

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH
OF CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2018 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Akrilik Kimya Sanayii A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2018, and the 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

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

3) Key Audit Matters

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

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

Key Audit Matters	Auditor's response
<i>Inventory Impairment</i>	
<p>The Company values its inventories at the lower of cost or net realizable value. Additionally, the reserve for impairment is provided for slow-moving, surplus or scrap materials.</p> <p>The Company's calculation of provisions for inventory impairment includes management's estimations and assumptions. These estimations and assumptions include the utilization of the inventory that are sold slowly due to technological changes and changing customer expectations, and utilization of the provision for non-moving and damaged inventories. Therefore, this matter is determined as a key audit matter.</p> <p>As of 31 December 2018, the Company had inventories amounting to KTL 485,190 and booked a provision amounting to KTL 12,281. The disclosures related to inventory are made in Note 9.</p>	<p>During our audit, the following audit procedures have been applied related to provision for inventory impairment:</p> <ul style="list-style-type: none"> -Understanding the accounting policy related to provisions for inventory impairment and assessing its appropriateness, -Comparing the inventory turnover rate with previous year, -Assessment of current year provision for inventory impairment through comparing it with realized impairment of previous year. -Observing whether non-moving or damaged inventories existence, during year-end stock counts, -Testing sales prices deducted by discount used in net realizable value calculation.
<i>Recoverability of DowAksa Advanced Composites Holdings BV ("DowAksa")</i>	
<p>As of 31 December 2018, as stated in Note 5 to the consolidated financial statements; the investment accounted for using equity method, DowAksa, which is owned by the Group by 50%, is presented in the consolidated financial statements with the carrying value of KTL 286,658 (7% of total assets). DowAksa has losses in the years 2018 and 2017. The Group Management's assessment of the recoverable amount of DowAksa requires the use of significant estimates and assumptions. Changes in these assumptions may affect the recoverable value of DowAksa, which has lead the impairment.</p>	<p>During our audit work, we reviewed the methods and assumptions used in the valuation studies prepared by the management, together with the experts of another company within the same audit network we are affiliated with. We questioned the business plans approved by management in light of macroeconomic data and sector explanations. We reviewed reasonableness of cash flow estimations through comparison with previous year. We tested whether the discount rates used were reasonable and also tested the mathematical accuracy of the valuation studies. In addition, we reviewed the accuracy of the information in the footnotes related to the financial statements.</p>

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<i>Trade receivable - Impairment</i>	
<p>Trade receivables are considered as a significant balance sheet item since it represents 22% of total assets in the consolidated financial statement. Furthermore, collectability of trade receivables is a significant component of the Group's credit risk and working capital and includes significant judgements and estimations of the management.</p> <p>As of 31 December 2018, trade receivables amounted to KTL 920,208 in the consolidated financial statement and provision for impairment amounted to KTL 27,681.</p> <p>Determining the collection risk and provision to be made for trade receivables or determining whether a particular trade receivable is collectible, requires significant management judgement. In this respect, the Group management assesses; the aging of receivables, review of ongoing litigation risks with the letters obtained from company lawyers, the collaterals received within the scope of the credit risk management and the nature of these collaterals, the performance of collection made in the current period and period after balance sheet date, as well as all other information.</p> <p>As of 1 January 2018, the Group has begun to apply TFRS 9 "Financial Instruments" standard and the credit losses for financial assets are accounted in the consolidated financial statements as per the related standard.</p> <p>The existence and collectability of trade receivables are determined as a key audit matter in consideration of; the size of the amounts and the judgement required in the assessment of collectability of trade receivables, and the complexity and comprehensiveness of TFRS 9.</p>	<p>The following procedures were applied regarding the audit of provision for trade receivables:</p> <ul style="list-style-type: none"> -Assessment of the Group's process for trade receivables' collection follow-up and operational efficiency of related internal controls, -Understanding, assessing and testing the efficiency of internal controls related to financial reporting for credit risk, -Reviewing receivable aging tables analytically and comparing the collection turnover rate with previous year, -Testing trade receivable balances by sending confirmation letters through sampling, -Testing subsequent period collection, through sampling, -Testing collaterals received for trade receivables, through sampling and assessing ability to liquidate, -Assessment of the reasonableness; of key judgements and estimations used by the management, and methods and data sources used for impairment calculation; with the support of valuation experts from our organization, in the scope of "TFRS 9 Financial Instruments" standard, -Assessment of the applied accounting policies; to TFRS 9, the Group's past performance and compliance with local and global practices, -Investigating disputes and lawsuits to audit the appropriateness of special provisions made for trade receivables, and obtaining confirmation letter from legal advisors related to ongoing receivable follow-up lawsuits, -Assessing the competence and compliance of disclosures related to trade receivables and trade receivable impairment, with TFRS.

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

4) Emphasis of a Matter

As explained in Note 2.5 to the consolidated financial statements, US Dollar ("USD") amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira ("TRY"), as a matter of arithmetic computation only, at the official USD bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at December 31, 2018 for consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2018 for the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and they do not form part of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 14 February 2019.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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



Ferzan Ülgen, SMMM
Partner

February 14, 2019
Istanbul, Turkey

**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 2018

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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 2018 AND 2017**

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

			<i>Audited</i>	<i>Audited</i>
		31 December	31 December	31 December
		2018	2018	2017
	Notes	USD (*)	TL	TL
ASSETS				
Current assets		506,847	2,448,122	1,858,921
Cash and cash equivalents	4	173,462	837,838	559,536
Trade receivables				
- Trade receivables due from unrelated parties	7	129,207	624,081	549,135
- Trade receivables due from related parties	25	61,309	296,127	180,720
Other receivables				
- Other receivables due from related parties	25	5,109	24,678	10,342
- Other receivables due from unrelated parties	8	464	2,242	3,271
Derivative financial assets	16	294	1,418	-
Inventories	9	100,451	485,190	419,114
Prepayments	15	1,717	8,291	8,114
Other current assets	15	34,835	168,257	128,689
Non-current assets		360,346	1,740,505	1,495,380
Other receivables				
- Other receivables due from related parties	25	-	-	102,777
Derivative financial assets	16	384	1,855	2,507
Investments accounted for using equity method	5	59,348	286,658	222,014
Investment property	10	9,240	44,631	45,891
Property, plant and equipment	11	275,053	1,328,532	1,031,738
Intangible assets and goodwill				
- Goodwill	12	1,240	5,989	5,989
- Other intangible assets	12	13,406	64,753	73,714
Prepayments	15	1,674	8,087	10,750
TOTAL ASSETS		867,193	4,188,627	3,354,301

(*) 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 2018, and therefore do not form part of these consolidated financial statements (Note 2.5).

These consolidated financial statements at 31 December 2018 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 14 February 2019.

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 2018 AND 2017**

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

		31 December 2018	Audited 31 December 2018	Audited 31 December 2017
	Notes	USD (*)	TL	TL
Current liabilities		425,923	2,057,250	1,514,236
Current borrowings	6	203,800	984,376	720,281
Current proportion of non-current borrowings	6	56,194	271,424	10,461
Trade payables				
- Trade payables to unrelated parties	7	149,395	721,593	713,949
- Trade payables to related parties	25	10,829	52,307	34,388
Employee benefits obligations	14	707	3,415	3,182
Other payables				
- Other payables to unrelated parties	8	214	1,035	603
Derivative financial liabilities	16	-	-	1,752
Deferred income	15	1,277	6,170	8,325
Current tax liabilities	23	1,614	7,796	8,224
Current provisions				
- Current provisions for employee benefits	14	1,598	7,720	11,027
- Other current provisions	13	293	1,414	2,044
Non-current liabilities		141,590	683,895	463,946
Long-term borrowings	6	133,550	645,058	419,844
Non-current provisions				
- Non-current provisions for employee benefits	14	4,592	22,179	24,178
Deferred tax liabilities	23	3,449	16,658	19,924
Total liabilities		567,513	2,741,145	1,978,182
EQUITY		299,680	1,447,482	1,376,119
Equity attributable to owners of parent		299,680	1,447,482	1,376,119
Issued capital	17	38,000	185,000	185,000
Inflation adjustments on capital	17	40,408	195,175	195,175
Repurchased Shares	17	(6,514)	(31,464)	-
Share premium		9	44	44
Other accumulated comprehensive income / (loss) that will not be reclassified in profit and loss				
- Gains / (losses) on remeasurements of defined benefit plans		(941)	(4,546)	(6,128)
- Other investments accounted through equity method profit or loss from comprehensive income of non-classified shares	5	509	2,459	-
Other comprehensive income / (loss) that will be reclassified in profit and loss				
- Exchange differences on translation		53,553	258,664	176,974
Restricted reserves appropriated from profits	17	33,186	160,293	140,498
Prior years' profits or losses		94,731	457,561	389,585
Current period net profit or loss		46,437	224,296	294,971
Non-controlling interests		-	-	-
TOTAL LIABILITIES AND EQUITY		867,193	4,188,627	3,354,301

(*) 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 2018, 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.

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEARS ENDED
31 DECEMBER 2018 AND 2017**

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

Profit or loss	Notes	2018 USD (*)	Audited 2018 TL	Audited 2017 TL
Revenue	18	732,396	3,537,548	2,761,713
Cost of sales (-)	18, 19	(603,790)	(2,916,366)	(2,203,144)
Gross profit / (loss)		128,606	621,182	558,569
General administrative expenses	19	(13,580)	(65,595)	(62,503)
Marketing expenses	19	(18,392)	(88,835)	(64,232)
Research and development expense	19	(1,005)	(4,855)	(5,093)
Other income from operating activities	20	111,624	539,157	254,573
Other expenses from operating activities	20	(97,169)	(469,335)	(212,372)
Profit / (loss) from operating activities		110,084	531,719	468,942
Income from investment activities	21	3,495	16,881	8,106
Share of profit / (loss) from investments accounted for using equity method	5	(2,374)	(11,467)	(48,394)
Profit/ (loss) before financing income/ (expense)		111,205	537,133	428,654
Finance income	22	180,974	874,123	251,963
Finance cost	22	(239,059)	(1,154,681)	(315,827)
Profit/ (loss) from continuing operations, before tax		53,120	256,575	364,790
Tax (expense)/income, continuing operations				
- Current period tax (expense) / income	23	(7,399)	(35,736)	(60,807)
- Deferred tax (expense) / income	23	716	3,457	(9,012)
Profit / (loss)		46,437	224,296	294,971
Profit/ (loss), attributable to:				
Owners of parent		46,437	224,296	294,971
Non-controlling interests		-	-	-
		46,437	224,296	294,971
Basic earnings/ (loss) per share for owners of parent (Kr)	24	0.25	1.21	1.59
Other comprehensive income / (loss)				
Other comprehensive income that will not be reclassified to profit or loss				
Gains / (losses) on remeasurements of defined benefit plans	14	410	1,978	(3,754)
Investments accounted through equity method profit or loss from comprehensive income of non-classified shares				
Gains/losses measurements of defined benefit plans of investments accounted through equity method				
Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss	5 23	509 (82)	2,459 (396)	- 751
Other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation		16,913	81,690	21,827
Taxes relating to components of other comprehensive income that will be reclassified to profit or loss			-	-
Total comprehensive income / (loss)		64,186	310,027	313,795
Total comprehensive income / (loss) attributable to:				
Owners of parent		64,186	310,027	313,795
Non-controlling interests		-	-	-
			310,027	313,795

(*) 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 2018, 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.

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

Attributable to equity holders of the parent													
Independent Audit	Issued capital	Inflation adjustments on capital	Repurchased Shares	Share premium	Restricted Reserves appropriated from profits	Income from investments accounted for using equity method	Exchange differences ⁽¹⁾ on translation	Gains/(losses) on remeasurements of defined benefit plans ⁽²⁾	Prior years' profits or losses	Current period net profit or loss	Total	Non-controlling interests	Total equity
1 January 2017	185,000	195,175	-	44	122,685	-	155,147	(3,125)	468,981	125,798	1,249,705	-	1,249,705
Transfers	-	-	-	-	17,813	-	-	-	107,985	(125,798)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(187,381)	-	(187,381)	-	(187,381)
Total comprehensive income/(loss)	-	-	-	-	-	-	21,827	(3,003)	-	294,971	313,795	-	313,795
31 December 2017	185,000	195,175	-	44	140,498	-	176,974	(6,128)	389,585	294,971	1,376,119	-	1,376,119
Attributable to equity holders of the parent													
	Issued capital	Inflation adjustments on capital	Repurchased Shares	Share premium	Restricted Reserves appropriated from profits	Income from investments accounted for using equity method	Exchange differences ⁽¹⁾ on translation	Gains/(losses) on remeasurements of defined benefit plans ⁽²⁾	Prior years' profits or losses	Current period net profit or loss	Total	Non-controlling interests	Total equity
1 January 2018	185,000	195,175	-	44	140,498	-	176,974	(6,128)	389,585	294,971	1,376,119	-	1,376,119
Repurchased Shares (Note 17)	-	-	(31,464)	-	-	-	-	-	-	-	(31,464)	-	(31,464)
Transfers	-	-	-	-	19,795	-	-	-	275,176	(294,971)	-	-	-
Dividend paid (Note 17)	-	-	-	-	-	-	-	-	(207,200)	-	(207,200)	-	(207,200)
Total comprehensive income/(loss)	-	-	-	-	-	2,459	81,690	1,582	-	224,296	310,027	-	310,027
31 December 2018	185,000	195,175	(31,464)	44	160,293	2,459	258,664	(4,546)	457,561	224,296	1,447,482	-	1,447,482

(1) 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 2018 AND 2017**

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

	Notes	2018 USD (*)	2018 TL	2017 TL
A. Cash Flows From/ (Used in) Operating Activities		58,286	281,525	438,678
Profit/ (loss)		46,437	224,296	294,971
Adjustments to reconcile Profit/ (loss):		55,585	268,480	270,054
Adjustments for depreciation and amortization expense	19	18,598	89,829	82,738
Adjustments for impairment loss/ (reversal of impairment loss)		2,280	11,013	558
Adjustments for provisions		1,217	5,876	3,659
Adjustments for interest (income)/expense	22	1,172	5,663	4,881
Adjustments for unrealised foreign exchange losses/ (gains)		25,505	123,191	61,658
Adjustments for undistributed profits of investments accounted for using equity method	5	2,374	11,467	48,394
Adjustments for tax (income)/expenses	23	6,683	32,279	69,819
Adjustments for losses/ (gains) on disposal of non-current assets		(1,942)	(9,381)	(2,010)
Other adjustments to reconcile profit/ (loss)		(208)	(1,007)	357
Changes in working capital		(52,642)	(254,269)	(131,704)
Adjustments for decrease (increase) in inventories		(14,770)	(71,341)	(200,135)
Adjustments for decrease (increase) in trade accounts receivable		(46,286)	(223,568)	(117,408)
Adjustments for decrease (increase) in other receivables related with operations		19,970	96,455	(2,678)
Adjustments for increase (decrease) in trade payable		11,595	56,007	255,298
Adjustments for increase (decrease) in other operating payables		89	432	194
Other adjustments for other increase (decrease) in working capital		(23,241)	(112,254)	(66,975)
Cash flows from/ (used in) operating activities		49,379	238,507	433,321
Interest paid	20	(2,819)	(13,617)	(8,999)
Interest received	20	6,439	31,099	20,069
Payments related with provisions for employee benefits	14	(1,221)	(5,897)	(2,366)
Income taxes refund/ (paid)		6,508	31,433	(3,347)
B. Cash Flows From/ (Used in) Investing Activities		(74,103)	(357,923)	(388,635)
Cash payments to acquire equity or debt instruments of other entities	5	-	-	(35,382)
Proceeds from sales of property, plant, equipment and intangible assets		3,228	15,591	3,973
Purchase of property, plant, equipment and intangible assets		(77,330)	(373,514)	(357,226)
C. Cash Flows From/(Used in) Financing Activities		71,758	346,599	50,615
Repurchase (reacquisition) of own shares and other equity based instruments	17	(6,514)	(31,464)	-
Proceeds from borrowings	6	377,687	1,824,268	1,168,899
Repayments of borrowings	6	(252,580)	(1,219,986)	(922,841)
Dividends paid	17	(42,898)	(207,200)	(187,381)
Interest received		8,807	42,541	21,705
Interest paid		(12,745)	(61,560)	(29,767)
Net increase/(decrease) in cash and cash equivalents before effect of exchange rate changes		55,941	270,201	100,658
D. Effect of exchange rate changes on cash and cash equivalents		1,186	5,727	689
Net increase/(decrease) in cash and cash equivalents		57,127	275,928	101,347
E. Cash and Cash Equivalents at the Beginning of the Period	4	115,693	558,810	457,463
Cash and cash equivalents at the end of period	4	172,820	834,738	558,810

(*) 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 2018, 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.

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

(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, rental of real estate, establishment and start-up and rental of energy generation plant, electricity generation and sale of generated electricity or capacity to customers.

Aksa is registered with the Capital Markets Board ("CMB") and its shares have been quoted in the Borsa İstanbul A.Ş. ("BİST") since 1986. As of 31 December 2018, the principal shareholders and their respective shareholding rates in the Company are as follows:

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

(*) As of 31 December 2018, 37.43% of the Group's shares are traded on Borsa İstanbul ("BİST") and Somerset em.mar.d.v.g hold 5.28% of these shares, 1.56% of the shares are owned by the Company in the scope of share repurchase program (Note 17).

Akkök Holding, which is the main shareholder of the Company, is controlled by Dinçkök family members. As of December 31, 2018, the number of employees is 1,231 (2017:1,307)

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

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

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

- Fibers
- Energy
- Other

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

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

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

2.1.1 Financial Reporting Standards Applied

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards ("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 Communiqué Serial XII, No: 14.1 of relating to financial statements presentation.

The Company maintains its 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 and joint ventures 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.

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

Currency and Financial Statements Presentation Currency

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

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

2.1.1 Financial Reporting Standards Applied (continued)

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

None.

b) The new standards, amendments and interpretations which are effective as at December 31, 2018 and existing previous standards are as follows:

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018. The standard did not have a significant impact on the financial position or performance of the Group.

As of January 1, 2018, replacing "TAS 18 Revenue" to TFRS 15 Revenue from Contracts with Customers has been carried out to asses and has decided that there will be no cumulative impact. The amendments and notes of the Group complies with TFRS 15.

TFRS 9 Financial Instruments

In January 2018, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. The standard did not have a significant impact on the financial position or performance of the Group.

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

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

Classification and Measurement

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

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

Financial assets at fair value through other comprehensive income, where the fair value differences are reflected in other comprehensive income, are included in a business model for the purpose of collecting contractual cash flows and for the purpose of selling the non-derivative financial assets with cash flows that include interest payments from principal and principal balances on certain dates under contractual terms. Gains and losses related financial assets reflected to other comprehensive income except for impairment losses and gains, foreign exchange gains and losses.

Under TFRS 9 changes in the classification of financial assets and liabilities are summarized below. These classification differences do not have an impact on the measurement of financial assets.

Financial Assets	Previous classification according to TAS 39	New Classification according to TFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Derivative instruments	Fair value difference reflected in pprofit/loss	Fair value difference reflected in pprofit/loss
Financial Liabilities		
Derivative instruments	Fair value difference reflected in pprofit/loss	Fair value difference reflected in pprofit/loss
Trade payables	Amortised cost	Amortised cost
Financial receivables	Amortised cost	Amortised cost
Other receivables	Amortised cost	Amortised cost

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Impairment

In accordance with TAS 39 Financial Instruments: Recognition and Measurement, effective before from 1 January 2018, expected credit losses model has been implemented instead of TFRS 9 Financial Instruments standard credit losses model. The expected credit losses are a weighted estimate of the probability of loan losses over the expected life of a financial instrument. In the calculation of the expected credit losses, the Group's future estimates are taken into consideration along with past loan loss experiences.

As of 1 January 2018, TFRS 9 Financial Instruments standard, which replaces TAS 39 Financial Instruments: Recognition and Measurement, has been evaluated and no significant impact on the financial position or performance of the Group is expected.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for beginning on or after 1 January 2018. The interpretation did not have a significant impact on the financial position or performance of the Group.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. The standard is not applicable for the Company and did not have an impact on the financial position or performance.

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

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

2.1.1 Financial Reporting Standards Applied (continued)

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Group.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Group.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.1.1 Financial Reporting Standards Applied (continued)

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2018, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

The amendments did not have a significant impact on the financial position or performance of the Group.

c) Standards and amendments that have been issued but not yet effective as of December 31, 2018

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

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

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

TFRS 16 Leases

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

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

Transition to TFRS 16:

The Group plans to adopt TFRS 16 using the simplified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and TFRIC 4.

The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has performed a detailed impact assessment of TFRS 16 in 2018. In summary the impact of TFRS 16 adoption is expected to be, as follows:

Impact on the financial position (increase/(decrease)) as at 31 December 2018:

Assets (TL)

Property, plant and equipment (right-of-use assets)	13,639
Prepaid expenses	(39)

Liabilities (TL)

Lease Liabilities	13,600
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Due to the adoption of TFRS 16, The Group's operating profit will improve, while its finance cost will increase. This is due to the change in accounting for expenses of leases that were classified as operating leases under TAS 17.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

TFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Group is in the process of assessing the impact of the interpretation on financial position or performance.

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

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

Annual Improvements – 2015–2017 Cycle

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. Overall, the Group expects no significant impact on its balance sheet and equity.

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

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation. The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. Overall, the Group expects no significant impact on its balance sheet and equity.

d) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

Annual Improvements – 2011–2013 Cycle

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard will not have an impact on the financial position or performance the Group.

Definition of a Business (Amendments to IFRS 3)

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

The amendments:

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

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

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

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

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

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.

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

b) Subsidiaries are all companies over which Aksa has control. 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 2018 and 2017:

<u>Subsidiary</u>	<u>The Group's direct and indirect ownership interest (%)</u>	
	<u>31 December 2018</u>	<u>31 December 2017</u>
Aksa Egypt (*)	99.84	99.84
Fitco	-	100.00

(*)The liquidation process of the Company's subsidiary Fitco BV, which has no operations, was completed on 19 December 2018.

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.

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

2.1.2 Basis of Consolidation (continued)

c) Joint ventures

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

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

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

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

<u>Joint venture</u>	<u>The Group's direct and indirect ownership interest (%)</u>	
	<u>31 December 2018</u>	<u>31 December 2017</u>
DowAksa Holdings	50.00	50.00

2.2 Changes in Accounting Policies, Accounting Estimates and Errors

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

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

Besides, according to CMB's decision on 7 June 2013 dated and 20/670 numbered meeting, for capital markets foundations which are fall under CMB Communiqué on Principles Regarding Financial Reporting, financial statement examples and usage directory which are become effective since interim period ended after 31 March 2014, are published. In accordance with mentioned examples, various classifications have been made on Group's consolidated financial statements. The classifications of the Group in the consolidated statement of profit or loss and other comprehensive income as of 31 December 2017 are as follows:

-Rent income amounting to TL 319 classified under Other Operating Income and TL 5.671 classified under income statement in previous periods are included in "Income from Investment Activities".

-Fixed asset sales profit amounting to TL 2.116 classified under Other Operating Income in previous periods is included in "Income from Investment Activities".

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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

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

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

Loans and receivables

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

Trade receivables

Trade receivables have a maturity range of 30-120 days and are recognized at original invoice amount and carried at amortized cost less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate. The receivables determined not possible to be collected are written off (Note 7). The Group calculates rediscount on its receivables over short term receivables less than one year.

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

2.3 Summary of Significant Accounting Policies (Continued)

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

Finance Lease

As lessor

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".

Operational Lease

As lessee

A lease is classified as an operating lease if the risks and rewards of ownership are attributable to the lessor. Payments made under operating leases are recognized as expense in the comprehensive income statement on a straight-line basis on an accrual basis over the term of the lease.

Trade payables

Trade payables have average maturities changing between 30 - 210 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 7).

Inventories

Inventories are valued at the lower of cost or net realizable value less costs to sell. Cost is determined by the monthly moving weighted average method and semi-finished products and products take a share from production costs. Net realizable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Unused stocks are removed from records. (Note 9).

Investment properties

Investment property is a land or building held to earn rentals or for capital appreciation or both, rather than for; use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business (Note 10) and carried at cost less accumulated depreciation in accordance with the cost model. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The average useful life of investment properties changes between five (5) and fifty (50) years.

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

2.3 Summary of Significant Accounting Policies (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 2018, the depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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.

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

2.3 Summary of Significant Accounting Policies (Continued)

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).

Usage rights in relation to property, plant and equipment acquired collectively with other participants in Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi ("Yalkim OSB") are classified as intangible assets.

Useful lives of use rights are determined as 3-24 years except usage rights related to lands.

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

The Group has entered into force as of January 1, 2018 TFRS 15 revenue from customer contracts in accordance with the basic principles below, the proceeds of the financial statements it is noted:

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

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

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

2.3 Summary of Significant Accounting Policies (Continued)

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

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

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

If there is an important financing element in the revenue, the revenue value is determined by discounting the future collections with the interest rate within the financing element. The difference is recognized in the income statement on other accrual basis as other operating income (Note 20).

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

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

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 6). In factoring transactions, the Group, where necessary, may prefer early collection of some of its receivables. These transactions are reclassified to financial liabilities as a borrowing disclosed in notes (Note 6).

Borrowing costs

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

Fair value of financial instruments

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

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

2.3 Summary of Significant Accounting Policies (Continued)

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 uncollectability 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. It is considered that the fair values of loans denote the value they carry, since the interest rates are updated by taking into account the changing market conditions. The fair values of the trade payables after deducting the provision for rediscount are considered to approximate the carrying value.

Employee termination benefits

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

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

Unused vacation rights

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

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.

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

2.3 Summary of Significant Accounting Policies (Continued)

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 23).

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 24).

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

Events after the balance sheet date

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

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

2.3 Summary of Significant Accounting Policies (Continued)

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 13).

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 13).

Offsetting

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

Foreign currency transactions

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

Goodwill

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

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

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

2.3 Summary of Significant Accounting Policies (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" 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, 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 instruments

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

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

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

2.3 Summary of Significant Accounting Policies (Continued)

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 16).

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 25).

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).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

2.3 Summary of Significant Accounting Policies (Continued)

Government grants

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

2.4 Critical Accounting Judgments, Estimates and Assumptions

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

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

a) Provisions

As discussed in Note 2.3, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation (Note 13).

b) Deferred Tax

The Group creates deferred tax assets from its financial losses, which it anticipates to offset from corporate tax calculations in future strategic plans and budgetary operations. As of December 31, 2018 and 2017, DowAksa İleri Kompozit Malzemeler San. Ltd. Şti., a joint venture accounted under the equity method, represents deferred tax asset on the part of its financial losses that is consistent with its strategic plans.

c) Useful lives of property, plants and equipment and intangibles

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Critical Accounting Judgments, Estimates and Assumptions (continued)

d) Joint venture impairment analysis

The Company makes impairment analysis for its joint venture, DowAksa Holdings, using discounted cash flows. In these analyses, various assumptions are used regarding the future activities of the related company and the discount rates (Note 5).

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 2018 of TL5.2609 = 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 2018 of TL4.8301 = USD, and do not form part of these consolidated financial statements.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

	1 January - 31 December 2018			
	Fibers	Energy	Other	Total
Total segment revenue	3,380,467	145,809	11,272	3,537,548
Revenue from external customers	3,380,467	145,809	11,272	3,537,548
Adjusted EBITDA (*)	594,320	19,196	605	614,121
Unallocated corporate expenses (**)	-	-	-	(62,395)
EBITDA	-	-	-	551,726
Amortization and depreciation	(72,357)	(12,570)	(4,902)	(89,829)
Other income from operating activities, net	-	-	-	69,822
Income from investment activities	-	-	-	16,881
Share of profit/(loss) of investment accounted for using equity method	(11,467)	-	-	(11,467)
Finance income/(expense), net	-	-	-	(280,558)
Profit before tax				256,575

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

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

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

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

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NOTE 3 - SEGMENT REPORTING (Continued)

	1 January - 31 December 2017			
	Fibers	Energy	Other	Total
Total segment revenue	2,650,939	101,748	9,026	2,761,713
Revenue from external customers	2,650,939	101,748	9,026	2,761,713
Adjusted EBITDA (*)	557,154	10,684	1,397	569,235
Unallocated corporate expenses (**)	-	-	-	(59,756)
EBITDA	-	-	-	509,479
Amortization and depreciation	(63,358)	(14,027)	(5,353)	(82,738)
Other income from operating activities, net	-	-	-	42,201
Income from investment activities	-	-	-	8,106
Share of profit/(loss) of investment accounted for using equity method	(48,394)	-	-	(48,394)
Finance income/(expense), net	-	-	-	(63,864)
Profit before tax				364,790

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

(**) Unallocated corporate expenses consist of unallocated parts of general administrative expenses as of 31 December 2017.

	1 January - 31 December 2017			
	Fibers	Energy	Unallocated	Total
Capital expenditure	197,317	120,204	43,348	360,869
31 December 2017				
Total segment assets	1,746,622	502,631	-	2,249,253
Investments accounted for using equity method	222,014	-	-	222,014
Unallocated corporate assets	-	-	883,034	883,034
Total assets	1,968,636	502,631	883,034	3,354,301
Total segment liabilities	1,204,761	3,648	-	1,208,409
Unallocated corporate liabilities	-	-	769,773	769,773
Total liabilities	1,204,761	3,648	769,773	1,978,182

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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NOTE 3 - SEGMENT REPORTING (Continued)

Segment Assets

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

	31 December 2018	31 December 2017
Reportable segment assets	2,971,174	2,471,267
Cash and cash equivalents	837,838	559,536
Other assets	171,551	129,077
Derivative financial assets	3,273	2,507
Property, plants and equipment and intangibles	204,791	191,914
Total assets	4,188,627	3,354,301

Segment Liabilities

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

	31 December 2018	31 December 2017
Reportable segment liabilities	1,715,354	1,208,409
Borrowings	984,376	720,281
Derivative financial liabilities	-	1,752
Other payables	1,035	603
Current provisions	1,414	2,044
Current tax liabilities, current	7,796	8,224
Provision for employment benefits	11,097	13,763
Employee benefit obligations	3,415	3,182
Deferred income tax liabilities	16,658	19,924
Total liabilities	2,741,145	1,978,182

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 - CASH AND CASH EQUIVALENTS

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

	31 December 2018	31 December 2017
Cash	171	154
Bank		-
Demand deposit (TL)	1,708	3,188
Foreign currency demand deposit	7,788	16,004
Time deposits (TL)	36,205	48,166
Foreign currency time deposit	791,966	492,024
Total	837,838	559,536

Maturity of time deposits are less than three months and weighted average effective interest rates on TL denominated time deposits at 31 December 2018 is 21.47% (31 December 2017: 14.67%) for USD denominated time deposits it is 4.47% (31 December 2017: USD 4.03%) and for EUR denominated time deposits it is 1.45% (31 December 2017: EUR 1.58%), respectively.

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

	31 December 2018	31 December 2017	31 December 2016
Cash and cash equivalents	837,838	559,536	458,301
Interest accrual	(3,100)	(726)	(838)
Cash and cash equivalents, net	834,738	558,810	457,463

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Joint Ventures

	31 December 2018	31 December 2017
DowAksa Holdings	286,658	222,014

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NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

Summarized financial information of DowAksa Holding is presented below;

	31 December 2018	31 December 2017
Current assets	393,773	202,758
Non-current assets	1,130,036	934,089
Total Assets	1,523,809	1,136,847
Short-term liabilities	278,722	450,731
Long-term liabilities	671,771	242,088
Equity	573,316	444,028
Total Liabilities	1,523,809	1,136,847
Equity corresponding to Group's interest of 50%	286,658	222,014
	31 December 2018	31 December 2017
Revenue	337,155	122,117
Net loss	(22,934)	(96,788)
Net loss corresponding to Group's interest of 50%	(11,467)	(48,394)

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

	2018	2017
1 January	222,014	214,252
Net loss corresponding to Group's interest of 50%	(11,467)	(48,394)
Currency translation differences	73,652	20,774
Actuarial income	2,459	-
Emission premium	-	35,382
31 December	286,658	222,014

As of December 31, 2018, the Company has made an impairment analysis for the value of its joint venture DowAksa Holdings. In this analysis; the principal assumption that the company used to make the estimation of discounted cash flow in USD on its budget until 2023 is to test the weighted average cost of capital as 10.3% at a sensitivity of 0.5%.The company foresees that the five year analysis is appropriate for the evaluation of the operational results and forward estimations in the sector and makes the impairment test based on five year budgets.

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NOTE 6 - BORROWINGS

Group's financial liabilities are as follows:

	31 December 2018	31 December 2017
Short-term bank borrowings	984,376	720,281
Short-term portion of long-term bank borrowings	271,424	10,461
Total short-term borrowings	1,255,800	730,742
Long-term bank borrowings	645,058	419,844
Total long-term borrowings	645,058	419,844
Total borrowings	1,900,858	1,150,586

Bank Borrowings

	31 December 2018		31 December 2017	
	Yearly weighted average interest rate %	TL	Yearly weighted average interest rate %	TL
a) Short-term bank borrowings:				
USD borrowings	4.38	999,571	2.65	724,205
Credit Card Debts	-	9	-	1,965
Prepaid interest	-	(15,204)	-	(5,889)
Total short-term bank borrowings:		984,376		720,281
b) Short-term portion of long-term bank borrowings:				
USD bank borrowings	4.51	159,358	3.38	1,853
EUR bank borrowings	2.00	112,066	3.50	8,608
Total short-term portion of long-term bank borrowings		271,424		10,461
Total short-term borrowings		1,255,800		730,742
c) Long-term bank borrowings:				
USD bank borrowings	5.24	372,235	3.19	181,526
EUR bank borrowings	2.91	272,823	2.05	238,318
Total long-term borrowings		645,058		419,844

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - BORROWINGS (Continued)

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

	31 December 2018		31 December 2017	
	Fair value	Book value	Fair value	Book value
USD borrowings (*)	409,260	372,235	190,677	181,526
EUR borrowings	292,820	272,823	241,777	238,318

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

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

	31 December 2018	31 December 2017
Less than 3 months	452,723	201,481
Between 3-12 months	803,077	529,261
Between 1-2 years	193,407	309,404
Between 2-3 years	137,592	76,125
Between 3-4 years	89,731	34,315
4 years and longer	224,328	-
	1,900,858	1,150,586

Movement of borrowing for the years 2018 and 2017 as follows;

	31 December 2018	31 December 2017
1 January	1,150,586	834,372
New borrowings	1,824,268	1,168,899
Principal payments	(1,219,986)	(922,841)
Interest accrual	392	(53)
Exchange rate difference	145,598	70,209
	1,900,858	1,150,586

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

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

a) Short-term Trade Receivables:

	31 December 2018	31 December 2017
Trade receivables	359,454	296,073
Notes receivable and cheques	295,833	284,491
Less: Provision for doubtful receivables	(27,681)	(27,437)
Less: Unearned finance income on credit sales	(3,525)	(3,992)
Total short-term trade receivables, net	624,081	549,135

TL and foreign currency denominated trade receivables as of 31 December 2018 have an average maturity of 3 months (31 December 2017: 3 months) and are discounted with an average annual interest rate of 4.5% (31 December 2017: 3%).

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.

Movements of provision for doubtful receivables for 31 December 2018 and 2017 are as follows:

	2018	2017
1 January	27,437	41,664
Current period charge (Note 20)	244	494
Written-off provisions	-	(14,721)
31 December	27,681	27,437

The explanation for the nature and level of the risk in trade receivables is shown in Note 26, Credit Risk section.

b) Short-term trade payables:

	31 December 2018	31 December 2017
Suppliers	724,569	717,335
Less: Unaccrued finance costs on credit purchases (-)	(2,976)	(3,386)
Total	721,593	713,949

TL and foreign currency denominated trade payables as of 31 December 2018 have an average maturity of 3 months (31 December 2017: 4 months) and they are discounted with an average annual interest rate of 3% in USD terms (31 December 2017: 4%).

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES

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

a) Short-term other receivables:	31 December 2018	31 December 2017
Deposits and guarantees given	2,242	3,271
b) Short-term other payables:	31 December 2018	31 December 2017
Taxes and funds payable	417	205
Other	618	398
Total	1,035	603

NOTE 9 - INVENTORIES

	31 December 2018	31 December 2017
Raw materials	309,479	277,730
Semi-finished goods	25,258	15,406
Finished goods	127,362	91,925
Other stocks and spare parts	35,372	35,565
Less: Provision for impairment on inventories	(12,281)	(1,512)
Total	485,190	419,114

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

Group has included the movements in the provision for impairment between 31 December 2018 and 2017 in the cost of sales (The increase in provision for the impairment on inventories is due to the increased costs of these relevant inventories).

Group has insured its inventory amounting to TL 355,920 (excluding raw materials in transit) as of 31 December 2018 (TL 254,825 as of 31 December 2017) for TL 395 million (31 December 2017: TL 245 million).

As of current period, the cost of raw material and goods is shown in Note 19.

The movement of the provision for impairment is as follows for the periods ended 31 December 2018 and 2017;

	2018	2017
January 1	1,512	1,448
Provisions during the period	10,769	64
Total	12,281	1,512

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NOTE 10 - INVESTMENT PROPERTY

	1 January 2018	Additions	31 December 2018
Cost			
Land and buildings	47,509	-	47,509
Independent units	3,091	-	3,091
	50,600	-	50,600
Accumulated depreciation			
Land and buildings	2,771	1,188	3,959
Independent units	1,938	72	2,010
	4,709	1,260	5,969
Net book value	45,891		44,631

	1 January 2017	Additions	31 December 2017
Cost			
Land and buildings	47,509	-	47,509
Independent units	3,091	-	3,091
	50,600	-	50,600
Accumulated depreciation			
Land and buildings	1,583	1,188	2,771
Independent units	1,862	76	1,938
	3,445	1,264	4,709
Net book value	47,155		45,891

Current year depreciation expense of investment properties are charged to general and administrative expenses.

Land and Buildings

The land and buildings classified as investment properties consist of land and buildings at the city of Yalova, town of Çiftlikköy, village of Deniz Çalı, locality of Topçuçiftliği at plots no. 1126, 1145 and city block no. 151 / plot no. 1. According to the valuation report, the fair value of these land and buildings is TL 78,000 and TL 100 per month is rented.

Independent Units

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

Rent income from investment properties has been disclosed as Income from Investment Activities and is amounting to TL 6,526 as of 31 December 2018 (31 December 2017: TL 5,671).

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

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

(*)Transfers amounting to TL 31,976 are associated with intangible assets.

The borrowing cost amounting to TL 12,497 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2018.

TL 83,341 of current year depreciation and amortization expense is charged to “cost of sales”, TL 602 is charged to “research and development expenses”, TL 1,490 is charged to “general administrative expenses”, TL 29 is charged to “marketing, selling and distribution expenses”, TL 394 is charged to “construction in progress” as the depreciation amount of unfinished project development cost and TL 5,504 is charged to “inventory”.

As of 31 December 2018 there is no collateral, pledge and mortgage on property, plant and equipment. At the date of reporting, Group’s property, plants and equipment is insured for TL 3,2 billion.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2017	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2017
Cost						
Land	65,851	734	-	-	98	66,683
Land improvements	113,430	4	-	9,659	-	123,093
Buildings	208,129	1,586	(123)	27,507	204	237,303
Machinery and equipment	1,087,981	4,635	(13,953)	294,402	481	1,373,546
Motor vehicles	1,245	172	(129)	-	37	1,325
Furniture and fixture	54,399	1,748	(379)	7,104	19	62,891
Construction in progress	60,793	347,296	(1,225)	(338,998)	-	67,866
	1,591,828	356,175	(15,809)	(326)	839	1,932,707
Accumulated depreciation						
Land improvements	46,041	4,013	-	-	-	50,054
Buildings	50,004	5,531	(38)	-	115	55,612
Machinery and equipment	706,766	65,082	(13,490)	-	355	758,713
Motor vehicles	837	130	(129)	-	19	857
Furniture and fixtures	31,340	4,565	(189)	-	17	35,733
	834,988	79,321	(13,846)	-	506	900,969
Net book value	756,840					1,031,738

(*)Transfers amounting to TL 326 are associated with intangible assets.

The borrowing cost amounting to TL 10,305 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2017.

TL 75,558 of current year depreciation and amortization expense is charged to “cost of sales”, TL 649 is charged to “research and development expenses”, TL 1,253 is charged to “general administrative expenses”, TL 39 is charged to “marketing, selling and distribution expenses”, TL 301 is charged to “construction in progress” as the depreciation amount of unfinished project development cost and TL 1,521 is charged to “inventory”.

As of 31 December 2017 there is no collaterals, pledge and mortgage on property, plant and equipment. At the date of reporting, Group’s property, plants and equipment is insured for TL 2,1 billion.

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NOTE 12 - INTANGIBLE ASSETS AND GOODWILL

	1 January 2018	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2018
Cost						
Rights	75,842	15,810	-	(32,200)	388	59,840
Development cost	13,617	8,970	(73)	-	-	22,514
Other intangible assets	5,924	1,314	-	224	-	7,462
	95,383	26,094	(73)	(31,976)	388	89,816
Accumulated depreciation						
Rights	5,946	1,832	-	-	287	8,065
Development cost	10,293	489	-	-	-	10,782
Other intangible assets	5,430	786	-	-	-	6,216
	21,669	3,107	-	-	287	25,063
Net book value	73,714					64,753

(*)Transfers amounting to TL 31.976 are associated with property, plant and equipment. (2017: TL 326)

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NOTE 12 - INTANGIBLE ASSETS AND GOODWILL (Continued)

	1 January 2017	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2017
Cost						
Rights	73,652	2,093	-	-	97	75,842
Development cost	10,583	2,819	-	215	-	13,617
Other intangible assets	5,730	83	-	111	-	5,924
	89,965	4,995	-	326	97	95,383
Accumulated depreciation						
Rights	4,124	1,756	-	-	66	5,946
Development cost	8,979	1,314	-	-	-	10,293
Other intangible assets	4,525	905	-	-	-	5,430
	17,628	3,975	-	-	66	21,669
Net book value	72,337					73,714

TL 2,168 (2017: TL 2,430) of the current amortization expense is charged to “cost of sales”, TL 489 (2017: TL 1,315) is charged to “research and development expenses”, TL 450 (2017: TL 230) is charged to “general administrative expenses”.

Goodwill

The goodwill balance with the carrying amount of TL 5,989 (2017: TL 5,989) as of 31 December 2018 resulted from the acquisition of 50% shares of Ak-Tops Tekstil Sanayi A.Ş. during 2007.

There is no change in the book value of the goodwill as of 31 December 2018.

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	31 December 2018	31 December 2017
Provision for lawsuits	1,414	2,044

Contingent assets and liabilities are as follows:

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

	31 December 2018	31 December 2017
Collaterals given	574,154	484,787
Guarantees given	318,220	267,508
Total	892,374	752,295

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

	31 December 2018	31 December 2017
Credit insurance	578,274	498,365
Pledged cheques and notes receivable	139,521	169,877
Pledges received	127,864	110,795
Confirmed/unconfirmed letters of credit	32,615	42,006
Guarantee letters received	9,054	25,790
Limits of Direct Debiting System ("DDS")	12,298	14,749
Total	899,626	861,582

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 December 2018	31 December 2017
A. CPM given on behalf of the Company's legal personality	892,374	752,295
- USD	769,389	689,153
- EUR	94,334	21,948
- Turkish Lira	28,651	41,194
- Other	-	-
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
- USD	-	-
D. Total amount of other CPM given	-	-
i) Total amount of CPM given on behalf of the majority shareholder	-	-
ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
Total	892,374	752,295

As of 31 December 2018, since Company does not have any other CPMs given (D), ratio to equity is none (31 December 2017: None).

NOTE 14 - EMPLOYEE BENEFIT OBLIGATIONS

Payables for employee benefit obligations	31 December 2018	31 December 2017
Social security premiums payable	3,305	3,016
Payables to employees	110	166
Total	3,415	3,182
Current provisions for employee benefits	31 December 2018	31 December 2017
Provision for premium	7,010	9,300
Provision for unused vacation rights	710	1,727
Total	7,720	11,027

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NOTE 14 - EMPLOYEE BENEFIT OBLIGATIONS (Continued)

Non-current provisions for employee benefits	31 December 2018	31 December 2017
Provision for employee termination benefits and employee termination incentive	22,179	24,178

Provision for employee termination benefits

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

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

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

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

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

	31 December 2018	31 December 2017
Discount rate (%)	6,86	4,67
Probability of retirement (%)	98,25	98,20

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. . As the maximum liability is revised once every six months, the maximum amount of TL 6.018 effective from 1 January 2019 (1 January 2018: TL 5.001) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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

	2018	2017
Balances as of 1 January	24,178	19,131
Service cost	4,217	2,767
Interest cost	1,659	892
Compensation paid	(5,897)	(2,366)
(Gains)/losses on remeasurements of defined benefit plans	(1,978)	3,754
Balances as of 31 December	22,179	24,178

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NOTE 15 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2018	31 December 2017
Value Added Taxes ("VAT") receivables	167,927	128,682
Other	330	7
Total	168,257	128,689

b) Prepayments - Short-term:

	31 December 2018	31 December 2017
Prepaid expenses	5,772	3,730
Advances given	2,519	4,384
Total	8,291	8,114

c) Prepayments - Long-term:

	31 December 2018	31 December 2017
Advances given for purchase of property, plant and equipment	8,048	10,573
Prepaid expenses	39	177
Total	8,087	10,750

d) Deferred Income:

	31 December 2018	31 December 2017
Order advances received	6,170	8,325

NOTE 16 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2018		31 December 2017	
	Asset	Liability	Asset	Liability
Held for trading	-	-	-	1,752
Subject to hedge accounting	3,273	-	2,507	-
Total	3,273	-	2,507	1,752

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NOTE 16 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative instruments held for hedging:

	31 December 2018		31 December 2017	
	Contract amount USD (thousand)	Fair value Asset amount TL	Contract amount USD (thousand)	Fair value Asset amount TL
Interest rate swap	28,333	3,273	48,126	2,507

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

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

These derivative 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 statement of profit or loss.

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 2018, fixed interest rates are 1.13% and 1.35% (31 December 2017: 1.13% and 1.35%). Main floating interest rates that Group is subject to are EURIBOR and LIBOR.

Derivative financial instruments held for trading

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

	31 December 2018		31 December 2017	
	Contract amount (thousand)	Fair value Liability amount TL	Contract amount (thousand)	Fair value Liability amount TL
Foreign exchange held for trading transactions: - EUR	-	-	7,400	1,752

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NOTE 17 - 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 2018 and 2017 is presented below:

	31 December 2018	31 December 2017
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 2018	Share %	31 December 2017
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
Inflation adjustments on 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 2017: 18,500,000,000) shares issued on bearer with a nominal value of Kr 1 (31 December 2017: Kr 1) each. All shareholders have same rights and there are not issued different type of shares such as privilege. Adjustment to share capital represents the difference between the amounts of the restatement effect of cash and cash equivalents contributions to share capital and the amounts before the restatements.

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

In accordance with TAS, the Company has to classify the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 160,293 as of 31 December 2018 (31 December 2017: TL 140,498). This amount fully consists of legal reserves.

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NOTE 17 – 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 if has not been transferred to capital yet, shall be classified under the "Adjustments to Share Capital", following the "Paid-in capital";
- The difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained Earnings".

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

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

Dividend Distribution

Regarding the dividend distribution, the entities have to distribute their profits under the scope of CMB Communiqué Serial: II-19.1, their articles of association and their previously publicly declared profit distribution policies.

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

In the case of making decision on dividend payment, dividend is paid in cash or is distributed as "bonus shares" to shareholders by adding dividend to capital or distributed cash and bonus shares in certain amounts according to the decision that is taken by the general assembly of the company.

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NOTE 17 – EQUITY (Continued)

In the ordinary general assembly meeting held on 2 April 2018, the Company has decided to reserve second order legal reserves amounting to TL 19,795 and pay gross profit share amounting to TL 207,200, from the distributable profits and retained earnings of the year 2017, as required by the Turkish Commercial Code and the Company's Articles of Association. Dividend payments were completed on 6 April 2018.

Repurchased shares

In accordance with the decision taken by the Board of Directors on 9 May 2018, a share repurchase program was initiated. In the scope of the program, a total of 2,878,534 shares, which correspond to 1.56% of the Company's capital were repurchased for 31.464 TL, until 31 December 2018 (31 December 2017: None)

Financing of share repurchase is provided from the Company's internal sources. As a report date, there was no sale of repurchased shares.

NOTE 18 - REVENUE AND COST OF SALES

Sales and cost of goods sold for the years ended 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Domestic sales	2,075,227	1,892,040
Export sales	1,609,881	998,020
Less: Sales returns	(346)	(1,976)
Less: Other discounts	(147,214)	(126,371)
Net sales income	3,537,548	2,761,713
Cost of sales (-)	(2,916,366)	(2,203,144)
Gross profit	621,182	558,569

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NOTE 19 - EXPENSES BY NATURE

Cost of sales, marketing expenses, general administrative expenses and research and development expenses by nature for the years ended as of 31 December 2018 and 2017 are as follows;

	31 December 2018	31 December 2017
Raw materials and goods	2,614,138	1,936,464
Employee benefits	129,283	121,258
Depreciation and amortization	89,829	82,738
Consumables	47,412	34,931
Commission expenses	43,693	27,183
Export expenses	28,057	23,881
Maintenance, repair and cleaning expenses	23,891	19,082
Consultancy and audit expenses	22,743	17,768
Information technologies expense	8,829	10,369
Rent expenses	8,458	6,784
Insurance expenses	6,830	6,617
Other	52,488	47,897
Total	3,075,651	2,334,972

NOTE 20 - INCOME AND EXPENSE FROM OPERATING ACTIVITIES

Income from other operating activities by nature for the years ended as of 31 December 2018 and 2017 are as follows;

	31 December 2018	31 December 2017
Foreign exchange income from trading transactions	503,684	231,166
Interest income from credit sales	31,099	20,069
Scrap sales income	3,488	2,783
Other	886	555
Total	539,157	254,573

Expense from other operating activities by nature for the years ended as of 31 December 2018 and 2017 are as follows;

	31 December 2018	31 December 2017
Foreign exchange expense from trading transactions	450,470	199,032
Interest expense from credit purchases	13,617	8,999
Provision for doubtful receivables (Note 7)	244	494
Other	5,004	3,847
Total	469,335	212,372

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NOTE 21 – INCOME FROM INVESTMENT ACTIVITIES

Income from investment activities for the years ended at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Income from fixed asset sales	10,022	2,116
Rent income	6,859	5,990
Total	16,881	8,106

NOTE 22 – FINANCE INCOME/COSTS

Financial income for the years ended at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Foreign exchange income	829,675	230,773
Interest income	44,448	21,190
Total	874,123	251,963

Financial costs for the years ended at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Foreign exchange loss	1,104,570	289,756
Borrowing costs	50,111	26,071
Total	1,154,681	315,827

NOTE 23 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Income tax expense	(35,736)	(60,807)
Deferred tax expense	3,457	(9,012)
Total tax expense	(32,279)	(69,819)

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NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

Corporate Tax

The Group is subject to corporate tax valid in Turkey. Tax liability provisions are determined in accordance with the current year financial activities.

The corporate tax rate in Turkey is 20%. However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% will increase to %22, which will correspond to the corporate earnings of the taxation periods of the years 2018, 2019 and 2020 (for the institutions that have been appointed for the special accounting period). Corporate tax rate is applied to the income of the corporation which is the result of adding the expenses that are not accepted as deduction in accordance with the tax legislation of the corporation and deduction of the exemptions and discounts in the tax laws. Losses can be carried forward for a maximum period of 5 years to be deducted from the taxable profit to be incurred in future years. However, the losses cannot be deducted from the profits of the previous years.

There is no agreement with the tax authorities on the tax payable in Turkey. The corporate tax declaration is given on the 25th day of the fourth month following the month of the closing of the accounting period and is paid until the end of the month.

Companies declare their temporary tax, which is equal to 20% of their quarterly financial income (22% for taxation periods of 2018, 2019 and 2020) until the 14th day of the second month following that period and pay it till the evening of the 17th day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid still left after the deduction, this amount can be refunded as cash or offset.

Income Withholding Tax

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution.

Deferred Income Tax Assets and Liabilities

The Company calculates deferred tax assets and liabilities considering the effect of temporary differences arising from different valuation of balance sheet items according to TAS and statutory financial statements. Such temporary differences usually result from the recognition of revenue and expenses in different reporting periods according to TAS and Tax Code.

The tax rate used in the calculation of deferred tax assets and liabilities is 20% and 22% (2017: 20% and 22%).

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NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2018 and 2017 are as follows:

	Temporary taxable differences		Deferred income tax asset/liability	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Property, plant and equipment and intangible assets	(117,926)	(120,123)	(22,540)	(23,802)
Derivative instruments	(3,273)	(755)	(720)	(166)
Trade payables	(2,976)	(3,386)	(655)	(745)
			(23,915)	(24,713)
Deferred income tax liabilities				
Employee termination benefits	22,899	25,906	4,663	5,302
Inventories	5,227	(6,306)	1,150	(1,388)
Other short-term liabilities	3,759	3,077	837	677
Trade receivables	1,859	1,444	409	318
Other	898	(545)	198	(120)
Deferred income tax assets			7,257	4,789
Deferred income tax assets/(liabilities), net			(16,658)	(19,924)

Movement for the deferred income tax liabilities for the periods ended at 31 December 2018 and 2017 are as follows:

	2018	2017
1 January	19,924	11,673
Deferred tax expense	(3,457)	9,012
Credited to equity	396	(751)
Currency translation differences	(205)	(10)
31 December	16,658	19,924
	31 December 2018	31 December 2017
Calculated corporate income tax	35,736	60,807
Amount offset from VAT receivables and prepaid corporate taxes	(27,940)	(52,583)
Current tax liabilities, current	7,796	8,224

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NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of tax expenses stated in consolidated income statements for the years ended 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Profit before tax	256,575	364,790
Expected tax expense of the Group (22%)	56,447	80,254
The effect of application of equity method	11,467	48,394
The effect of foreign subsidiaries	-	(12,244)
Investment incentives	(14,247)	(51,605)
Discounts and exemptions	(13,380)	(4,465)
Revaluation effect (*)	(96,919)	-
Additions	7,626	4,225
Tax effect (22%)	(23,200)	(3,453)
Tax rate effect (20%)	(968)	(6,982)
Current period tax expense of the Group	32,279	69,819

(*) The effect of TL 96,919 is due to the property valuation carried out in the legal books, pursuant to Article 5 of the Law Regarding Amendment of Some Laws, No 7114.

NOTE 24 - 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 2018 and 2017 as follows:

	31 December 2018	31 December 2017
Net income attributable to the equity holders of the parent (TL) (*) (A)	224,295,974	294,971,053
Weighted average number of shares (B)	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	1.21	1.59

(*) Amounts expressed in Turkish Lira.

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NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Short-term trade receivables due from related parties

As of 31 December 2018 and 2017, trade receivables from related parties are as follows:

	31 December 2018	31 December 2017
Ak-Pa Tekstil İhracat Pazarlama A.Ş. ("Ak-Pa") ⁽¹⁾	270,798	166,709
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. ("DowAksa") ⁽²⁾	13,947	7,828
Akkim Kimya San. ve Tic. A.Ş. ("Akkim") ⁽¹⁾	12,316	6,365
Other	439	217
Less: Unearned finance income on credit sales (-)	(1,373)	(399)
Total	296,127	180,720

(*) 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 2018 and 2017 and are discounted with annual average discount rate of 4% (31 December 2017:1%) based on USD.

b) Short-term trade payables due to related parties

As of 31 December 2018 and 2017, short-term trade payables to related parties are as follows:

	31 December 2018	31 December 2017
Ak-Pa ⁽¹⁾	23,271	8,162
Akkim ⁽¹⁾	12,426	14,818
Akgirişim Müt. Müş. Çevre Tek. San. Tic. A.Ş. ("Akgirişim") ⁽⁴⁾	7,529	907
Akkök Holding ⁽³⁾	2,933	2,410
Dinkal Sigorta Acenteliği A.Ş. (**) ⁽¹⁾	2,595	2,366
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. ⁽¹⁾	1,848	1,224
Yalova Kompozit ve Kimya İhtisas ⁽⁴⁾ Organize Sanayi Bölgesi ("Yalkim OSB")	1,394	3,765
Other	311	736
Total	52,307	34,388

(**) Consists of balance to be paid to insurance companies by means of Dinkal Sigorta Acenteliği A.Ş.

(1) Akkök Holding subsidiary

(2) Company's joint venture's subsidiary

(3) Company main shareholder

(4) Other related parties

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NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Other receivables due to related parties

Other receivables from joint ventures for the year ended as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
DowAksa - Leasing receivables ⁽²⁾	24,678	12,879
DowAksa - Unearned finance income (-) ⁽²⁾	-	(2,537)
Other short-term receivables	24,678	10,342
DowAksa - Leasing receivables ⁽²⁾	-	118,588
DowAksa - Unearned finance income (-) ⁽²⁾	-	(15,811)
Other long-term receivables	-	102,777
Total	24,678	113,119

Receivables are shown as below in terms of period of the collection as of 31 December 2018 and 2017 are as follows:

	31 December 2018			31 December 2017		
	Leasing	Interest	Total	Leasing	Interest	Total
Less than 3 months	-	-	-	1,186	398	1,584
Between 3-12 months	24,678	-	24,678	9,156	2,139	11,295
Between 1-2 years	-	-	-	12,452	2,608	15,060
Between 2-3 years	-	-	-	12,737	2,323	15,060
Between 3-4 years	-	-	-	13,028	2,032	15,060
4 years and longer	-	-	-	64,560	8,848	73,408
	24,678	-	24,678	113,119	18,348	131,467

According to the agreement between the Company, DowAksa and DowAksa Advanced Composites Holdings B.V., the facility of Solvent Recovery Unit was delivered to DowAksa in accordance with the leasing model. The usage of the facility was revised, a new agreement has been reached between the two companies and the facility has been transferred as of 31 December 2018 to the fact that a large part of the capacity is used by the Company.

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

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NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

d) Advances Given

Advances given to related parties for the year ended as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Akışim ⁽⁴⁾	1,716	25
Yalkim OSB ⁽⁴⁾	-	710
Total	1,716	735

Advances given to related parties consist of advance payment related to various investment projects in the facilities located in Yalova.

e) Sales

Sales to related parties and other incomes for the years ended as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Ak-Pa (*) ⁽¹⁾	1,623,154	1,019,773
Akkim ⁽¹⁾	98,386	55,554
DowAksa ⁽²⁾	48,821	30,533
Other	5,761	3,046
Total	1,776,122	1,108,906

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

Other sales to related parties mainly consist of rent income, steam and electricity sales.

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

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NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

f) Purchases of goods and services

Product and service purchases from related parties for the years ended 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Akkim ⁽¹⁾	92,646	82,500
Yalkim OSB ⁽⁴⁾	40,506	19,348
Akgirişim ⁽⁴⁾	37,224	23,581
Ak-Pa ⁽¹⁾	24,722	15,601
Dinkal Sigorta Acenteliği A.Ş. (*) ⁽¹⁾	15,008	14,381
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. ⁽¹⁾	13,513	10,549
Akkök Holding ⁽³⁾	9,705	9,027
Other	4,143	2,822
Total	237,467	177,809

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

Purchases from related parties consist of chemicals, insurance, construction business, consulting, commission, rent expenses and various service procurement.

The Company defined its key management personnel as board of directors and members of the executive committee. Benefits provided to key management personnel as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Salary and other short-term employee benefits	9,293	6,001
Employment termination benefits	16	16
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	9,309	6,017

(1) Akkök Holding subsidiary

(2) Company's joint venture's subsidiary

(3) Company main shareholder

(4) Other related parties

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NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Benefits provided to the Board of Directors, for the years ended 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Salary and other short-term employee benefits	1,243	1,222
Employment termination benefit	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	1,243	1,222

NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk factors

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

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**NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)**

Credit risk

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

Trade Receivable Aging Analysis

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

Trade Receivables	31 December 2018	31 December 2017
1-30 days overdue	110,901	51,360
1-3 months overdue	64,988	14,282
3-12 months overdue	44,589	841
More than 12 months overdue	35,965	209
Total (*)	256,443	66,692
Secured with guarantees	240,202	64,619

(*) TL 114,401 of the amount has been collected as of the date of the report (31 December 2017:
TL 43,743)

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NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2018 the Group’s maximum exposure to credit risk is presented below:

31 December 2018	Related Parties	<u>Trade receivables</u>	Related Parties	<u>Other receivables</u>	Related Parties	<u>Deposits at bank</u>
		Unrelated Parties		Unrelated Parties		Other
Maximum credit risk exposure as of reporting date	296,127	624,081	24,678	2,242	-	837,667
- Secured portion of maximum credit risk by guarantees (*)	240,674	503,910	-	-	-	-
Net book value of financial assets either are not due or not impaired	256,802	406,265	24,678	2,242	-	837,667
Net book value of the expired or not impaired financial assets	39,325	217,118	-	-	-	-
- Secured portion with guarantees	38,897	201,305	-	-	-	-
Net book value of impaired assets	-	698	-	-	-	-
- Matured (gross book value)	-	28,379	-	-	-	-
- Impairment (-) (Note 7)	-	(27,681)	-	-	-	-
- Secured portion with guarantees	-	(698)	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

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

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NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2017 the Group's maximum exposure to credit risk is presented below:

31 December 2017	Related Parties	<u>Trade receivables</u>	Related Parties	<u>Other receivables</u>	Related Parties	<u>Deposits at bank</u>
		Unrelated Parties		Unrelated Parties		Other
Maximum credit risk exposure as of reporting date	180,720	549,135	113,119	3,271	-	559,382
- Secured portion of maximum credit risk by guarantees (*)	178,451	456,468	-	-	-	-
Net book value of financial assets either are not due or not impaired	170,675	491,791	113,119	3,271	-	559,382
Net book value of the expired or not impaired financial assets	10,046	56,646	-	-	-	-
- <i>Secured portion with guarantees</i>	10,046	54,573	-	-	-	-
Net book value of impaired assets	-	698	-	-	-	-
- <i>Matured (gross book value)</i>	-	28,135	-	-	-	-
- <i>Impairment (-) (Note 7)</i>	-	(27,437)	-	-	-	-
- <i>Secured portion with guarantees</i>	-	(698)	-	-	-	-
Off balance sheet credit risks	-	-	-	-	-	-

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

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**NOTE 26 - 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 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 2018		31 December 2017	
	TL	USD(*)	TL	USD(*)
Assets	1,651,784	313,974	1,338,602	354,888
Liabilities	2,648,086	503,352	1,861,733	493,580
Net balance sheet position	(996,302)	(189,378)	(523,131)	(138,692)
Net asset/ (liability) position of off-balance sheet derivative instruments in foreign currency	-	-	(486)	(129)
Net foreign currency asset / (liability) position	(996,302)	(189,378)	(523,617)	(138,821)
Stocks under natural hedge (**)	449,818	85,502	383,549	101,686
Net foreign currency position after naturel hedge	(546,484)	(103,876)	(140,068)	(37,135)

(*) USD amounts are calculated via dividing the TL amounts to balance date USD exchange rate.

(**) The Group limits the foreign currency risk arising net foreign currency financial liabilities and trade payables by reflecting exchange rate changes in product sales prices. As of the related date, the Group has total raw material, semi-finished and finished goods.

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**NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)**

Foreign currency position as of 31 December 2018 and 2017 are as follows:

	31 December 2018			
	TL equivalent	USD position	EUR position	Other
1. Trade Receivables	827,191	143,169	12,275	-
2a. Monetary Financial Assets) (including cash and bank accounts)	799,915	118,836	28,571	2,506
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	24,678	4,691	-	-
4. Current Assets (1+2+3)	1,651,784	266,696	40,846	2,506
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-
9. Total Assets (4+8)	1,651,784	266,696	40,846	2,506
10. Trade Payables	732,033	133,590	4,843	36
11. Financial Liabilities	1,270,995	220,291	18,591	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	2,003,028	353,881	23,434	36
14. Trade Payables	-	-	-	-
15. Financial Liabilities	645,058	70,755	45,259	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	645,058	70,755	45,259	-
18. Total Liabilities (13+17)	2,648,086	424,636	68,693	36
19. Off Balance Sheet Derivative Items'				
Net Asset/(Liability) Position (19a-19b)	-	-	-	-
19a. Off balance sheet derivative asset amount	-	-	-	-
19b. Off balance sheet derivative liability amount	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(996,302)	(157,940)	(27,847)	2,470
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(1,020,980)	(162,631)	(27,847)	2,470
22. Fair Value of Financial Instruments				
Used for Foreign Hedge	-	-	-	-
23. Amount of Hedged Foreign Currency Assets	449,818	85,502	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

As of December 31, 2018, there is a net foreign currency deficit of TL 546,484 after natural hedge (December 31, 2017- TL 140,068)

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**NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)**

	31 December 2017			
	TL equivalent	USD position	EUR position	Other
1. Trade Receivables	717,354	175,928	11,908	-
2a. Monetary Financial Assets) (including cash and bank accounts)	508,129	91,358	35,261	4,314
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	10,342	2,742	-	-
4. Current Assets (1+2+3)	1,235,825	270,028	47,169	4,314
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	102,777	27,248	-	-
8. Non-Current Assets (5+6+7)	102,777	27,248	-	-
9. Total Assets (4+8)	1,338,602	297,276	47,169	4,314
10. Trade Payables	707,223	181,286	4,772	1,885
11. Financial Liabilities	734,666	192,491	1,906	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	1,441,889	373,777	6,678	1,885
14. Trade Payables	-	-	-	-
15. Financial Liabilities	419,844	48,126	52,778	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	419,844	48,126	52,778	-
18. Total Liabilities (13+17)	1,861,733	421,903	59,456	1,885
19. Off Balance Sheet Derivative Items'				
Net Asset/(Liability) Position (19a-19b)	(486)	8,730	(7,400)	-
19a. Off balance sheet derivative asset amount	32,929	8,730	-	-
19b. Off balance sheet derivative liability amount	33,415	-	7,400	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(523,617)	(115,897)	(19,687)	2,429
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(636,250)	(154,617)	(12,287)	2,429
22. Fair Value of Financial Instruments				
Used for Foreign Hedge	(1,752)	-	(388)	-
23. Amount of Hedged Foreign Currency Assets	383,549	101,686	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2018 and 2017, the situations to reach of net foreign position in the Group’s balance sheet with the changes in exchange rates are summarized in the table below:

31 December 2018	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% change of USD against TL				
USD net asset/ (liability)	(83,091)	83,091	28,666	(28,666)
Amount hedged for USD risk	-	-	-	-
USD net effect	(83,091)	83,091	28,666	(28,666)
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(16,786)	16,786	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	(16,786)	16,786		
31 December 2017	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% change of USD against TL				
USD net asset/ (liability)	(47,008)	47,008	22,201	(22,201)
Amount hedged for USD risk	-	-	-	-
USD net effect	(47,008)	47,008	22,201	(22,201)
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(5,548)	5,548	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	(5,548)	5,548	-	-

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

**NOTE 26 - 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 2018, other things being constant, if the interest rate depreciate/ appreciate by 1%, profit before tax would TL 6 (31 December 2017: TL 29), capitalized financial cost on construction in progress would TL 288 (31 December 2017: TL 1).

	31 December 2018	31 December 2017
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	828,171	540,190
Financial liabilities		
USD borrowings (fixed due to interest rate swap)	1,253,768	907,584
EUR borrowings	-	113,507
Credit Card Payments	9	1,965
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	-	-
Financial liabilities		
EUR borrowings	384,888	133,419
USD borrowings	277,396	-

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

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NOTE 26 - 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 2018:

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	1,900,858	2,012,046	444,982	840,970	477,490	248,604
Trade payables	721,593	724,569	532,232	192,337	-	-
Due to related parties	52,307	52,307	50,057	2,250	-	-
	2,674,758	2,788,922	1,027,271	1,035,557	477,490	248,604

31 December 2017:

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	1,150,586	1,176,149	204,897	542,281	428,971	-
Trade payables	713,949	717,335	548,110	169,225	-	-
Due to related parties	34,388	34,388	32,122	2,266	-	-
	1,898,923	1,927,872	785,129	713,772	428,971	-

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NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)

Import and export information:

Import and export in TL according to their original currency for the years ended at 31 December 2018 and 2017 are as follows:

Export

	31 December 2018	31 December 2017
USD	711,523	511,312
EUR	508,952	416,203
Other	389,406	70,505
Total	1,609,881	998,020

Import

	31 December 2018	31 December 2017
USD	1,881,978	1,272,386
EUR	299,790	334,097
Other	2,198	7,301
Total	2,183,966	1,613,784

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.

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NOTE 26 - NATURE OF LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)

The ratio of net debt to equity is as follows:

	31 December 2018	31 December 2017
Total monetary liabilities (*)	2,674,758	1,898,923
Less: Cash and cash equivalents (Note 4)	(837,838)	(559,536)
Net debt	1,836,920	1,339,387
Total shareholders' equity	1,447,482	1,376,119
Total capital	3,284,402	2,715,506
Debt/equity ratio	56%	49%

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

NOTE 27 - FINANCIAL INSTRUMENTS

Fair value estimation of financial instruments

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

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

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

Financial assets

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

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

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

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NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

Financial liabilities

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

The estimated fair values of foreign currency long-term borrowings are assumed to approximate to their carrying values due to bearing floating interest rates. The estimated fair values of long-term borrowings are calculated based on the effective market interest rates and the cash flow calculations are discounted accordingly (Note 6).

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 are, as prices) or indirectly (that are, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (that are, unobservable inputs).

31 December 2018	Level 1	Level 2	Level 3
Foreign currency held for trading	-	-	-
Hedging derivative financial instruments	-	3,273	-
Total asset / (liabilities)	-	3,273	-
31 December 2017	Level 1	Level 2	Level 3
Foreign currency held for trading	-	(1,752)	-
Hedging derivative financial instruments	-	2,507	-
Total asset / (liabilities)	-	755	-

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

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NOTE 28 – EVENTS AFTER REPORTING PERIOD

- 1) In line with the positive developments in acrylic fiber demand, our company has announced on 5 February 2019 that its capacity has been increased to the sector average levels.
- 2) Between 1 January – 14 February 2019, TL 3,645 of the Company’s shares has been purchased within the scope of repurchase program and the share of the company in total has increased to 1,81%.