44	44
Other comprehensive income/(expense) not to be reclassified to profit and loss				
- Remeasurement gain/(loss) arising from defined benefit plans		(2,842)	(6,591)	(3,129)
Other comprehensive income/expense to be reclassified to profit and loss				
- Currency translation reserve		26,543	61,550	43,481
- Hedging reserve		(149)	(346)	195
Restricted reserves		41,359	95,907	82,764
Retained earnings		180,999	419,718	403,221
Net income		70,227	162,849	140,685
Attributable to non-controlling interests		**25**	**57**	**50**
TOTAL LIABILITIES AND EQUITY		**861,643**	**1,998,065**	**1,811,605**

(*) 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 2014, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Notes	2014 USD (*)	*Audited* 2014 TL	*Audited* 2013 TL
Revenue	19	962,811	2,104,898	1,756,402
Cost of sales (-)	19, 20	(818,569)	(1,789,556)	(1,468,423)
Gross profit		**144,242**	**315,342**	**287,979**
General administrative expenses (-)	20	(20,062)	(43,859)	(45,142)
Marketing, selling and distribution expenses (-)	20	(19,726)	(43,126)	(37,101)
Research and development expenses (-)	20	(1,727)	(3,775)	(6,109)
Other operating income	21	30,887	67,525	46,004
Other operating expenses (-)	21	(26,481)	(57,892)	(57,894)
Operating profit		**107,133**	**234,215**	**187,737**
Share of loss of investment accounted for using the equity method	6	(9,236)	(20,192)	(25,525)
Operating profit before financial (loss)/income		**97,897**	**214,023**	**162,212**
Financial income	22	41,439	90,594	112,295
Financial expenses (-)	23	(44,135)	(96,488)	(90,161)
Profit before tax from continuing operations		**95,201**	**208,129**	**184,346**
Taxation expense on income:				
- Current income tax (-)	24	(19,246)	(42,076)	(43,445)
- Deferred income tax	24	(1,462)	(3,197)	1,649
Net income for the year from continuing operations		**74,493**	**162,856**	**142,550**
Other comprehensive income/(expense):				
Items not to be reclassified to profit and loss				
Remeasurement (loss)/gain arising from defined benefit plan		(1,979)	(4,327)	1,364
Taxation on other comprehensive income not to be reclassified to profit and loss		396	865	(273)
Items to be reclassified to profit and loss				
Fair value changes on derivative financial instruments		(309)	(676)	1,485
Currency translation differences		8,265	18,069	44,579
Taxation on to be reclassified to profit and loss		62	135	(297)
Total comprehensive income		**80,927**	**176,922**	**189,408**
Net income for the period attributable to:				
Equity holders of the parent		74,490	162,849	140,685
Non-controlling interests		3	7	1,865
		74,493	**162,856**	**142,550**
Total comprehensive income attributable to:				
Equity holders of the parent		80,924	176,915	187,543
Non-controlling interests		3	7	1,865
		80,927	**176,922**	**189,408**
Earnings per share for equity holders of the parent (Kr)	25	0.40	0.88	0.76

(*) 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 2014, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Attributable to equity holders of the parent											
	Share capital	Adjustments to share capital	Share premium	Restricted reserves	Currency translation differences[1]	Hedging reserve[1]	Remeasurement loss arising from defined benefit plans[2]	Retained earnings	Net income for the period	Total	Non-controlling interests	Total equity
1 January 2013	**185,000**	**195,175**	**44**	**60,644**	**(1,098)**	**(993)**	**(4,220)**	**357,562**	**168,509**	**960,623**	**10,297**	**970,920**
Transfers	-	-	-	22,120	-	-	-	146,389	(168,509)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(89,550)	-	(89,550)	(2,959)	(92,509)
Total comprehensive income	-	-	-	-	44,579	1,188	1,091	-	140,685	187,543	1,865	189,408
Share changes not resulting in control change in sunsidiaries (Note 13)	-	-	-	-	-	-	-	(11,180)	-	(11,180)	(9,153)	(20,333)
31 December 2013	**185,000**	**195,175**	**44**	**82,764**	**43,481**	**195**	**(3,129)**	**403,221**	**140,685**	**1,047,436**	**50**	**1,047,486**

	Attributable to equity holders of the parent											
	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	Non-controlling interests	Total equity
1 January 2014	**185,000**	**195,175**	**44**	**82,764**	**43,481**	**195**	**(3,129)**	**403,221**	**140,685**	**1,047,436**	**50**	**1,047,486**
Transfers	-	-	-	13,143	-	-	-	127,542	(140,685)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(111,045)	-	(111,045)	-	(111,045)
Total comprehensive income	-	-	-	-	18,069	(541)	(3,462)	-	162,849	176,915	7	176,922
31 December 2014	**185,000**	**195,175**	**44**	**95,907**	**61,550**	**(346)**	**(6,591)**	**419,718**	**162,849**	**1,113,306**	**57**	**1,113,363**

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

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

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Notes	2014 USD (*)	2014 TL	2013 TL
A. Cash Flows From Operating Activities		**78,000**	**170,524**	**307,352**
Net income for the period		74,493	162,856	142,550
Adjustments to reconcile net income before tax to net cash provided by operating activities:		**62,595**	**136,846**	**154,789**
Adjustments related to depreciation and amortization	20	27,525	60,175	52,046
Adjustments related to impairment/(reversal of impairment)		901	1,969	684
Adjustments related to provisions		1,640	3,585	1,737
Adjustments related to interest (income) and expense	22,23	851	1,861	(1,831)
Unrealized exchange differences		3,159	6,907	32,956
Adjustments related to fair value gain/losses	5	-	-	(1,028)
Adjustments related to losses of associates	6	9,236	20,192	25,525
Adjustments related to tax income/expenses		20,709	45,273	41,796
Adjustments related to income/expenses to dispose of fixed assets		(1,674)	(3,659)	3,444
Other adjustments		248	543	(540)
Changes in working capital		**(61,600)**	**(134,669)**	**9,624**
Adjustment related to increases/decreases in inventory		(22,872)	(50,002)	(19,119)
Adjustment related to increases/decreases in trade receivable		(59,998)	(131,168)	(50,901)
Adjustment related to increases/decreases in other receivables arising from operating activities		(5)	(12)	(42)
Adjustment related to increases/decreases in trade payables		44,569	97,436	104,619
Adjustment related to increases/decreases in other payables arising from operating activities		(214)	(467)	264
Other adjustment related to increases/decreases in working capital		(23,079)	(50,456)	(25,197)
Cash flows from operating activities		**2,512**	**5,491**	**389**
Dividends paid to non-controlling interest		-	-	(2,959)
Interest paid		(3,246)	(7,096)	(7,980)
Interest received		5,880	12,855	12,949
Taxes paid/received		(123)	(268)	(1,621)
B. Cash Flows From Investing Activities		**(60,524)**	**(132,318)**	**(145,939)**
Cash paid for acquisition of non-controlling interests		-	-	(20,333)
Cash proceeds from disposal of property, plants and equipment and intangibles		134	292	3,983
Cash proceeds from purchase of property, plants and equipment and intangibles	11,12	(60,658)	(132,610)	(129,589)
C. Cash Flows From Financing Activities		**(39,603)**	**(86,581)**	**(71,162)**
Cash inflow arising from borrowings		43,373	94,821	59,016
Cash outflow arising from repayment of borrowings		(31,094)	(67,978)	(40,838)
Dividends paid		(50,794)	(111,045)	(89,550)
Interest received		2,196	4,800	5,190
Interest paid		(3,284)	(7,179)	(4,980)
Net increase in cash and cash equivalents before currency translation differences		**(22,127)**	**(48,375)**	**90,251**
D. Effect of Currency Translation Differences on Cash and Cash Equivalents		**182**	**397**	**724**
Net (decrease)/ increase on cash and cash equivalents		**(21,946)**	**(47,978)**	**90,975**
E. Cash and Cash Equivalents at The Beginning of The Period		**105,059**	**229,681**	**138,706**
Cash and cash equivalents the end of period	**4**	**83,114**	**181,703**	**229,681**

(*) 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 2014, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

As of 31 December 2014, the principal shareholders and their respective shareholding rates in the Company are as follows (Note 8):

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

(*) As of 31 December 2014, 37.24% of the Group's shares are traded on Borsa Istanbul ("BIST").

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 venture and associate. County, nature of operations and segmental information of these companies are as follows:

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

.

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint ventures	Country	Nature of business
DowAksa Advanced Composites Holdings BV (“DowAksa Holdings”)	Holland	Investment
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. (“Dowaksa”)	Turkey	Chemical
DowAksa Switzerland Gmbh	Switzerland	Investment
DowAksa US LLC	USA	Chemical
LLC NCC-Neftemehanika (*)	Russia	R&D/Chemical
LLC NCC-ACM (*)	Russia	R&D/Chemical
LLC NCC-Alabuga (*)	Russia	R&D/Chemical
Nanotechnology Centre of Composites (*)	Russia	R&D/Chemical
c-m-p GmbH (**)	Germany	Chemical

(*) Shares of joint ventures have been acquired by DowAksa Holdings for amount of Ruble 134 million (approximate USD 4.3 million) on 24 January 2014.

(**) This joint venture has been acquired by DowAksa Holdings for a purchase consideration of EUR 15 million on 12 December 2014. EUR 10 Million of the total amount was paid in cash whereas the remaining amount of EUR 5 million is contingent on the financial performance of c-m-p GmbH for the next two years.

Financial investments	Country	Nature of business
Ak-Pa Tekstil İhracat Pazarlama A.Ş. (“Ak-Pa”)	Turkey	Foreign Trade

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

2.1.1 Financial Reporting Standards Applied

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (the “Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2014. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards (‘‘TAS’’) issued by Public Oversight Accounting and Auditing Standards Authority (“POA”). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and its addendum and interpretations (“IFRIC”).

The consolidated financial statements and notes of the Group are prepared as per the Capital Market Board (“CMB’’) announcement of Communique Serial XII, No: 14.1 of relating to financial statements presentation.

The Group 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 consolidated financial statements 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.

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

These consolidated financial statements have been prepared as TL which is functional currency of the group under historical cost conventions except for financial assets and financial liabilities which are carried at fair value and joint ventures accounted for equity method. The functional currencies of joint ventures are USD, EUR and Ruble.

Amendments and Interpretations in Turkish Financial Reporting Standards

Group has applied to revised standards and interpretations which are published by POA and valid after 1 January 2014.

(a) Amendments in TAS which affect the consolidated financial statements and its related notes

None

(b) New standards, amendments and TFRICs applicable to 31 December 2014 year ends:

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

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

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

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

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

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

(c) New TFRS standards, amendments and TFRICs effective after 1 January 2015:

- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project that affect 7 standards:

    • TFRS 2, 'Share-based payment'
    • TFRS 3, 'Business Combinations'
    • TFRS 8, 'Operating segments'
    • TFRS 13, 'Fair value measurement'
    • TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets'
    • Consequential amendments to TFRS 9, 'Financial instruments', TAS 37, 'Provisions, contingent liabilities and contingent assets', and
    • TAS 39, Financial instruments – Recognition and measurement'

- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 cycle of the annual improvements project that affect 4 standards:

    • TFRS 1, 'First time adoption'
    • TFRS 3, 'Business combinations'
    • TFRS 13, 'Fair value measurement' and
    • TAS 40, 'Investment property'.

- 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 recognize 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.

- 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.

- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortization, effective from annual periods beginning on or after 1 January 2016. In this amendment 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. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- 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.

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

- Amendments 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 address an inconsistency between the requirements in TFRS 10 and those in TAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2017. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the TASB 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.

- 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.

- 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.

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

- Annual improvements 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.
    - IAS 19, 'Employee benefits' regarding discount rates.
    - IAS 34, 'Interim financial reporting' regarding disclosure of information

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

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

Resolutions published by POA

In addition to the foregoing, POA published the following resolutions regarding application of Turkish Accounting Standards. '' Illustrative Financial Statements and User's Manual" become effective at the date of its publication, other resolutions became effective in the annual reporting periods starting after 31 December 2012.

a) 2013- 1 Illustrative Financial Statements and User's Manual

On 20 May 2013, POA published the "Illustrative Financial Statements and User's Manual" in order to make financial information uniform and facilitate auditing. Illustrative financial statements included in this resolution are to be used by reporting entities which are required to apply TAS, except for banks, insurance companies, private pension funds and other companies regulated by capital markets.

b) 2013- 2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the consolidated financial statements of the Group.

c) 2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances when the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the consolidated financial statements of the Group.

d) 2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

i) the subsidiary holding the equity based financial instruments of the parent,
ii) the associates or joint ventures holding the equity based financial instruments of the parent
iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

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

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

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 all companies over which Aksa has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the principle of control sets out the following three elements of control:

- 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 sets out all subsidiaries and demonstrates their shareholding structure as of 31 December 2014 and 2013:

	The Group's direct and indirect ownership interest (%)	
Subsidiary	**31 December 2014**	**31 December 2013**
Fitco	100.00	100.00
Aksa Egypt	99.57	99.57

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

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

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

c) Joint ventures

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

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

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

Joint ventures are accounted for using the equity method of accounting in accordance with TFRS 11 "Joint Arrangements" (Note 6).

The financial statements of joint ventures are prepared in accordance with the accounting principles and practices adopted of accounting policies which used in the latest annual consolidated financial statements.

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

	The Group's direct and indirect ownership interest (%)	
Joint venture	**31 December 2014**	**31 December 2013**
DowAksa Holdings	50.00	50.00
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.	50.00	50.00
DowAksa Switzerland Gmbh	50.00	50.00
DowAksa USA LLC	50.00	50.00
c.m.p GmbH	25.00	-
Nanotechnology Centre of Composites	16.66	-
LLC NCC-ACM	16.66	-
LLC NCC-Alabuga	16.66	-
LLC NCC-Neftemehanika	4.17	-

(d) Financial Investments

The company's share of net assets of the unquoted financial investment is considered as its fair value and accounted accordingly.

	The Group's direct and indirect ownership interest (%)	
Unquoted Financial Investments	**31 December 2014**	**31 December 2013**
Ak-Pa	13.47	13.47

2.2 Changes in Accounting Policies, Accounting Estimates and Errors

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

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

2.3 Summary of Significant Accounting Policies

Cash and cash equivalents

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

Financial Assets

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

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

As of 31 December 2014 and 31 December 2013 the Group does not have any financial assets at fair value through profit or loss.

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

Trade receivables

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

Finance Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. A finance lease receivable is recorded an amount equal to the net investment in the lease. Interest income is recognized using a rate that equalizes the fair value of the leased asset to the sum of lease payments and unguaranteed residual value. Interest yet to be recognized is presented as "unearned finance income".

Trade payables

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

Inventories

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

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

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 any directly attributable costs of bringing the asset to its working condition and location for its intended use,

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 11). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. As of 31 December 2014, 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 an impairment has occurred in the tangible assets, an inspection is performed for the purpose of determining a possible impairment, and if the registered value of the tangible asset is higher than its recoverable value, the registered value is reduced to its recoverable value by reserving a provision. The recoverable value is considered either the net cash flow to be caused by the current use of the respective tangible assets or the nest sales price, whichever is higher.

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

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

Intangible assets

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

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

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

Research and development costs

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

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

Revenue recognition

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

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

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as credit sale financial income (Note 21).

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

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

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

Bank borrowings

All bank borrowings are initially recognized at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortized cost using the effective yield method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement (Note 7). In factoring transactions, the Group, where necessary, may prefer early collection of some of its receivables. These transactions are treated as factoring transactions with resource; consequently, cash received is accounted for as a borrowing disclosed in notes (Note 7).

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Without this context, the borrowing costs are expensed as incurred. Capitalized borrowing costs are 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. The carrying value of accounts receivable along with the related allowance for unearned income and uncollectibility are estimated to be their fair values.

Financial liabilities

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

Employee termination benefits

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 acturial projections.

TAS 19 "Employee Benefits" requires acturial 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 acturial assumptions and actual outcome together with the effects of changes in acturial assumptions compose the acturial gains/losses.

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

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

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.

Unused Vacation Rights

Liabilities for unused vacation rights are accrued in the relevant period.

Current and deferred income tax

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

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

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

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

Earnings per share

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

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

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

Events after the balance sheet date

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

Provisions

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

Contingent assets and liabilities

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

Offsetting

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

Foreign currency transactions

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

Goodwill

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

The carrying value of goodwill is reviewed annually 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 goodwill impairment assessment is annually performed by the Group. Any impairment is not subsequently reversed. Gains/losses from the sale of business unit also includes its carrying value of goodwill (Note 13).

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

Segment reporting

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

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

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

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

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

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

Derivative financial instruments

The derivative instruments of the Group mainly consist of foreign exchange swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules according to TAS 39 ''Financial Instruments: Recognition and Measurement''. The gain and losses from hedge transactions are accounted in the equity under "hedging reserve".

The currency option transactions are treated as derivatives held for trading due to do not providing the requirements of TAS 39 ''Financial Instruments: Recognition and Measurement'' and the fair value changes in these hedge transactions are accounted under 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 17).

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

Related parties

Parties are considered related to the Group if;

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

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

b) the party is an associate of the Group;

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

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

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

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

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

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

Reporting of cash flow

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

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

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (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 months and which are subject to an insignificant risk of changes in value (Note 4).

Government grants

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

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

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

a) Goodwill impairment tests

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

The Group tests annually goodwill for impairment and carries goodwill at cost less accumulated impairment loss. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, and these projections are based on USD financial budgets approved by management covering a five-year period. Therefore, the value in use calculations is not affected by the fluctuations in the foreign exchange market.

As of 31 December 2014, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment test performed by using the aforementioned assumptions. The discount rate used in the value in use calculations is 4%based on USD and the risk premium is 3%. The discount rate used is the rate before tax and contains risks specific to cash generating units.

If discount rate used in goodwill impairment calculation has been 1% higher/lower or profit margin has been 10% lower with all other variables held constant, there would not have been any impairment on goodwill.

b) Provisions

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

c) Deferred Tax

The Group accounts deferred income tax from its financial losses to be expect to account in future corporate tax calculations at strategic plan and budget work. As of 31 December 2014 and 2013, the group accounts deferred income tax from all of the financial losses of its joint venture DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.. DowAksa has right to utilise those losses until 2017,2018 and 2019.

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

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

d) Useful lifes 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.

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 2014 of TL 2.3189 = 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 2014 of TL 2.1862 = USD1, and do not form part of these consolidated financial statements.

NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

	1 January - 31 December 2014			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	1,977,485	120,059	7,354	2,104,898
External revenues	**1,977,485**	**120,059**	**7,354**	**2,104,898**
Adjusted EBITDA(*)	**314,647**	**10,365**	**1,176**	**326,188**
Unallocated corporate expenses (**)	-	-	-	(41,431)
EBITDA	**-**	**-**	**-**	**284,757**
Amortization and depreciation	(39,880)	(12,507)	(7,788)	(60,175)
Other operating income, net	-	-	-	9,633
Share of loss of investments accounted for using the equity method	(20,192)	-	-	(20,192)
Financial income/(expense) net	-	-	-	(5,894)
Profit before tax				**208,129**

(*) Adjusted Earnings Before, Interest, Taxes, Depreciation, Amortization.
(**) Unallocated corporate expenses consist of unallocated parts of general administrative expenses as of 31 December 2014.

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

NOTE 3 - SEGMENT REPORTING (Continued)

	1 January - 31 December 2014				
	Fibers	**Energy**	**Other**	**Unallocated**	**Total**
Capital expenditure	103,571	29,039	-	-	132,610
					31 December 2014
Total segment assets	1,077,197	364,251	-	-	1,441,448
Investment accounted for using the equity method	242,588	-	-	-	242,588
Unallocated corporate assets	-	-	-	314,029	314,029
Total assets	**1,319,785**	**364,251**	-	**314,029**	**1,998,065**
Total segment liabilities	458,094	3,431	-	-	461,525
Unallocated corporate liabilities	-	-	-	423,177	423,177
Total liabilities	**458,094**	**3,431**	-	**423,177**	**884,702**

	1 January - 31 December 2013			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	1,634,058	115,711	6,633	1,756,402
External revenues	**1,634,058**	**115,711**	**6,633**	**1,756,402**
Adjusted EBITDA(*)	**279,114**	**16,991**	**505**	**296,610**
Unallocated corporate expenses (**)	-	-	-	(44,937)
EBITDA	-	-	-	**251,673**
Amortization and depreciation	(34,493)	(10,818)	(6,735)	(52,046)
Other operating income, net	-	-	-	(11,890)
Share of loss of investments accounted for using the equity method	(25,525)	-	-	(25,525)
Financial income/(expense), net	-	-	-	22,134
Profit before tax				**184,346**

(*) Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization.

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

	1 January - 31 December 2013				
	Fibers	**Energy**	**Other**	**Unallocated**	**Total**
Capital expenditure	102,665	26,924	-	-	129,589

					31 December 2013
Total segment assets	817,544	365,307	-	-	1,182,851
Investments accounted for using the equity method	245,108	-	-	-	245,108
Unallocated corporate assets	-	-	-	383,646	383,646
Total assets	**1,062,652**	**365,307**	**-**	**383,646**	**1,811,605**
Total segment liabilities	375,034	2,547	-	-	377,581
Unallocated corporate liabilities	-	-	-	386,538	386,538
Total liabilities	**375,034**	**2,547**	**-**	**386,538**	**764,119**

Segment Assets

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

	31 December 2014	**31 December 2013**
Reportable segment assets	**1,684,036**	**1,427,959**
Cash and cash equivalents	192,492	233,208
Other receivables	148	191
Other assets	42,791	68,151
Financial investments	2,355	2,355
Derivative financial instruments	6,832	524
Property, plants and equipment and intangibles	69,411	79,217
Total Assets	**1,998,065**	**1,811,605**

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

NOTE 3 - SEGMENT REPORTING (Continued)

Segment Liabilities

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

	31 December 2014	31 December 2013
Reportable segment liabilities	**461,525**	**377,581**
Financial liabilities (*)	384,228	350,477
Derivative financial instruments (**)	-	3,312
Other payables	2,795	3,259
Provisions	10,774	6,224
Income tax payable	11,122	10,437
Other liabilities	300	1,795
Provision for employment termination benefits	4,572	3,789
Deferred income tax liabilities	9,386	7,245
Total liabilities	**884,702**	**764,119**

(*) As of 31 December 2014, TL 131,447 (31 December 2013: TL 147,484) of the borrowings issued for fiber investment and TL 252,781 (31 December 2013: TL 160,307) issued for working capital (31 December 2013: TL 42,686 issued for energy unit investment) .

(**) As of 31 December 2014, the swap agreement liability, amounting to TL 433 (31 December 2013: TL733 is related to borrowings for energy unit investment) of the derivative financial instruments is related to borrowings for fiber investment.

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	31 December 2014	31 December 2013
Cash	41	17
Bank		
Demand deposit (TL)	5,437	32,101
Foreign currency demand deposit	24,960	10,090
Time deposits (TL)	41,041	84,678
Foreign currency time deposit	110,242	102,907
Other	10,771	3,415
Total	**192,492**	**233,208**

Maturity of time deposits are less than three months and weighted average effective interest rates on TL denominated time deposits at 31 December 2014 is 9.82% (31 December 2013: 9.18%), for USD 2.30% (31 December 2013: 3.04%) and for EUR 2.20% (31 December 2013: 2.90%), respectively.

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

The reconciliations of cash and cash equivalents to the consolidated statements of cash flows are as follows:

	31 December 2014	31 December 2013	31 December 2012
Cash and cash equivalents	192,492	233,208	141,472
Less: Restricted cash with maturity of three months or less	(10,771)	(3,415)	(2,675)
Interest accrual	(18)	(112)	(91)
As reported in the consolidated statements of cash flows	**181,703**	**229,681**	**138,706**

NOTE 5 - FINANCIAL INVESTMENTS

Details of financial investments of the Group are as follows:

	31 December 2014	31 December 2013
Unquoted financial assets:		
Ak-Pa	2,355	2,355

NOTE 6 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint Ventures

	31 December 2014	31 December 2013
DowAksa Holdings	242,588	245,108

Summarized financial information of of DowAksa Holding is presented below;

	31 December 2014	31 December 2013
Current assets	193,491	298,444
Non-current assets	644,950	410,485
Total Assets	**838,441**	**708,929**
Short-term liabilities	101,997	90,673
Long-term liabilities	251,268	128,041
Equity	485,176	490,215
Total Liabilities	**838,441**	**708,929**
Equity corresponding to Group's interest of 50%	**242,588**	**245,108**

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

NOTE 6 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

	2014	2013
Revenue	75,226	59,440
Net loss	(40,384)	(51,050)
Net Loss corresponding to Group's interest of 50%	**(20,192)**	**(25,525)**

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

	2014	2013
1 January	245,108	227,742
Net loss corresponding to Group's interest of 50%	(20,192)	(25,525)
Currency translation differences	17,448	43,501
Hedging reserve	224	(610)
31 December	**242,588**	**245,108**

NOTE 7 - BORROWINGS

Group's financial liabilities are as follows:

	31 December 2014	31 December 2013
Short-term bank borrowings	227,609	149,451
Short-term factoring liabilities	25,172	10,017
Short-term portion of long-term bank borrowings	29,469	66,393
Short-term borrowings	**282,250**	**225,861**
Long-term bank borrowings	101,978	124,616
Long-term borrowings	**101,978**	**124,616**
Total borrowings	**384,228**	**350,477**

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

NOTE 7 – BORROWINGS (Continued)

Bank Borrowings

	31 December 2014		31 December 2013	
	Yearly weighted average interest rate %	**TL**	**Yearly weighted average interest rate %**	**TL**
a) Short-term bank borrowings:				
USD borrowings	1.51	227,252	1.40	149,401
TL borrowings	-	358	-	50
Total short-term bank borrowings:		**227,610**		**149,451**
Factoring liabilities (*)	1.60	25,172	4.13	10,017
b) Short-term portion of long-term bank borrowings:				
USD bank borrowings	3.85	19,518	2.88	60,944
EUR bank borrowings	3.68	9,950	3.83	5,449
Total short-term borrowings		**282,250**		**225,861**
c) Long-term bank borrowings:				
USD bank borrowings	3.85	77,297	3.84	88,644
EUR bank borrowings	3.68	24,681	3.83	35,972
Total long-term borrowings		**101,978**		**124,616**

(*) The costs of factoring transactions are charged to customers as of 31 December 2014.

The Group does not have any covenant breaches in relation to its borrowings.

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

	31 December 2014		31 December 2013	
	Fair value	**Book value**	**Fair value**	**Book value**
USD borrowings (*)	85,856	77,297	104,633	88,644
EUR borrowings	26,579	24,681	39,459	35,972

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

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

NOTE 7 - BORROWINGS (Continued)

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

	31 December 2014	**31 December 2013**
Less than 3 months	125,242	52,696
Between 3-12 months	157,008	173,165
Between 1-2 years	29,197	28,007
Between 2-3 years	29,197	28,007
Between 3-4 years	29,197	28,007
4 years and longer	14,387	40,595
	384,228	**350,477**

As of 31 December 2014, according to the general credit agreements, the Group has unused credit limit amounting to TL 1,059,519 (31 December 2013: TL 1,009,591).

As of 31 December 2014, according to the general credit agreements, the Group has blocked deposits of TL 10,771 in relation to its borrowings (31 December 2013: TL 3,415).

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Details of trade receivables of the Group are as follows:

a) Short-term Trade Receivables:

	31 December 2014	**31 December 2013**
Trade receivables	199,011	152,521
Notes receivable and cheques	144,396	109,321
Less: Provision for doubtful receivables	(42,973)	(40,981)
Less: Unearned finance income on credit sales	(3,087)	(2,475)
Total short-term trade receivables, net	**297,347**	**218,386**

TL and foreign currency denominated trade receivables as of 31 December 2014 have an average maturity of 3 months (31 December 2013: 3 months) and are discounted with an average annual interest rate of 6% (31 December 2013: 6%).

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

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of provision for doubtful receivables for 31 December 2014 and 2013 are as follows:

	2014	2013
1 January	**40,981**	**40,248**
Collections	(23)	(74)
Current period charge	2,015	807
31 December	**42,973**	**40,981**

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

b) Short-term trade payables:

	31 December 2014	31 December 2013
Suppliers	389,593	310,222
Less: Unaccrued finance costs on credit purchases (-)	(2,641)	(2,092)
Total	**386,952**	**308,130**

TL and foreign currency denominated trade payables as of 31 December 2014 have an average maturity of 90 days (31 December 2013: 71 days) and they are discounted with an average annual interest rate of 4% in USD terms (31 December 2013: 3%).

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 2014	31 December 2013
Deposits and guarantees given	224	212

b) Short-term other payables:	31 December 2014	31 December 2013
Accrued tax liability	2,313	3,152
Other	482	107
Total	**2,795**	**3,259**

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

NOTE 10 - INVENTORIES

	31 December 2014	31 December 2013
Raw materials	151,931	120,014
Semi-finished goods	19,957	9,736
Finished goods	44,588	40,533
Other stocks and spare parts	19,933	14,998
Less: Provision for impairment on inventories	(41)	(87)
Total	**236,368**	**185,194**

The inventory impairment provision is related with the finished goods.

Group has included the movements in the provision for impairment between 31 December 2014 and 2013 in the cost of sales (The decrease in provision for the impairment amount is due to the sale of inventory and increase in sales prices).

Group has insured its inventory amounting to TL 161,746 (excluding raw materials in transit) as of 31 December 2014 (TL 152,627 as of 31 December 2013) for USD 65 million (31 December 2013: 60 million USD)

As of 31 December 2014 raw materials include goods in transit amounting TL 77,309 (31 December 2013: TL 32,567).

As of 31 December 2014, the cost of raw material and goods is shown in Note 20.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2014	Additions	Disposals (*)	Transfers	Currency translation differences	31 December 2014
Cost						
Land	61,746	-	-	-	77	61,823
Land improvements	94,873	240	-	825	-	95,938
Buildings	139,663	14	-	20,957	159	160,793
Machinery and equipment	912,425	2,623	(1,827)	36,791	329	950,341
Motor vehicles	1,219	6	-	-	19	1,244
Furniture and fixture	34,708	2,865	(6)	2,953	13	40,533
Construction in progress	93,105	126,590	(73,924)	(61,526)	-	84,245
	1,337,739	**132,338**	**(75,757)**	**-**	**597**	**1,394,917**
Accumulated depreciation						
Land improvements	36,392	3,335	-	-	-	39,727
Buildings	39,265	3,842	-	-	68	43,175
Machinery and equipment	562,038	48,115	(1,732)	-	312	608,733
Motor vehicles	966	64	-	-	19	1,049
Furniture and fixtures	20,567	3,121	(2)	-	12	23,698
	659,228	**58,477**	**(1,734)**	**-**	**411**	**716,382**
Net book value	**678,511**					**678,535**

(*) Disposal amounting to TL 73,924 from construction in progress is related to leased 'Solvent Recovery Unit' to Aksa's joint venture, Dow Aksa (Note 26).

The borrowing cost amounting to TL 9,019 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2014.

TL56,124 of current year depreciation and amortization expense is charged to "cost of sales", TL 513 is charged to "research and development expenses", TL 671 is charged to "general administrative expenses, TL43 is charged to "marketing, selling and distribution expenses'' and TL1,126 is charged to "inventory".

As of 31 December 2014 there is no mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for USD 412 million.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

The borrowing cost amounting to TL 15,807 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2013.

TL 48,179 of current year depreciation and amortization expense is charged to "cost of sales", TL645 is charged to "research and development expenses", TL 865 is charged to "general administrative expenses, TL9 is charged to "marketing, selling and distribution expenses", TL 434 , which is related with projects in progress is charged to "construction in progress" and TL1,017 is charged to "inventory".

As of 31 December 2013 there is no mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for USD 390 million.

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

NOTE 12 - INTANGIBLE ASSETS

	1 January 2014	Additions	Disposals	Transfers	Currency translation differences	31 December 2014
Cost						
Rights	3,417	27	(1)	-	72	3,515
Development cost	10,583	-	-	-	-	10,583
Other intangible assets	3,001	245	-	-	-	3,246
	17,001	**272**	**(1)**	**-**	**72**	**17,344**
Accumulated depreciation						
Rights	2,417	125	(1)	-	34	2,575
Development cost	2,686	2,122	-	-	-	4,808
Other intangible assets	1,967	577	-	-	-	2,544
	7,070	**2,824**	**(1)**	**-**	**34**	**9,927**
Net book value	**9,931**					**7,417**

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

NOTE 12 - INTANGIBLE ASSETS (Continued)

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

(*) Consists of the capitalized cost of development projects.

TL 854 (2013: TL 410) of the current amortization expense is charged to "cost of sales", TL1,660 (2013: TL 1,700) is charged to "research and development expenses", TL 310 (2013: TL 317) is charged to "general administrative expenses''.

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

NOTE 13 - GOODWILL

The goodwill balance with the carrying amount of TL5,989 (2013: TL 5,989) as of 31 December 2014 resulted from the acquisition of 50% of shares Ak-Tops Tekstil Sanayi A.Ş. during 2007.

In Note 2.4 details of assessment for the impairment of Goodwill is defined. There is no change in the book value of the goodwill, which is TL 5,989 for the period ended as of 31 December 2014 (31 December 2013: TL 5,989).

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	31 December 2014	31 December 2013
Bonus provision	8,504	5,315
Provision for lawsuits	2,053	1,338
Total	**10,557**	**6,653**

Contingent assets and liabilities are as follows:

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

	31 December 2014	31 December 2013
Collaterals given	332,414	278,491
Letter of credit commitments	285,434	242,993
Total	**617,848**	**521,484**

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

	31 December 2014	31 December 2013
Credit insurance	473,432	412,222
Pledged cheques and notes receivable	73,204	76,779
Pledges received	43,020	64,444
Confirmed/unconfirmed letters of credit	24,110	35,216
Limits of Direct Debit System ("DDS")	16,054	21,324
Guarantee letters received	6,516	3,429
Total	**636,336**	**613,414**

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

		31 December 2014	31 December 2013
A.	CPM given on behalf of the Company's legal personality	590,369	521,484
	- USD	*394,137*	*358,881*
	- Turkish Lira	*171,426*	*155,476*
	- EUR	*24,634*	*6,834*
	- Other	*172*	*293*
B.	CPM given on behalf of fully consolidated subsidiaries	-	-
C.	CPM given for continuation of its economic activities on behalf of third parties	27,479	-
	- USD	*27,479*	*-*
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		**617,848**	**521,484**

As of 31 December 2014, total amount of the Company's given CPM equals to 55% of its equity (31 December 2013: 50%).

NOTE 15 - EMPLOYEE BENEFITS

Short-Term Employee Benefits	**31 December 2014**	**31 December 2013**
Provision for unused vacation	1,298	1,035
Long-Term Employee Benefits		
Provision for employee termination benefits and employee termination incentive	21,587	15,338

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.

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

NOTE 15 - EMPLOYEE BENEFITS (Continued)

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 2014	31 December 2013
Discount rate (%)	1.71	3.67
Probability of retirement (%)	98.78	99.04

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. . As the maximum liability is revised once every six months, the maximum amount of TL 3,541.37 effective from 1 January 2015 (1 January 2014: 3,438.22 TL) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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

	2014	2013
Balances as of 1 January	**15,338**	**16,156**
Service cost	3,023	1,468
Interest cost	562	269
Compensation paid	(1,663)	(1,191)
Actuarial losses/(gain)	4,327	(1,364)
Balances as of 31 December	**21,587**	**15,338**

NOTE 16 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2014	31 December 2013
Value Added Taxes (''VAT'') receivables	42,363	54,477
Personnel advances	56	169
Total	**42,419**	**54,646**

b) Prepaid Expenses – Short-Term:

	31 December 2014	31 December 2013
Advances given	9,394	13,722
Prepaid expenses	4,235	4,775
Job advances	24	36
Total	**13,653**	**18,533**

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

NOTE 16 - OTHER ASSETS AND LIABILITIES (Continued)

c) Prepaid Expenses – Long-Term:

	31 December 2014	31 December 2013
Advances given for purchase of property, plant and equipment	8,722	11,460
Prepaid expenses	761	526
Total	**9,483**	**11,986**

d) Deferred Income:

	31 December 2014	31 December 2013
Advances received – Short-term	12,256	24,361
Short-term deferred income	-	107
Long-term deferred income	-	366
Total	**12,256**	**24,834**

NOTE 17 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2014		31 December 2013	
	Asset	Liability	Asset	Liability
Subject to hedge accounting	-	433	524	-
Held for trading	7,265	-	-	3,312
Total	**7,265**	**433**	**524**	**3,312**

Derivative instruments held for hedging:

	31 December 2014		31 December 2013	
	Contract amount USD thousand	Fair value Liability amount TL	Contract amount USD thousand	Fair value Asset amount TL
Interest rate swap	41,667	433	56,014	524

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

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.

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

NOTE 17 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

These derivative transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting. Changes in the fair value of such derivatives are recognized directly in equity under "hedging reserve", net-off relevant deferred taxation impact.

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 2014, such arrangements fixed LIBOR and EURIBOR to 1.35% (31 December 2013: 1.35% to 2.5%). Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts as of 31 December 2014 will be gradually released to the income statement within finance cost until the repayment of the bank borrowings (Note 7).

Derivative Financial Instruments Held For Trading

The Group has option contracts regarding to foreing exchange trading transactions as of 31 December 2014. The mentioned option transactions are accounted for as derivative financial insturements held for trading in the consolidated financial statements, as they do not qualify for hedge accounting under TAS 39 and changes in fair value of these financial instruments are recognized in the consolidated statement of income.

	31 December 2014		31 December 2013	
	Fair value		Fair value	
	Contract amount (thousand)	Asset / (Liability) amount TL	Contract amount (thousand)	Asset / (Liability) amount TL
Foreign exchange held for trading transactions:		7,265		(3,312)
- USD	30,833	3,025	10,000	(2,788)
- EUR	82,250	4,240	6,022	(524)

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

NOTE 18 - EQUITY

Aksa has adopted the registered share capital system applicable to companies registered on the CMB and set a limit on its registered share capital representing type of registered shares with a nominal value of Kr 1. Historical, authorized and issued capital of Aksa as of 31 December 2014 and 2013 is presented below:

	31 December 2014	31 December 2013
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 2014	Share %	31 December 2013
Akkök Holding	39.59	73,237	39.59	73,237
Emniyet Ticaret ve Sanayi A.Ş.	18.72	34,638	18.72	34,638
Other	41.69	77,125	41.69	77,125
	100.00	**185,000**	**100.00**	**185,000**
Adjustment to share capital		195,175		195,175
Total paid-in share capital		**380,175**		**380,175**

The approved and paid-in share capital of the Company consists of 18,500,000,000 (31 December 2013: 18,500,000,000) shares issued on bearer with a nominal value of Kr 1 (31 December 2013: Kr 1) each. All shareholders have same rights and there are not issued different type of shares such as privilege and common shares.Adjustment to share capital represents the difference between the amounts of the restatement effect of cash and cash equivalents contributions to share capital and the amounts before the restatements.

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

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 95,907 as of 31 December 2014 (31 December 2013: TL 82,764). This amount fully consists of legal reserves.

NOTE 18 - EQUITY (Continued)

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

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

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

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

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

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

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

Dividend Distribution

Regarding the dividend distribution, the entities are to distribute their profits under the scope of CMB Communiqué 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 its allowed in their statutory reserves, amount of profit available for distribution, in accordance with CMB Communiqué No. II -14.1 announced publicly consolidated financial statements taking into account net profit of the period.

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

In statutory accounts of the company, net profit after deducting prior years losses and other reverses which can be subject to profit distribution amounts TL 756,676 (31 December 2013: TL 678,208).

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

NOTE 19 - REVENUE AND COST OF SALES

Sales and cost of goods sold for the years ended 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Domestic sales	1,471,695	1,186,602
Export sales	720,063	613,162
Less: Sales returns	(6,743)	(3,353)
Less: Other discounts	(80,117)	(40,009)
Net sales income	**2,104,898**	**1,756,402**
Cost of sales (-)	**(1,789,556)**	**(1,468,423)**
Gross profit	**315,342**	**287,979**

NOTE 20 - EXPENSES BY NATURE

Cost of sales, marketing, selling and distribution expenses and general administrative expenses by nature for the years ended as of 31 December 2014 and 2013 are as follows;

	31 December 2014	31 December 2013
Raw materials and goods	1,593,553	1,308,755
Employee benefits	90,064	76,046
Depreciation and amortization	60,175	52,046
Commission expenses	17,807	16,154
Repair, maintenance and cleaning expenses	16,488	19,524
Export expenses	16,358	14,154
Consultancy expenses	9,327	10,579
Rent Expenses	5,929	3,036
Information technologies expense	5,394	5,011
Miscellaneous tax expenses	2,667	2,358
Travel expenses	2,540	4,055
Other	60,014	45,057
Total	**1,880,316**	**1,556,775**

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

NOTE 21 - OTHER OPERATING INCOME / EXPENSE

Income from other operating activities by nature for the years ended as of 31 December 2014 and 2013 are as follows;

	31 December 2014	31 December 2013
Foreign exchange income from trading transactions	48,721	15,596
Interest income from credit sales	12,855	12,949
Dividend income	1,101	776
Income from scrap sales	590	2,547
Income from government grants	586	791
Released provisions	102	1,315
Income from insurance	94	6,592
Other	3,476	5,438
Total	**67,525**	**46,004**

Expense from other operating activities by nature for the years ended as of 31 December 2014 and 2013 are as follows;

	31 December 2014	31 December 2013
Foreign exchange expense from trading transactions	46,992	46,067
Interest expense from credit purchases	7,096	7,980
Provision for doubtful receivables (Note 8)	2,015	807
Loss from sales of property, plants and equipment	-	1,700
Other	1,789	1,340
Total	**57,892**	**57,894**

NOTE 22 - FINANCIAL INCOME

Financial income for the years ended at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Foreign exchange gains	85,276	105,664
Interest income	5,318	6,631
Total	**90,594**	**112,295**

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

NOTE 23 - FINANCIAL EXPENSES

Financial expense for the years ended at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Foreign exchange loss	89,309	85,361
Borrowing costs	7,179	4,800
Total	**96,488**	**90,161**

NOTE 24 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Income tax expense	(42,076)	(43,445)
Deferred tax (expense)/income	(3,197)	1,649
Total tax expense	**(45,273)**	**(41,796)**

Deferred Income Tax Assets and Liabilities

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2014 and 31 December 2013 are as follows:

	Temporary taxable differences		Deferred income tax asset/liability	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Property, plant and equipment and intangible assets	(66,799)	(56,524)	(13,360)	(11,305)
Derivative financial instruments	(6,832)	-	(1,366)	-
Trade payables	(2,746)	(2,180)	(549)	(436)
Other	-	(538)	-	(108)
Deferred income tax liabilities			**(15,275)**	**(11,849)**
Employee termination benefits	21,587	15,338	4,317	3,068
Trade receivables	5,477	2,534	1,095	507
Other short-term liabilities	1,798	1,339	360	268
Inventories	586	1,020	117	204
Derivative financial instruments	-	2,787	-	557
Deferred income tax assets			**5,889**	**4,604**
Deferred income tax liabilities, net			**(9,386)**	**(7,245)**

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

NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

Movement for the deferred income tax liabilities for the periods ended at 31 December 2014 and 2013 are as follows:

	2014	**2013**
1 January	**7,245**	**8,443**
Deferred tax income for the period, net	3,197	(1,649)
Amounts recognized under the equity	(1,056)	451
31 December	**9,386**	**7,245**

	31 December 2014	**31 December 2013**
Calculated corporate income tax	42,076	43,445
Amount offset from VAT receivables and prepaid corporate taxes	(30,954)	(33,008)
Income tax payable	**11,122**	**10,437**

The reconciliation of tax expenses stated in consolidated income statements for the years ended 31 December 2014 and 2013 are as follows:

	31 December 2014	**31 December 2013**
Profit before tax	208,129	184,346
Expected tax expense of the Group (20%)	**41,626**	**36,869**
Disallowable expenses	1,896	3,821
The effect of application of equity method	20,192	25,525
Research and development incentive	-	(2,740)
Dividend income	(1,101)	(776)
The effect of foreign subsidiaries	(1,641)	(241)
Other	(1,110)	(954)
Tax effect (20%)	3,647	4,927
Current period tax expense of the Group	**45,273**	**41,796**

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

NOTE 25 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the period. The earnings per share calculation for the years ended 31 December 2014 and 2013 as follows:

	31 December 2014	31 December 2013
Net income attributable to the equity holders of the parent (TL) (*) (A)	162,848,735	140,684,846
Weighted average number of shares (B)	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	0.88	0.76

(*) Amounts expressed in Turkish Lira.

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Short-Term Trade Receivables

As of 31 December 2014 and 2013, trade receivables from related parties are as follows:

	31 December 2014	31 December 2013
Ak-Pa (*)	170,109	131,106
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş.	7,512	8,641
Akkim Kimya San. ve Tic. A.Ş.	4,261	4,247
DowAksa	3,105	2,968
Other	-	91
Less: Unearned finance income on credit sales (-)	(28)	(43)
Total	**184,959**	**147,010**

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

Foreign currency denominated trade receivables have average 3 months maturity as of 31 December 2014 and 2013 and are discounted with annual average discount rate of %1 (31 December 2013:%1) based on USD.

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Short-Term Trade Payables

As of 31 December 2014 and 2013, short-term trade payables to related parties are as follows:

	31 December 2014	31 December 2013
Ak-Pa	28,289	19,953
Akkim Kimya San. ve Tic. A.Ş.	6,539	6,337
Akgirişim Müt. Müş. Çevre Tek. San. Tic. A.Ş. ("Akgirişim") (**)	5,105	4,097
Akkök Holding	1,932	1,673
Dinkal Sigorta Acenteliği A.Ş.	1,372	106
Other	1,361	884
Less: Unincurred finance costs on purchases	(104)	(74)
Total	**44,494**	**32,976**

(**) Formerly known as Akkon Yapı Taah. İnş. Müş. A. Ş.

c) Financial Liabilities

As of 31 December 2014 and 2013, short-term borrowings from related parties are as follows:

	31 December 2014	31 December 2013
Ak-Pa	25,172	-

Borrowings comprise cash received from factoring transactions (Note 7).

d) Other Receivables

Other receivables from joint ventures for the year ended as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December2013
DowAksa – Leasing receivables	8,686	-
DowAksa – Unearned finance income (-)	(1,734)	-
Other short-term receivables	**6,952**	**-**
DowAksa – Leasing receivables	78,175	-
DowAksa – Unearned finance income (-)	(7,736)	-
Other long-term receivables	**70,439**	**-**
Total	**77,391**	**-**

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

In accordance with the Utilities Agreement signed between the Company and DowAksa Holdings dated 29 June 2012, the Company transferred the "505 Solvent Recovery Unit" at a consideration for its associate cot (including finance costs) plus a 5% margin, which is to be repaid in equal installments for the next 10 years; to DowAksa Holdings, who has an option to assure legal title to the asset for a nominal consideration at the end of the lease period.

Leasing receivables are shown as below in terms of period the collection as of 31 December 2014:

	Leasing Receivlabes	**Interest**	**Total**
Less than 3 months	1,723	449	2,172
Between 3-12 months	5,229	1,285	6,514
Between 1-2 years	7,116	1,570	8,686
Between 2-3 years	7,284	1,402	8,686
Between 3-4 years	7,456	1,230	8,686
4 years and longer	48,583	3,534	52,117
	77,391	**9,470**	**86,861**

e) Sales to Related Parties

Sales to related parties for the years ended as of 31 December 2014 and 2013 are as follows:

	31 December 2014	**31 December 2013**
Ak-Pa (*)	697,460	598,610
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş.	52,886	48,172
Akkim Kimya San. ve Tic. A.Ş.	43,057	42,646
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.	24,346	26,909
Other	581	1,036
Total	**818,330**	**717,373**

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

Sales to related parties consist of export registered fiber, steam and energy sales.

f) Foreing Exchange Gain/Loss

Foreing exchange income from related parties for the years ended at 31 December 2014 and 2013 are as follows:

	31 December 2014	**31 December 2013**
Ak-Pa	17,314	16,108

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

g) Purchases From Related Parties

Product and service purchases from related parties for the years ended 31 December 2014 and 2013 are as follows:

	31 December 2014	**31 December 2013**
Akkim Kimya San. ve Tic. A.Ş.	57,342	49,192
Akgirişim (*)	22,455	15,475
Ak-Pa	10,907	9,315
Dinkal Sigorta Acenteliği A.Ş.(**)	9,728	3,388
Akkök Holding	6,957	8,463
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş.	6,798	5,987
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş.	1,289	984
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	809	2,222
Other	602	598
Total	**116,887**	**95,624**

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

(*) The Company gave a letter of guarantee of TL 27,479 to Akgirişim, which will be valid during the construction of Common Treatment Facility in Yalova.

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

The Company defined its key management personnel as board of directors and members of the executive committe. Benefits provided to key management personnel as of 31 December 2014 and 2013 are as follows:

	31 December 2014	**31 December 2013**
Salary and other short-term employee benefits	4,627	3,603
Employment termination benefits	53	46
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	**4,680**	**3,649**

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Benefits provided to the Board of Directors, for the years ended 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Salary and other short-term employee benefits	1,542	1,491
Employment termination benefit	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	**1,542**	**1,491**

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

Financial risk factors

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

Credit risk

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

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Trade Receivable Aging Analysis

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

31 December 2014	**Trade Receivables**
1-30 days overdue	19,002
1-3 months overdue	6,535
3-12 months overdue	579
More than 12 months overdue	660
Total	**26,776**
Secured with guarantees	**19,405**

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

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2014 the Group's maximum exposure to credit risk is presented below:

	Trade Receivables		**Other receivables**		**Deposits at bank**	
31 December 2014	**Related Parties**	**Other**	**Related Parties**	**Other**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**184,959**	**297,347**	**77,391**	**224**	**-**	**192,451**
- Secured portion of maximum credit risk by guarantees (*)	***158,467***	***287,087***	**-**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	169,515	286,015	77,391	224	-	192,451
Net book value of the expired or not impaired financial assets	15,444	11,332	-	-	-	-
- *Secured portion with guarantees*	11,095	8,309	-	-	-	-
Net book value of impaired assets	-	1,192	-	-	-	-
- *Matured (net book value)*	-	44,165	-	-	-	-
- *Impairment (-) (Note 8)*	-	(42,973)	-	-	-	-
- *Secured portion with guarantees*	-	*1,192*	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

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

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2013 the Group's maximum exposure to credit risk is presented below:

	Trade Receivables		**Other receivables**		**Deposits at bank**	
31 December 2013	**Related Parties**	**Other**	**Related Parties**	**Other**	**Related Parties**	**Other**
Maximum credit risk exposure as of reporting date	**147,010**	**218,386**	**-**	**212**	**-**	**233,191**
- Secured portion of maximum credit risk by guarantees	***122,497***	***205,777***	**-**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	138,225	206,034	-	212	-	233,191
Net book value of the expired or not impaired financial assets	8,785	11,160	-	-	-	-
- Secured portion with guarantees	8,099	8,616	-	-	-	-
Net book value of impaired assets	-	1,192	-	-	-	-
- *Matured (net book value)*	-	42,173	-	-	-	-
- Impairment (-) (Note 8)	-	(40,981)	-	-	-	-
- Secured portion with guarantees	-	*1,192*	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Foreign Exchange Risk

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

Foreign currency position presented in TL is as follows:

	31 December 2014	**31 December 2013**
Assets	678,790	393,964
Liabilities	(781,952)	(622,126)
Net balance sheet position	**(103,162)**	**(228,162)**

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position as of 31 December 2014 and 2013 are as follows:

	31 December 2014			
	TL equivalent	**USD position**	**EUR position**	**Other**
1. Trade Receivables	462,378	178,053	17,117	-
2a. Monetary Financial Assets (including cash and bank accounts)	145,973	54,843	3,274	9,332
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. Current Assets (1+2+3)	**608,351**	**232,896**	**20,391**	**9,332**
5. Trade Receivables	70,439	30,376	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**70,439**	**30,376**	**-**	**-**
9. Total Assets (4+8)	**678,790**	**263,272**	**20,391**	**9,332**
10. Trade Payables	398,082	161,675	8,013	3
11. Financial Liabilities	281,892	117,272	3,441	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**679,974**	**278,947**	**11,454**	**3**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	101,978	33,333	8,536	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**101,978**	**33,333**	**8,536**	**-**
18. Total Liabilities (13+17)	**781,952**	**312,280**	**19,990**	**3**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	**(11,096)**	**73,655**	**(62,909)**	**-**
19a. Net Assets of Statement … of Financial Position	298,221	104,488	19,341	-
19b. Net Liabilities of Statement … of Financial Position	309,317	30,833	82,250	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(114,258)**	**24,647**	**(62,508)**	**9,329**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(103,162)**	**(49.008)**	**401**	**9,329**
22. Fair Value of Financial Instruments Used for Foreign Hedge	7,265	1,305	1,466	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2013			
	TL equivalent	**USD position**	**EUR position**	**Other**
1. Trade Receivables	276,506	107,863	15,765	-
2a. Monetary Financial Assets (including cash and bank accounts)	116,412	47,005	2,924	7,503
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	1,046	-	-	1,046
4. Current Assets (1+2+3)	**393,964**	**154,868**	**18,689**	**8,549**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-		-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**393,964**	**154,868**	**18,689**	**8,549**
10. Trade Payables	280,704	129,925	1,160	-
11. Financial Liabilities	215,793	98,554	-	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	1,013	-	-	1,013
13. Short-Term Liabilities (10+11+12)	**497,510**	**228,479**	**1,160**	**1,013**
14. Trade Payables	-	-		-
15. Financial Liabilities	124,616	41,533	14,106	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**124,616**	**41,533**	**14,106**	**-**
18. Total Liabilities (13+17)	**622,126**	**270,012**	**15,266**	**1,013**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	**(21,481)**	**(1,779)**	**(6,022)**	**-**
19a. Net Assets of Statement … of Financial Position	17,546	8,221	-	-
19b. Net Liabilities of Statement … of Financial Position	39,027	10,000	6,022	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(249,643)**	**(116,923)**	**(2,599)**	**7,536**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(228,162)**	**(115,144)**	**3,423**	**7,503**
22. Fair Value of Financial Instruments Used for Foreign Hedge	(3,312)	(1,306)	(178)	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2014	**Profit/Loss**		**Equity**	
	Appreciation of foreign currency	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL				
USD net asset/ (liability)	(13,868)	13,868	24,258	(24,258)
Amount hedged for USD risk	-	-	-	-
USD net effect	**(13,868)**	**13,868**	**24,258**	**(24,258)**
In case 10% change of EUR against TL				
EUR net asset/ (liability)	324	(324)	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	**324**	**(324)**	**-**	**-**

31 December 2013	**Profit/Loss**		**Equity**	
	Appreciation of foreign currency	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% change of USD against TL				
USD net asset/ (liability)	(24,013)	24,013	24,511	(24,511)
Amount hedged for USD risk	-	-	-	-
USD net effect	**(24,013)**	**24,013**	**24,511**	**(24,511)**
In case 10% change of EUR against TL				
EUR net asset/ (liability)	2,707	(2,707)	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	**2,707**	**(2,707)**	**-**	**-**

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Interest Risk

The Group is exposed to interest risk arising from the borrowings interest rate changes. According to balance sheet position of the floating interest rate financial liabilities as of 31 December 2014, other things being constant, if the interest rate depreciate/ appreciate by 1%, profit before tax would increase/decrease TL 230 (31 December 2013: TL 474), capitalized financial cost on construction in progress would not change (31 December 2013: TL 260).

	31 December 2014	31 December 2013
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	*151,283*	*187,585*
Financial liabilities		
USD borrowings (fixed due to interest rate swap)	349,239	269,155
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	-	-
Financial liabilities		
USD bank borrowings	-	39,851
EUR bank borrowings	34,631	41,421

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

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

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

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

31 December 2014:

Expected or maturities per agreement	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over than 5 years
Non-derivative financial liabilities						
Financial liabilities	384,228	389,494	125,242	158,858	105,394	-
Trade payables	386,952	389,593	258,194	131,399	-	-
Due to related parties	44,494	44,598	42,238	2,360	-	-
	815,674	**823,685**	**425,674**	**292,617**	**105,394**	**-**

31 December 2013:

Expected or maturities per agreement	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over than 5 years
Non-derivative financial liabilities						
Financial liabilities	350,477	359,867	53,193	172,306	114,690	19,678
Trade payables	308,130	310,222	220,453	89,769	-	-
Due to related parties	32,976	33,082	29,528	3,554	-	-
	691,583	**703,171**	**329,253**	**265,629**	**114,690**	**19,678**
Derivative financial instruments						
Derivative cash outflow	3,312	3,312	38	3,274	-	-

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

NOTE 27 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Import export information:

Import export for the years ended at 31 December 2014 and 2013 are as follows:

Export

	31 December 2014	**31 December 2013**
USD	433,606	354,587
EUR	194,885	143,140
Other	91,572	91,386
Total	**720,063**	**589,113**

Import

	31 December 2014	**31 December 2013**
USD	1,130,879	832,626
EUR	70,155	58,818
Other	1,609	717
Total	**1,202,643**	**892,161**

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 2014	**31 December 2013**
Total monetary liabilities (*)	815,674	691,583
Less: Cash and cash equivalents (Note 4)	(192,492)	(233,208)
Net debt	**623,182**	**458,375**
Total shareholders' equity	1,113,363	1,047,486
Total capital	**1,736,545**	**1,505,861**
Debt/equity ratio	**36%**	**30%**

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

NOTE 28 - FINANCIAL INSTRUMENTS

Fair value estimation

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

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

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

Financial assets

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

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

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

Financial liabilities

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

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

Fair Value Estimation:

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

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

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

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

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

NOTE 28 - FINANCIAL INSTRUMENTS (Continued)

31 December 2014

	Level 1	Level 2	Level 3
Financial investments	-	-	2,355
Foreign currency held for trading	-	7,265	-
Hedging derivative financial instruments	-	(433)	-
Total Liabilities		**6,832**	**2,355**

31 December 2013

	Level 1	Level 2	Level 3
Financial investments	-	-	2,355
Foreign currency held for trading	-	(3,312)	-
Hedging derivative financial instruments	-	524	
Total Liabilities		**(2,788)**	**2,355**

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

NOTE 29 - EVENTS AFTER THE BALANCE SHEET DATE

The Company is in negotiations with European Bank for Reconstruction and Development (EBRD) for EUR 50 million borrowing to be used for future investment and modernization projects.

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